



National Association of Theatre Owners

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Hello CinemaCon 2019! I am so excited to be on this stage to kick off a week that will celebrate the strength of our industry, with exhibitors and distributors from around the world in the audience. This year, NATO reached an important milestone: in addition to proudly representing exhibitors both large and small in all 50 states, we now have members operating in 100 countries.

We would not have reached this milestone without members who volunteer their time to advance the moviegoing experience. I want to give a special shout out to John Loeks, a proud Michigander with a global vision. Congratulations, John!

This room is full of exhibition professionals who keep this industry running smoothly, but the theatrical experience wouldn't be the same without delicious food and beverage and groundbreaking cinema technologies. NATO appreciates the support of the National Association of Concessionaires and its President, Andrew Cretors, as well as the International Cinema Technology Association and its President, Alan Roe.

Thank you also to NCM for designing our presentation this morning.

In the background we continue to improve and streamline cinema technology. Studios, exhibitors and vendors have worked together so we now have an immersive audio standard for delivery to theaters. Additionally, there will be another improvement in the delivery format for the movies themselves. We are moving from an early interop digital format to the SMPTE-DCP format. The target date is April 12, just ten days away. NATO has committed to have all US/Canada theaters ready for the new format on that day. We are almost there! Only 200 sites are not ready for this transition, and we are working to make sure they are.

We've got a great week planned for you. We will get our first taste of the exciting movies set to open in 2019 and beyond with dynamic studio presentations and four full screenings. An assortment of panel discussions will delve into cutting-edge topics, such as artificial intelligence, diversity in content, documentaries and renewable energy. Our filmmaker lunch on Thursday will feature the Russo Brothers, Elizabeth Banks, Dexter Fletcher and Olivia Wilde: five directors who exemplify the importance of movie genre diversity in our industry. And as always our trade show is packed full of new innovations for every part of the business.

Before we look at where we are headed, let's look back at the year that was.

In 2018, the domestic box office set a new record with \$11.9 billion. Box office receipts and attendance rebounded in a big way after a lot of doom and gloom talk in 2017, confirming yet again the enduring importance of moviegoing in our culture.

Let's break down why the year was such a success.

Diversity in front of—and behind—the camera was a key driver. Moviegoers sent a clear message that they want to see themselves represented on the big screen by characters that are realistic and well-rounded. While there is still room for progress, we are encouraged by how studios and content creators continue this mission with exciting projects set to open in 2019 and beyond.

I would herald the strength of the summer season in 2018, but seasons do not mean what they used to. Our studio partners continue to maximize the potential of their titles all 52 weeks of the year with the help of smart marketing and detailed release-schedule analysis. The use of loyalty programs by exhibitors to cater to individual audience preferences pushes marketing campaigns across the finish line. We have only scratched the surface of how these programs can impact our business, and I encourage studios and exhibitors to continue to work together on this front to personalize moviegoing to our most loyal guests.

In 2018, the global box office hit \$41.7 billion, which marks a staggering 32% increase since 2010. Year-to-year fluctuations in certain territories based largely on the value of the dollar and the success of local films are unavoidable. Yet with such impressive growth this decade it's clear that consumers around the world continue to seek out the moviegoing experience.

2019's slate is incredibly promising thanks to titles with characters that audiences love as well as original stories from exciting directors. Take a look at some of the great movies that are opening this Summer. We are also very excited about the many highly-anticipated projects set to hit theaters this fall and during the holiday season. Spend even 10 minutes on any movie fan website and you will see that the enthusiasm for this year is palpable. People are ready to go to the movies a lot in 2019.

Success at the box office comes at a time when consumers have access to more content in the home, and the dynamic between theatrical and streaming continues to get a lot of attention.

There's no doubt that home entertainment consumption moves toward streaming more with each passing day. As large media companies look to establish direct relationships with consumers through streaming platforms—and the options in the home grow—competition for directors and stars who want their work seen on the big screen will only intensify. In this new climate it's important to ask: how does any given movie stand out among endless choices in the home? Everyone in this room knows the answer to that question: a robust theatrical release provides a level of prestige to a movie that CANNOT be replicated.

We understand that some movies will continue to go straight to the home and skip theatrical. There is nothing revolutionary about that idea. All we ask is that powerful movies in all genres, made by content creators who want their work on the big screen, be given the time to reach their full potential in theaters before heading to the home. Theatrical exhibition is the keystone of this industry, and there is no replacement—both artistically and commercially—for the impact of a break-out hit.

Theatrical and streaming are two completely different experiences that have their time and place. A recent study by Barclays looked at the value of opening streaming titles theatrically before releasing them to the home, and plenty of other financial analysts and content creators stress that the two should exist peacefully.

For the second year in a row, NATO conducted a study with Ernst & Young to better understand how going to the movies and streaming content interact. The study found that those who attended movies in theaters more frequently also tended to consume streaming content more frequently. For every race and age demographic, average streaming hours per week was higher for respondents who visited a movie theater nine times per year or more compared to those who visited a theater only once or twice. Streaming and theatrical don't just co-exist, they reinforce each other.

Younger audiences continue to embrace the theatrical experience. According to data from comScore—NATO's official data partner—moviegoers aged 13-24 accounted for 36.6% of the total box office in 2018, up from 36.1% in 2017. When looking at that in terms of tickets it means 30 million more were sold to that age group. Looking at it another way: 18-24 year olds represent 9.4% of the population, but according to comScore they generated 26.2% of the box office in 2018, up from 25.3% in 2017. That's the direct result of exhibition and distribution working together to connect with younger moviegoers.

On behalf of exhibition, I would like to thank members of the creative community who work tirelessly to create the content that connects with audiences across all demographics. Please join me in another round of applause for Jon Chu. Thank you, Jon, for bringing great films to moviegoers around the world. I also want to thank distributors for working hard to make every film as successful as it can possibly be -- in theaters.