

Fifteen weeks in a row. That's how many weeks in a row that it looks like admissions to theaters for movies will drop. That's not a streak that theater owners are happy about and rightfully so.

The question of course is why? Is it the quality of the movies? Is it the number of quality movies? Is it the availability of alternatives? Could it be due to a resurgence of broadcast TV with American Idol, CSI, Desperate Housewives, Lost and Grey's Anatomy bringing in record numbers of aggregate viewers? Could it be that it's becoming too easy to watch what we want to watch at home because of VOD and PVRs in the home? Are kids, a prime movie going audience staying at home to play video games or hang out online?

Or could it be that the movie industry has oversold the opening weekend of a movie as "must see" event to the point that the movie itself is more often a disappointment than an enjoyable reward?

I don't know. Yet.

But hey, at least it's a pleasure to not hear theater owners and the movie industry blame piracy as the cause of the attendance slide.

Let's take a look at this weekend Memorial Day Weekend.

[Madagascar](#), <  
[BlogBuzz](#)> a family film, and  
[The Longest Yard](#), <  
[BlogBuzz](#)> what I call a Top 40 Film. Then there are some limited release films like  
[A League of Ordinary Gentlemen](#) (from  
[Magpictures](#)) and [BombTheSystem](#).

but neither was released on more than 2 screens. **Put another way, there are only two English language films opening on more than 2 screens this weekend!** That's not a lot of movies to choose from if I want to have something cool to talk about at lunch or around the water cooler at work on Monday.

Of course there are continuing runs of movies, 10 or so expensive films, distributed by the Major studios, and another 20 or so shown in limited release. Of those 12, they are usually split up 1/4 (Madagascar, Kicking & Screaming, etc) or so are for family, 1/2 for Top 40 (Unleashed, Longest Yard, House of Wax, Star Wars, Monster in Law) and the rest typically fall in the "I want an Academy Award for Something" category (The Interpreter, Crash, Kingdom of Heaven) for those of us who hope to find a little bit of intellectual stimulation to go with our entertainment.

So on any given night, for whatever category you feel like putting yourself into for that night, you only have 3 or 4 major movies, and unless you live in NY or LA, only 6 or so limited release movies to choose from. Is that enough to always have something that the full range of movie going public wants to see?

That's not many choices. Not many choices for kids 12 -20 who make up the most active film goers. Not many choices for the rest of the population that goes 1x or less per month.

Then you add the battle you go through of not wanting to fight the crowds and lines and long walk from your parking spot against not wanting to wait so long that you are one of 4 people in the theater when you see the movie, or have listened to everyone at work talk about the movie and spoil it for you.

When there are 40k DVD titles, all the TV shows and Movies we can capture on our PVRs and VOD and PPV, you have to really want to go to the movies.

Which is a very good thing. People really do want to go to the movies. As Jack Valenti eloquently described in a speech to theater owners "what you offer consumers is an epic viewing experience and an alluring social adventure they cannot duplicate in their homes – stadium seating, huge screens ripe with luminance, the sensuality of digital sound, unknown but enthusiastic companions of a single night – all responding to the skills of cinema artists who can make you laugh or cry or hold you in suspense. Even if families in the future are equipped with the latest home-theater magic, it's just not the same as the emotional alchemy in a theater."

He is absolutely right. Going to the theater is something that will never be replicated at home. However, unless we give movie goers a reason to go, they won't.

There are about 175 movies per year that gross \$5mm or more. That's a little more than 3 per week. That ain't enough. In a world of choice, we have to provide more, and better choices to every demographic who could be a theatrical customer.

What will it take for movie producers to produce more good movies and drive more theater admissions?

There are a couple of issues in trying to get there and they are very straight forward.

**First**, movie producers need to maximize revenue in every means possible while a film is top of mind. That means being able to sell DVDs, PPV, Pay TV and however else we can generate revenues under the umbrella of a single advertising push. In other words, after spending tens of millions of dollars to get their attention, **why not allow consumers to buy the movie how they want it, when they want it, where they want**

it? That will give movie producers more revenue visibility and return and that will increase the number of movies they make.

**Second**, movie producers need to do a better job of defining the value of the theatrical experience. Regardless of when a consumer can see a movie, we have already defined the perceived value of waiting 4-6 months for a movie. Basically, its \$29.95 retail, \$20 dollars at Amazon or less at Best Buy. Then after a couple more months, the price is dropped further to \$14.95 or less and a new and enhanced version is released to grab a higher retail price from hardcore fans.

Why not price a DVD or the PPV at a significant premium for day and date delivery? It's \$29.95 retail if you want to wait 4 to 6 months. If you want to see it the same day its released in theaters, its \$39.95 retail. Plus, if we are smart, we will provide a \$10 or \$15 mail-in rebate against that price if you provide a ticket stub for the movie and a receipt for the PPV or DVD.

Not only does it expand the number of customers who can and will see the movie on opening night, but more importantly, it enhances the perceived value of going to the theater. 10 bucks to get out of the house, 40 bucks to stay home. Of course this won't make everyone happy. Some people will still think that both options are too expensive. No solution will make everyone happy, but it will expand the number of customers and the revenue base upon release.

**The 3rd option** is one that movie producers might not like, but needs to happen. **Theater owners need to share in the backend of DVD sales and rentals.** If the goal is to expand the revenue pie for every film, then as key partners in this effort, theater owners should benefit as well. DVD revenues have already surpassed box office receipts by 2x or more, but at the same time, the number of DVD sales and rental per movie release is dropping versus previous years. Rather than stonewalling each other, everyone will make more money if producers and theater groups work together to increase the pie.

How many DVDs of a title could be sold in theater to viewers who just saw the movie?

How much marketing support could come from DVD retailers and rental outlets to promote both the movie in theaters and for day and date availability in their stores?

How big an order would retailers and renters place that could be used to expand the marketing for the theatrical release?

How much money will be saved by not having to invest in a 2nd wave of advertising for the DVD release?

Would the net value of all the above be more than 1 pct in incremental revenue and cost savings? And if it is, what would be wrong with sharing 1 pct of DVD sales and rentals with theaters?

If the current box office is \$9 billion dollars, and theater owners are netting just a few percentage points of that, then distributing 1% of the estimated \$15 billion dollars of current year movie sales and rentals could plow a quick \$150 million to the bottom line of theater groups.

It would not only increase theatre level cash flow significantly, but also push up the price of stocks of publicly owned theater groups. As an example, if a group owned 6k out of 36k national screens, 1/6 of \$150 million could amount to \$25mm dollars. Using Regal Entertainment Group as an example, thats an extra 18 cents per share or double their income from last quarter. That's nothing to sneeze at.

**Of course all of this is easier said than done.** I don't expect the major studios to jump up and down to do this. Nor do I expect Regal or any major theatrical group to take the lead.

I do expect 2929 Entertainment and [HDNet Films](#) to take the lead. We will tailor the movies we develop to fit [Landmark Theaters](#) customer base. We will work with theater ownership groups, retailers and rental outlets who want to try this experiment to develop programs that expand the pie and create more cash flow for everyone.

I'm sure mistakes will be made along the way. I'm sure that there will be surprises. I'm sure we will have to do quite a bit of adjusting to make the program a win win for all involved.

So what?

If it works, everyone, particularly consumers benefit.

If it doesn't, everyone calls me a dumbass, and we go back to doing it the way it was always done.

I can handle that.