

Analysis of Chinese Film Profit Model and Optimization Strategy

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Abstract. With the development of China's economy, people pay more attention to entertainment activities. Movies have become a great entertainment for people. The development of the film market has an important impact on people's lives and the development of China's economy. A good movie may not have high profitability, so studying the film's profit model and optimization strategy is necessary. Films are monetized mainly through the sale of box office copyrights and derivatives. This paper mainly analyzes the shortcomings of the Chinese film profit model and proposes optimization strategies through the film "Heat". Chinese films regard the box office as the most important way to make money while ignoring many other ways that have the potential to bring more money to the film. This article hopes to bring some new ideas to the film industry. As one of the entertainment methods of the masses, movies have also had a certain impact on the Chinese economy.

Keywords: Film Industry, Film Distribution, Film Box Office, Film Marketing.

1. Introduction

With the improvement of people's living standards, everyone pays more attention to entertainment life and a relaxed lifestyle. In their spare time, many people choose to watch movies. Excluding the special period from 2020 to 2022, the box office of Chinese films is on the rise. Nowadays, the state vigorously supports the film industry, and the film industry has received unprecedented attention. Whether the market or related fields are gradually tending to a state of benign development, Chinese films are booming [1].

1.1. Movie Box Office Data Background

As of 9:31 on August 18, 2023, the box office of Chinese films in 2023 exceeded 40 billion yuan, nearly two months earlier than October 10, 2021 [2]. In the 2023 single-film box office list, among the top ten works currently ranked, the top nine are all domestic films, which shows that Chinese audiences prefer domestic films, which is undoubtedly a great encouragement to creators [2]. According to the forecast of film market expert Liu Jianxin, the total box office this year is sure to exceed 55 billion yuan [2]. This is largely due to several movies in the summer, such as "All or Nothing", "Heat", "Disappearing Her", etc., which have contributed a lot to the box office of this year's film industry with excellent word of mouth and hot topics. Liu believes this year's hot film market will attract sensitive capital markets to quickly follow suit, bringing a lot of funds and resources to promote a new round of film creation [2].

1.2. Purpose and Significance of the Study

Such a large output of Chinese films makes the film industry a place where businesses must compete, greatly contributing to China's GDP. Therefore, how to complete the capital recovery of film shooting and the development of profitable forms of Chinese films is the core issue of whether the film industry can achieve sustainable development [3]. The main source of revenue for Chinese films is the box office, so the vast majority of film creators are committed to making films that meet the aesthetics and tastes of the audience [3]. However, they grossly neglected other forms of film monetization [3]. These heavily neglected forms of profit may bring more lucrative benefits to the film industry and further promote the development of the film industry. This article will further

analyze the profit model of the film industry and some other profit methods, analyze the current model's limitations, and the benefits of other models to provide recommendations for the future of the film industry.

1.3. Related Literature

At present, there are relevant studies on film profit models at home and abroad, but most scholars mainly study the development status and marketing strategies of the film industry, and very few scholars study film profit models and optimization strategies.

The paper published by Zhang, "On the Development Status and Countermeasures of China's Film Industry in the New Era", discusses the current situation and problems of China's film industry and gives corresponding solutions [1].

The paper published by Ding and Jiang, "On the Current Status and Trend of Chinese Film Research in Recent Years" discusses the box office performance of domestic films and the future development trend [4].

The paper by Zhang, "An Empirical Study on the Influencing Factors of Online Movie Box Office", discusses the impact of production cost, word-of-mouth score, and the number of reviews on the box office of online movies [5].

1.4. Research Framework

This paper uses a film as a specific case to analyze its specific profit method and the impact of various influencing factors on its profitability. And compare the situation of domestic and foreign film markets, analyze the shortcomings of the domestic market, and propose optimization strategies.

2. Case Description

The recently hit movie "Heat" had a box office of 807 million after seventeen days of release, and according to the box office sharing method, director Dapeng, as the producer, can earn at least 288 million yuan [6]. This is a youth inspirational film about Chen Shuo, a young man who loves dance, played by Wang Yibo, who perseveres to the end on the road of chasing his dreams and never gives up. The protagonist appears in a food city full of city atmosphere, and his stage is in front of the stall selling duck necks [7]. Chen Shuo's performance opportunities are unlimited: vegetable markets, community gardens, unapplauded car washes, empty subways late at night, or children's birthday parties. In the character's words, "As long as I can dance, I am willing" [7]. Ding Lei, played by Huang Bo, runs a street dance troupe, "Exclamation Point", which is Chen Shuo's dream place, and he does not hesitate to join the "Exclamation Point" as a sparring partner just because of his love. Love is not only reflected in Chen Shuo. Ding Lei plans to borrow money from his friends to raise money for the "exclamation point", but people are embarrassed in middle age, and everyone is eventually complaining [7]. Until he walked out of KTV, Ding Lei received a transfer from his friends and saw their message "Dance for us", it turned out that the love and dreams of middle-aged people have always been buried in their hearts, even if the cruel reality prevents them from moving forward [7]. This movie conveys people's love everywhere and the story of constantly fighting for this love. Director Dapeng invited dancers and dance clubs to jointly shoot this inspirational film with the theme of street dance and invited popular actor Wang Yibo to play the protagonist Chen Shuo; his love for street dance and the stage made him the best candidate for Chen Shuo to play, and his popularity also brought more attention and box office to the movie.

3. Analysis on the Problem

3.1. Current Situation of "Heat"

As of September 6, the 41st day of the release of "Heat", the box office was 902 million yuan. Its comprehensive box office on the day was 519, 600 yuan, ranking 10th, accounting for 1.2% of the

box office. Compared with other films in the same period, the “Heat” box office is obviously much lower than the planners expected to reach 5.8 billion yuan [8]. Although the enthusiastic production cost is not high, the box office of 900 million yuan is enough to return the cost and make money, but there is still a long way from the expected profit [8].

3.2. Factor Identified of Profit Model

There are many ways movies can be monetized. At present, the box office in China is the main way to make profits, which indeed brings huge profits to films, but there are many different ways to obtain profits.

3.2.1 Box office

“Heat”, like other Chinese films, regards the box office as the core way to make money. Usually, Chinese film box office revenue accounts for more than 90% of the total revenue of the entire film [3].

Box office refers to the theatrical revenue of a film [3]. With the development of e-commerce and the Internet, in the context of the continuous advancement and popularization of smart hardware devices, the consumption habits of moviegoers are also constantly changing [3]. The ticket purchase channels for movies are not limited to the traditional way of buying tickets - go to the cinema box office to buy offline, more people will choose to buy on the Internet because it is more convenient. Online ticket purchase allows consumers to know more about the film before watching it and have more choices, making it easier to find the movie they are interested in. In addition, this avoids the situation where consumers cannot buy tickets when they arrive at the cinema [3]. This more convenient way of purchasing tickets greatly increases the audience’s interest in watching movies, thereby increasing the sales of movie tickets. There are many factors affecting the box office of movies: some influencing factors come from outside the industry, such as the epidemic, demographic changes, macroeconomic trends, etc.; Some of the influences come from within the industry, and different film production, publicity, and screening decisions have an impact on the box office [9].

(1) Director’s influence

As the core force of film creation, the director greatly impacts the film’s box office, and the quality of a film depends on the director’s directing level and artistic achievements. Most viewers will judge whether it is worth watching a director’s new work based on his past work and word of mouth. The director of “Heat”, Dapeng, has created many excellent works, such as “Sewing Machine Band”, “Pancake Man”, “I Am Not Pan Jinlian” and other films with good reputations and box office. Therefore, “Heat” directed by him, has high expectations for the market, and audiences may choose to watch “Heat” because of him.

(2) Actor’s appeal

An actor’s box office appeal is credibility built up in his career in the film industry. The audience of the film in which he participates will be given priority to watching, and the actor’s name will form a fixed brand and become the film’s selling point [3]. In addition, the number of fans of the actor also has a huge impact on the box office. “Heat” invited Huang Bo and Wang Yibo to star. Huang Bo’s acting skills as a senior actor, needless to say, and his reputation is also very good. As a traffic star, Wang Yibo’s fan base is very large, and he can attract more people to watch “Heat”. They contributed greatly to the box office of “Heat”.

(3) Film genre and theme

Classifying movies has many ways, mainly divided into comedy, romance, action, drama, fantasy, suspense, thriller, crime, and science fiction. The type of film has a more obvious impact on the box office. “Heat” is a comedy that blends dance and competitive sports. Compared to other types of movies, comedies have a larger audience. However, the “Heat” box office was not as good as expected, mainly due to the theme. Nan Rumin, the curator of “Heat”, said: “As a street dance film, such a volume is really not easy” [8]. Sports movies do have obvious circle restrictions [8]. “Winning the Championship” released in 2020 achieved a box office of 836 million yuan; “Beyond” starring Zheng Kai, Li Chen, and other well-known actors in 2021, had a final box office of 142 million yuan;

“Chinese Table Tennis Jedi Strikes Back” starring Deng Chao released in February 2023 had a total box office of 100 million yuan [8]. It can be seen that although sports movies starring famous actors, the box office will still be limited by the circle to a certain extent. A niche hip-hop film that can achieve 1 billion at the box office is already successful [8].

(4) Film marketing promotion

Film consumption has a high selection cost for audiences who buy tickets first and then watch movies, so the early promotion of the film is particularly important because good marketing publicity has a strong appeal to the audience and is an important part of completing the box office goal [3]. Like most other Chinese films, the film uses the Internet for marketing. By posting highlights and behind-the-scenes footage of the movie on social platforms such as TikTok and Weibo, more people will be attracted to watch the movie. At the same time, put a trailer in places with a lot of traffic to let more people know about the movie. In addition, before the release of “Heat”, starring Wang Yibo participated in a very popular variety show in China, “This is Street Dance” and gained a lot of attention. The street dance-themed “Heat” also attracted some audiences to the variety show.

(5) Film release schedule

The Chinese film market is usually divided into several popular schedules: Spring Festival file, May Day file, summer file, National Day file, and Christmas file. Films released during these popular schedules usually get more box office because long holidays give people more opportunities to get into cinemas [3]. “Heat” was released in the summer. After its release, films such as “Megalodon 2” and “All or Nothing” were also released one after another, which brought great competitive pressure to “Heat” and was one of the main reasons why the box office was not as expected.

3.2.2 Ad placement

Advertising placements in movies can also bring great profits to movies. The placement of advertisements is usually cleverly combined with the plot, bringing rich benefits to the filmmakers and investors. For example, in the 2018 hit movie “The Richest Tomato”, the protagonists use China’s domestic mobile phone, Xiaomi. The film focuses on close-ups and makes a deep impression on people. During the movie’s hot screening, Xiaomi launched a series of co-branded products to promote consumer consumption. Different from carefully placed advertisements, some movies are very blunt to implant or over-implant advertisements, which not only does not get the desired effect but also makes the audience disgusted with the movie [3].

Another situation is that the ad is not strong enough to attract the audience’s attention, leading to the failure of ad placement. Therefore, cleverly inserting ads in movies can also bring a lot of revenue to movies.

3.2.3 Derivatives

After a film is released from theaters for a period of time, the copyright will be sold to TV stations or Internet video websites, and it will begin to be broadcast on Internet video websites and TV screens [3]. With the booming development of the Internet industry, some people will be more inclined to watch movies online than go to the cinema. Because this is not only cheap or even free but also saves time and money spent on the journey. Therefore, online copyright income accounts for a large proportion of film profits [3]. Producers and consumers have a relatively mature understanding of derivatives in the Western market, and derivatives have a better operation mode [3]. However, in the Chinese film market, derivatives are still limited to souvenirs and gifts. There is no mature industrial planning, production awareness, and obvious sales channel limitations [3].

4. Suggestions

4.1. Schedule of the Movie

“Heat” had high popularity at the beginning, but the main reason for the sharp drop in popularity after a few days was that there were too many movies in the same schedule, and they were all released

shortly after the release of “Heat”. This took away a lot of the box office of “Heat”, and a lot of potential viewers were drawn to watch other movies because they had more options. Therefore, distributors should release movies on a schedule that does not have much competition or release movies shortly after the release of other films in the same period and promote them more vigorously.

4.2. Marketing of the Film

High-quality storylines and films produced have received unsatisfactory box office conditions, and a marketing problem is likely [10]. At present, many Chinese films are marketed through social platforms, and marketing accounts are also used to increase the popularity of movies. The “Heat” marketing video mainly captures the clip of the protagonist dancing for marketing, creating a problem. In addition to the fans of the actor, most of this video can only attract some netizens who are interested in dance, and most netizens who do not understand dance will only cross out or have no deep impression after watching this video. Compared with “All or Nothing” released in the same schedule, it has attracted many audiences by using the popularity of its theme and the classic shots of actors in the movie. Therefore, more clips that can attract public interest should be intercepted for marketing.

4.3. Use Ad Placement to Increase Profitability

Over-placement in movies can really affect the audience’s viewing experience. But suppose this implanted product is used as a meme in the movie. In that case, it increases the revenue and makes the movie more exciting, thereby increasing the box office to a certain extent.

4.4. Development of Derivatives

Based on China’s huge number of movie users, China’s derivatives market still has huge potential [3]. Audiences usually immerse themselves in the movie for a period of time after watching a high-quality movie. At this time, they can get more revenue by selling character peripherals or co-branding with other products.

5. Conclusion

5.1. Summary

The profitability of a movie depends on many factors. From production to distribution, it determines the profitability of the film. The director and screenwriter are the core and foundation of a movie, and a good plot can attract the audience. Excellent old or traffic actors are the key elements to attract the audience. Second, copyright and derivatives are both markets with great potential. Many movies only focus on the revenue the box office generates; derivatives can also bring a lot of profit.

5.2. Research Significance

This article hopes to bring some new ideas to the film industry. As one of the entertainment methods of the masses, movies have also had a certain impact on the Chinese economy.

5.3. Limitations

This article mainly refers to the relevant literature and some of the authors’ thoughts and lacks data and market research. In the future, more data can be collected through interviews and surveys.

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