

# Economic Downturns and the Box Office

- No one wishes tough economic times on anyone. It is a fact, however, that **movie theaters do especially well during economic downturns**.
- During the **last eight recession years** since 1965, movie theaters' box office and admissions increased in **six** of them.
- The greatest increase in box office during a recession year was \$860 million; the greatest decrease was \$170 million.
- In 2010, global box office reached an all-time high of \$31.8 billion. In the United States and Canada, the domestic market reached \$10.6 billion—the second time over \$10.5 billion at the box office. Four of the last five years saw increase in box office.
- The first quarter of 2011 has been difficult. Box office and admissions are both down compared to the same period in 2010. We believe that is primarily a function of the movies that are in the market. Comparisons against a time frame that included the highest-grossing movie of all time will understandably be tough.
- Consumers **cut back on higher-priced items** first during recessions.
- **People still seek out-of-home entertainment**—perhaps even more so—during economic hard times.
- Movie theaters remain **the least expensive** form of out-of-home entertainment.
- Adjusted for inflation, **the average movie ticket today costs less than it did in 1971**. The \$1.65 average movie ticket then would cost \$8.97 today. The average ticket price for 2010 was \$7.89.
- Matinees, children's pricing, and student and senior discounts offer a variety of inexpensive entertainment options.
- Movie theaters and the home market are different, and consumers treat them differently. Home video revenues were down 3.3% in 2010, 7.6% in 2009, 1.86% in 2008; top grossing films are returning a smaller percentage of the box office gross on DVD. Rentals are up. Netflix subscribers are up; more Netflix customers are streaming videos at no extra cost. Redbox \$1-a-night rental kiosks are increasing the number of rentals, but decreasing the average amount spent per transaction.
  - Consumers are economizing at home by making use of fixed cost and lower cost home entertainment options.
  - **They economize on their out-of-home entertainment expenses by going to movies.**