



## ShoWest 2008 Talking Points & Fact Sheet

### (1) Digital Cinema and 3D

- Explosive and expected growth by early adopters – 192 at end of 2005 to over 4,600 screens (out of 38,794)
- Both DCIP and CBG likely to reach deals this year – which accounts for **over 22,000 screens** in the U.S. and Canada.
- We appreciate the diligence and good will of the studios in negotiating VPF agreements that make the digital transition work financially.
- We especially appreciate the focus on VPF agreements that accommodate our small and independent exhibitors represented by the CBG. We want to ensure that a robust community of independent exhibitors survive and thrive in the digital age.
- Substantial financial benefits of digital distribution accrue to distributors into the indefinite future
- Digital cinema and networking provide opportunities for alternative content: concerts, opera, sporting events, etc. Lower the cost barrier for distribution of independent film
- Greater flexibility for theatre owners to add screens for hits, replace films that are not so popular
- Accommodate exciting technologies like 3D
- 3D is another enticement for people to come to the theatre, but will not be the primary factor in what may be a strong year for movie theatres
- *Hannah Montana* – most recent proof 3D has a future for both exhibitors and distributors
- Without broader penetration of digital cinema, 3D can't be done. **Time to finalize the deals.**
- 2008 brings New Line – *Journey to the Center of the Earth*; Disney – *Nightmare Before Christmas* (rr), *Bolt*; Summit – *Fly Me to the Moon*.
- 2009 will be an important test of 3D's appeal with **8 major releases**: Fox – *Avatar* (James Cameron); DreamWorks/Paramount – *Monsters vs. Aliens*; Fox – *Ice Age III*; Disney – *Up*, *A Christmas Carol*, *Toy Story*; TWC – *Piranha 3D*; Focus – *Coraline*.
- 2010 DreamWorks/Paramount – *How To Train Your Dragon*, *Shrek Goes Fourth*, *Master Mind*.

## (2) State of the industry / box office and admissions / short-term versus long-term

- **2007 a record year for box office**

Year	Box Office (in millions of \$)	Admissions (in billions)
2007	9.629	1.400
2006	9.138	1.395
2005	8.832	1.376

- Second strong year in a row – a year in which DVD sales declined more than 3 percent.
- 4-decade upward trend in box office and admissions.

Decade	Average Annual Admissions
1970-79	985 million/year
1980-89	1.1 billion/year
1990-99	1.3 billion/year
2000-07	1.45 billion/year

- DVDs and other in-home technologies – within a *properly structured release window* - are not a threat to movie theatres. Theater box office and admissions rose right along with the growth of DVDs.

## (3) A 12-month Season

- **Record breaking \$9.6 billion year could have been bigger**
  - Repeat business was curtailed because blockbuster releases were too close together in the summer
  - Glut of prestige, serious films in the fall made for a disappointing 3<sup>rd</sup> quarter
  - April was empty
  - Some studio execs have estimated hundreds of millions of dollars were left on the table
  - Summer glut repeated in holiday DVD releases – with the same result
- **Popular films will be successful no matter when they are released**
  - *Ice Age, Wild Hogs, The Mummy* show big box office is possible outside of summer and holidays
  - *Harry Potter* films have worked in the summer and the holidays

- **Mix of films is important to increase the movie-going habit**
  - More family films
  - More mid-range grossing films (first two months of **2008 is running 10% ahead of 2007** without a single blockbuster in the market)
  - Give films time to develop (*Juno* [\$3 million in its first weekend in wide release] is the highest grossing independent film since *My Big Fat Greek Wedding* in 2002)

#### (4) The right way to compare the theatrical market to DVDs

- **Box office vs. DVD Revenue**
  - The \$23 billion DVD business (sales and rentals) includes TV shows, catalog titles, exercise videos, adult titles and blank DVDs.
  - Adams Media Research points out that new releases only account for one third of DVD unit sales. Assuming rentals break down the same way, **consumer spending on new release theatrical movies on DVD was \$7.6 billion.**
  - 2007 box office was **\$9.629 billion**, making the movie theater a bigger revenue stream than new movies on DVD.
- **Theatrical Attendance vs. DVD Unit Sales and Rentals**
  - DVD unit sales:  $1.09 \text{ billion} / 3 = 330 \text{ million}$  units of new release theatrical DVDs.
  - DVD rental units:  $2.42 \text{ billion} / 3 = 800 \text{ million}$  rental units of new release theatricals.
  - **Total DVD units (sales and rentals): 1.13 billion.**
  - **2007 theatrical admissions: 1.400 billion.**

#### (5) New technologies not a threat

- New ways of viewing filmed entertainment in the home compete for time and attention with other home technologies
- People who love movies are promiscuous – they love them in many ways – and they love them more than once
  - **Moviegoers who own or subscribe to 4 or more in-home entertainment technologies go to the movies 10.5 per year.**
  - Moviegoers who own or subscribe to fewer than 4 in-home technologies attend 7.1 movies per year  
— Source: Nielsen Entertainment/NRG
- When people want to go out, they can't download their friends, spouses, kids or dates – they have to go out, and they go out to the movie theater

## (6) Ticket Prices

- **Movie theatres remain the most affordable form of out-of-home entertainment**
- Since 1977, ticket prices have increased, on average, less than the rate of inflation.
- The average ticket price in 1977 was \$2.23. That same ticket, in 2007 dollars, would cost **\$7.63**.
- 2007 average ticket price: **\$6.88**
- Average includes the increasingly popular luxury cinemas and 3D presentations which charge a premium over the regular ticket price.

## (7) Average Ticket Prices, Other Out of Home Entertainment

Event	Ticket Price	% Change	Average Premium Ticket
NFL (07) <sup>1</sup>	\$67.11	6.9	\$199.40
Concerts (07) <sup>2</sup>	\$62.07	1.3	—
NBA (07) <sup>1</sup>	\$48.83	3.6	—
NHL (07) <sup>1</sup>	\$48.72	7.7	\$112.10
Theater, Live (06) <sup>3</sup>	\$29.60	7.0	—
MLB (07) <sup>1</sup>	\$22.77	2.8	—
<b>Movies (07) <sup>4</sup></b>	<b>\$6.88</b>	<b>5.0</b>	—

Source: <sup>1</sup>Team Marketing Report  
Source: <sup>4</sup>NATO

Source: <sup>3</sup>Theatre Communications Group  
Source: <sup>2</sup>Pollstar

Event	Price Per Game	Length of Ave. Game	Price Per 103.4 Minutes Per Person
Laser Tag (07) <sup>1</sup>	\$7.00	12 – 15 min	\$53.61
Bowling (06) <sup>2</sup>	Weekday: \$2.83 Weekend: \$3.53 Average: \$3.18	45 min. (3 players, 1 game)	\$7.31
Movie <sup>3</sup>	\$6.88	103.4 minutes	\$6.88

Source: <sup>1</sup>Intl' Laser Tag Assn.

Source: <sup>2</sup>United States Bowling Congress / Mischel & Co. (ave. price/open game)

Source: <sup>3</sup>NATO

**(8) The price of concessions keeps ticket prices widely affordable and enables more people to come to the cinema.**

- o Stanford Business School Study  
[https://gsbapps.stanford.edu/researchpapers/detail1.asp?Document\\_ID=3040](https://gsbapps.stanford.edu/researchpapers/detail1.asp?Document_ID=3040)
- o "The theater owner has two choices. He can make money through admission tickets. Or he can make money through concessions," said UCSC economist Ricard Gil. "If he wants to make money on the ticket, that may deter a lot of people from coming in.

"So instead he charges a higher total price on people who are willing to pay for the whole movie experience," said Gil, an enthusiastic consumer of both movies and snacks. "And he's able to charge a lower price for the guy who can barely afford it."

—San Jose Mercury News, February 27, 2008

### (9) Box office during economic downturns

- o During the last 7 recession years, **theatrical box office increased in 5 of them**
- o The **largest increase** in box office was more than **\$670 million**
- o The largest decrease was \$170 million

Year	GDP percent change	Movie Theater Box Office (\$ in millions)		Year	GDP percent change	Movie Theater Box Office (\$ in millions)	
1965	6.4	1,042		1987	3.4	4,252	
1966	6.5	1,067		1988	4.1	4,458	
1967	2.5	1,110		1989	3.5	5,033	
1968	4.8	1,282		1990	1.9	5,022	
1969	3.1	1,294		1991	-0.2	4,803	decrease
1970	0.2	1,429	increase	1992	3.3	4,563	
1971	3.4	1,350		1993	2.7	4,897	
1972	5.3	1,583		1994	4.0	5,184	
1973	5.8	1,524		1995	2.5	5,269	
1974	-0.5	1,909	increase	1996	3.7	5,817	
1975	-0.2	2,115	increase	1997	4.5	6,216	
1976	5.3	2,036		1998	4.2	6,760	
1977	4.6	2,372		1999	4.5	7,314	
1978	5.6	2,643		2000	3.7	7,468	
1979	3.2	2,821		2001	0.8	8,125	increase
1980	-0.2	2,749	decrease	2002	1.6	9,272	
1981	2.5	2,966		2003	2.5	9,165	
1982	-1.9	3,453	increase	2004	3.6	9,215	
1983	4.5	3,766		2005	3.1	8,832	
1984	7.2	4,031		2006	2.9	9,138	
1985	4.1	3,749		2007	2.2	9,629	
1986	3.5	3,778					

Source: U.S. Bureau of Economic Analysis; NATO

## **(10) Screens & Sites**

- **2007**
  - 38,794 screens
  - 5,928 sites
  - 6.54 screens/site
  
- **2006**
  - 38,415 screens
  - 5,942 sites
  - 6.46 screens/site

## **(11) Consolidation / viability of independent theatre operators**

- Consolidation nationally and regionally will probably continue; common in a mature and stable industry
  
- **Still a vibrant and vital independent industry:**
  - 622 theatre companies in our survey
  - Under 100 screens – 576
  - Under 50 screens – 550
  - Under 10 screens – 441
  - Single screen – 145
  
- Innovative independents who know their markets will continue to thrive.

## **(12) Theatrical release window**

- **Remains stable**
  - Average for 2007 = 4 months 15 days
  - Average for 2006 = 4 months 11 days
  
- 2007 films without announced DVD release will likely drive the average slightly higher.
- Theatrical release remains the locomotive that drives the revenue train for movies. It is the optimum way to experience a film; builds buzz and glamour for subsequent release windows.
- Simultaneous release is such an inconsequential factor there is nothing useful to add to the topic.