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BUSINESS

## Comfiest Seat in the House: Struggling Movie Theaters Go Upscale to Survive

Cinemas offer fancy dining, high-tech screens and giant recliners to lure consumers off the couch

*By Erich Schwartzel*

April 9, 2018 10:58 a.m. ET

SUN PRAIRIE, Wis.—The past and future of moviegoing can be found within one Madison, Wis., highway exit.

The abandoned Eastgate Theatre, a 16-screen multiplex where teenagers once lined up on opening night, represents the industry's struggles. Today, there is an empty Pepsi cup stuck in a dead tree outside and a neighboring Mazda dealership uses the parking lot to store new cars.



The Eastgate Theatre in Sun Prairie was closed in 2015 when its owners opened the Palace. I JUSTICE FOR THE WALL STREET JOURNAL

Three miles away, the new Palace Cinema of Sun Prairie features 14 auditoriums equipped with recliners wider than La-Z-Boys, large-format screens and a restaurant that serves entrees such as pesto primavera pasta during movies. The Eastgate squeezed patrons into seats measuring 22 inches across; the Palace has loveseat-style seats close to 5 feet wide.

Theater attendance last year fell to its lowest level since 1995, a crisis propelled by the rise of streaming. That is spurring the industry's biggest changes since the multiplex building boom of the 1990s, when suburban sprawl and a cash-rich Hollywood erected



New movie theaters like the Palace feature luxury recliners, dinner options and high-tech sound and screens.  
PHOTO: LAUREN JUSTICE FOR THE WALL STREET JOURNAL

cavernous auditoriums in every kind of neighborhood.

Today, exhibitors are tearing out seats and replacing them with luxury recliners—fitting fewer overall seats, but creating steadier revenue at higher prices. They’re adding high-end drinks and dining options, and sophisticated sound and screens that no home theater could replicate. Special attractions such as virtual-reality sections and child-friendly play areas are extras to entice people to leave their living rooms.

“There’s the face of what theaters were at one time,” said Rolando B. Rodriguez, the chief executive of Milwaukee-based Marcus Theatres, gesturing toward Eastgate. “If you’re building a product for the next 20 years, you need to either renovate it or you build new.” Marcus, the nation’s fourth-largest circuit, closed the Eastgate location in 2015 and opened the Palace.

The internet has forced nearly every mall-based retailer to retool. Many, from handbags stores to pet food sellers, have moved upmarket in search of growth. Coach Inc. cut ties with hundreds of department stores and shifted its focus to selling fewer but higher-priced handbags. Starbucks Corp. is building high-end coffee shops that will charge as much as \$12 a cup in response to competition from specialty roasters. Boutique clothing stores, facing heavy pressure from the internet, have been turning themselves into destinations, offering everything from high-end restaurants to meditation classes.

Movie theaters need to lure customers who have plenty of options to watch at home, and increasingly need a special reason to come out—a big-screen blockbuster or a date-night occasion. Big-budget productions are available on Netflix Inc., and studios continue to shorten the amount of time a movie stays in theaters before becoming available at home, which threatens to push numbers down even more.

The nation’s three largest movie chains— AMC Entertainment Holdings Inc., Regal Entertainment Group and Cinemark Holdings Inc. —have each dedicated hundreds of millions of dollars to the reseating efforts, saying between 40% and 55% of their auditoriums will be eventually renovated. AMC, the world’s largest exhibitor, said 247 of its 640 locations were outfitted with recliner seats at the end of last year.



The lobby bar at the Palace. PHOTO: LAUREN JUSTICE FOR THE WALL STREET JOURNAL

AMC has reported increased attendance in renovated theaters, especially for weekday screenings that used to play to empty houses. Regal, which has focused on offering more-

profitable food and alcohol options, reported in January that while 2017 box-office revenue fell 2.6%, sales of concessions slipped only 0.3%—a sign that adding chicken panini sandwiches and Stella Artois beer to some locations was working.

Investors wonder if consumers will ever return to the movies in the same numbers they once did. People have access to deep libraries of entertainment through Netflix, which plans to spend \$8 billion on original content in 2018 and has indicated it doesn't view theatrical release as a necessary part of making movies. Other streaming services are gaining popularity, and quality scripted television offers more competition for entertainment hours.

Ron Horton, former chief executive of Kansas-based Dickinson Theatres, sold his 169-screen circuit in 2014 after calculating it would cost about \$50 million to renovate his 15 locations and keep up with the trends. "It was an expense I wasn't willing to do," he said.

Dickinson was sold to B&B Theatres, a larger regional chain that has closed underperforming locations and put recliners and fancier food options in more successful auditoriums.

Studio Movie Grill, with 30 locations in nine states, is buying dying multiplexes or big-box locations left behind by bankrupt chains such as Circuit City and Sports Authority and retrofitting them with movie screens, in-theater dining and full-service bars.

"You break it down to the studs," said Brian Schultz, the chief executive. "The Toys 'R' Us closures have us super busy right now."

In locales such as Monrovia, Calif., near Los Angeles, where Studio Movie Grill retrofitted an older movie house, "People are staying for hours," he said.

Since the newer auditoriums have higher ticket prices and pricier food and drink options, the trend began in affluent neighborhoods but has since migrated to smaller communities where moviegoers treat the outing as a luxury. "You might not be able to go to the Bahamas, but it's a staycation," Mr. Schultz said.

Regal was acquired by U.K. operator Cineworld Group PLC in December for \$3.6 billion.



Studio Movie Grill, above in Marietta, Ga., is buying and retrofitting dying multiplexes or big-box locations left behind by bankrupt chains. PHOTO: MIKE MARTIN/SMG

Former No. 4 chain Carmike Cinemas Inc., sold itself to AMC after seeing its market share fall any time a splashier theater opened nearby.

VIP Cinema Seating, a New Albany, Miss.-based company, now controls 80% of the market for theater recliners in the U.S. Co-founder Stephen Simons started the company in 2008 after walking the show floor at an exhibitor convention with a friend and noticing that there were few options for auditorium seats.

“The U.S. market knew nothing of the premium seat,” and recliners were reserved for special-event sections of auditoriums, he said. The company started with 25 employees working in a 40,000-square-foot facility. Today it has 550 workers in a 600,000-square-foot space, and has plans this year for a second headquarters in the U.K. and a 150,000-square-foot manufacturing facility in Eastern Europe.

The company has installed more than 600,000 recliners around the world in the past decade, at a cost of \$600 to \$900 per single seat. Annual revenue hit \$130 million last year, up from \$48 million in 2014, Mr. Simons said, forecasting higher revenue in 2018.

Creating the company “was my 17th midlife crisis, so I just gave it a shot,” said Mr. Simons. “As luck would have it, we were prepared to handle” the demand.



Some iPic theaters feature lounge seats with wraparound sound technology. PHOTO: JAIME GUILLEN

In the  
1990s,  
U.S.  
theater  
chains  
built

sprawling multiplexes in response to increased competition from VHS rental stores

such as Blockbuster. The number of screens ballooned to more than 36,000 from 25,000.

The AMC Grand 24 opened in 1995 in northwest Dallas, a 24-screen, 85,000-square-foot colossus with stadium seating that was once the biggest theater in the country. Moviegoers drove three hours to visit.

The layout reinvigorated the industry, and multiplexes with one or two dozen screens sprang up across the suburbs. In many cases, securing a multiplex as an anchor tenant enabled developers to build an entire mall. But overbuilding quickly led to a bust. A wave of bankruptcies hit around 2001, and amid consolidation AMC, Regal and Cinemark emerged as the three biggest chains.

The financial crisis in 2008 froze financing for new malls and shopping plazas that would house new theaters. “Our approach used to be, add new and take away the underperforming,” said Mark McDonald, AMC’s executive vice president of global development. “The real-estate crisis told us we need to do more with the real estate we have.”

In early 2011, AMC decided to try out a concept it had seen in some European chains. It added plush recliners into four of the 12 auditoriums at the AMC Lakewood Mall theater outside Tacoma, Wash., reducing capacity in each by two-thirds. The reconfigured auditoriums operated alongside unrenovated ones, as a controlled experiment. Ticket prices initially remained the same.

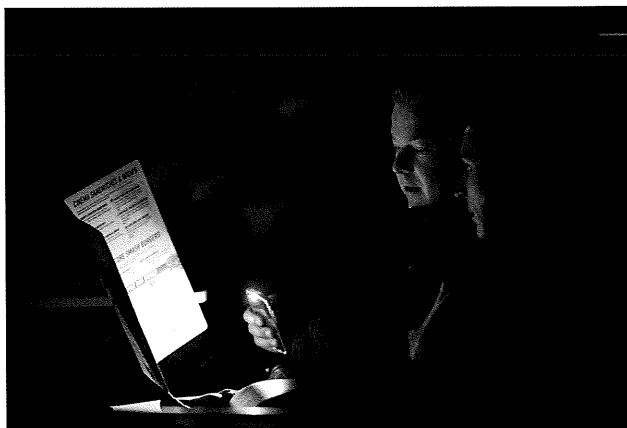
AMC noticed that some customers were deciding what to see based on which auditorium it was playing in, rather than the movie itself. Ticket sales rose for weeknight showings, a typically dead time for most theaters. A traditional movie theater sees attendance decline 1% or 2% a year as the facility ages, Mr. McDonald said. Attendance overall at Lakewood doubled within 18 months of all auditoriums getting the recliners.

In 2014, AMC said it would take the reseating strategy nationwide and spend \$600 million to revamp 1,800 auditoriums, about a third of its total at the time, backed by its new majority shareholder, China’s Dalian Wanda Group Corp.

Many of the multiplexes built in the late 1990s were operating with 15-year leases that came up for renewal as the renovation trend was taking off. Exhibitors cited the success of redone auditoriums in negotiations with landlords, exhibitor and real-estate executives said. At Regal, executives held meetings they called “catch-up” sessions to discuss how to replicate AMC’s model, according to a former Regal executive.

AMC is now exporting the design to London-based Odeon & UCI Cinemas, the theater company with about 2,200 screens across Europe it bought in 2016. (The U.S.’s busiest theaters, such as those found in New York’s Times Square or Los Angeles, are unlikely to ever get the luxury-recliner treatment since they regularly sell out hundreds of seats.)

Smaller chains with even more luxurious offerings have expanded in the past three



Josh Erdman and Angie Welch looked at the menu at the Palace Cinema in Sun Prairie. PHOTO: LAUREN JUSTICE FOR THE WALL STREET JOURNAL

years. iPic Entertainment has 15 locations in nine states, with 115 screens. It charges as much as \$32 a ticket, and members get extra perks, including cast Q-and-As and food tastings, and logoed blankets to use at the seats.

Even single-screen houses like the Diamond Theatre in Ligonier, Pa., a tiny community about 60 miles east of Pittsburgh, are getting in on the concept.

Leigh Ann Rice-McCulty and her husband purchased the 1930s theater in 2015 for \$225,000. They couldn't get a loan for the purchase—banks said it was a money loser—so they cashed in their savings to buy it.

They spent an additional \$15,000 to install two rows of what she calls “sweet seats” from VIP covering about 10% of the auditorium's 200 seats. Most tickets cost \$8; the recliners cost \$12 and must be reserved in advance.

“A lot of people didn't know what they were” at the time, said Mrs. Rice-McCulty, but now they often sell out first. “They were smitten with them.”

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## Can Craft Cocktails Save the American Movie Theater?

<http://fortune.com/2018/02/24/ipic-luxury-movie-theater/>

By [TOM HUDDLESTON JR.](#)

February 24, 2018

Can a craft cocktail and lobster roll with your movie help defeat Netflix? That's partly the idea behind iPic Entertainment ([iPIC, -0.10%](#)), the Boca Raton-based luxury movie theater chain that recently launched an IPO with a plan to expand beyond its 16 U.S. locations, all of which offer gourmet cuisine and cushy leather seats.

The rise of streaming services like Netflix ([NFLX, -2.90%](#)) and others means it's now more than just cord-cutters who tend to opt for a night at home over a trip to the local multiplex. Box office revenue has been relatively flat in recent years, thanks to rising ticket prices, but actual movie ticket sales dropped 6% last year to hit their lowest level (1.24 million) in over two decades, according to the National Association of Theatre Owners.

Facing a cultural shift, movie theater operators are now forced to go the extra mile. Many of the big chains have already tried rolling out features like reclining chairs, reserved seating, and improved concessions menus with combo deals. But, the bleeding continues. Shares of AMC Entertainment ([AMC, +1.03%](#)), the largest U.S. theater-owner, declined by more than half in 2017.

Clearly, iPic believes that a luxurious night out can convince homebodies to ditch their TV sets. The company, which saw revenue increase 25% to \$69.4 million in the first half of 2017, raised over \$15 million from its February IPO to help fund new locations in California, Connecticut, Philadelphia, and New York. Texas-based Alamo Drafthouse Cinemas has also been expanding across the country with a similar model where waiters dish out non-traditional movie theater fare at your seat.

Not all theaters have to become luxury destinations, but they might need to be more open to new ideas to reverse negative trends. Movie ticketing subscription service MoviePass recently saw its membership base soar to more than 1.5 million, thanks to low pricing, and it is now looking to partner with movie theater chains on profit-sharing deals as it tries to boost movie attendance overall.

One thing is clear: it'll take a lot more than stale popcorn for movie theaters to compete with your couch.

*A version of this article appears in the March 2018 issue of Fortune with the headline "Movie Theaters Want Their Groove Back."*

## Hottest trend at the movies? Luxury theaters wine and dine moviegoers in fight for entertainment dollars

**Kellie Hwang**, The Republic | [azcentral.com](#) Published 8:38 a.m. MT April 11, 2017  
| Updated 3:20 p.m. MT April 11, 2017



*(Photo: RoadHouse Cinemas Scottsdale)*

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Upscale dining at the movie theater is [one of the hottest trends of the year](#), and it's turning into a highly competitive market in the Valley.

These days, a movie with popcorn just isn't enough to make a trip to the theater. Many patrons are looking for more than they can find at a traditional theater, whether it's a full-service bar, seat-side wait service or a nice meal they can enjoy on ultra-plush seats.

With so many top-notch shows and movies available to stream at home, and endless food-delivery options, it's oftentimes more attractive to stay at home on a Friday night. Extra services and posh amenities allow theaters to stay relevant and appeal to different audiences, providing moviegoers an experience they wouldn't get at home.

"Right now, you have to wait 60 days to watch a new movie at home, and pretty soon that will go away," said Hamid Hashemi, founder and chief executive officer of iPic

Theaters, which has a venue at Scottsdale Quarter. "You have to build a facility to compete with it, you have to give customers what they can't get anywhere else. Just because you can watch a movie at home doesn't stop you from going out. Everyone loves a shared experience."



**iPic Theaters at Scottsdale Quarter.** (Photo: iPic Theaters at Scottsdale Quar)

Based in Boca Raton, Fla., iPic is a stylish movie theater chain that boasts high-end food and drinks, state-of-the-art technology and luxury seating. After iPic debuted at Scottsdale Quarter in 2010, three similar concepts launched in the Valley: UltraStar Scottsdale Pavilion, Studio Movie Grill and AMC Dine-In Theatres Esplanade 14. Five years later, the dine-in, luxe-theater trend picked up steam again.

- Kansas-based AMC added the MacGuffins Bar concepts to four of its Valley theaters in late 2015 and early 2016.
- Utah-based Fat Cats opened in Gilbert in mid-2015, featuring a movie theater with an expanded menu and comfortable reclining seats.
- Harkins Camelview at Fashion Square 14 opened in late 2015 as a new, upscale concept after the company closed the original location that showed only independent and foreign films.

## Photos: Food, amenities at luxury movie theaters around Phoenix

Fullscreen



"It has to be a complete experience, with dinner, drinks and a movie, all in one place, so you're not tempted to leave," said Wheeler Winston Dixon, Ryan professor of film studies at the University of Nebraska. "It can be a date night for Mom and Dad, or the whole family, complete with reserved seating and super reclining chairs."

No wonder theaters have increased foodservice spending by 17 percent, according to a December report from The NPD Group that tracked products shipped from leading foodservice distributors.

"They recognize that they have a captive audience, so why not try to offer food options that will drive some revenue growth?" said Annie Roberts, a vice president for the market-research company. "The other thing we found in our data is the experiential is much more important for consumers than before," she added, "so having good food and cocktails adds to the experience of going out to the movies."

That's the undisputed consensus among industry leaders, including Dan Harkins, owner and CEO of Scottsdale-based Harkins Theatres. "The overall trend in the business is to

provide more than just the popcorn and soda pop that theaters have been providing for decades," he said.



**Alamo Drafthouse Cinema Bar.** (Photo: Haute Photography and Videograph)

Derek Dodd, operating partner at Alamo Drafthouse in Chandler, echoed that. "We want to give customers great food and a great experience, and stretch their entertainment dollars, because everything is about entertainment now."

#### How the food is served

For Scottsdale mom Vivian Hamad, convenience trumps cost. And even though she may doll out twice as much in tickets and food at "one-stop-shopping" movie theaters, she ends up saving money on a babysitter.

The 39-year-old, with kids ages 6, 9 and 16, has tried Roadhouse, iPic, Camelview and Studio Movie Grill. She visits them about twice a month, especially the more affordable RoadHouse.

"I like, Number 1, the fact that I can buy my seats; and Number 2, the comfort; and Number 3 is the food, which is convenient for the kids so we don't have to do another stop," Hamad said. "It's fun for my kids and gives me a chance to relax. It's more of an outing compared to a regular movie theater."

Many of the theaters offer food and drink service at your seat, utilizing call buttons to alert the staff when you're ready to order. There are also personal lights to read the menu, and tables that can be pulled out or rotated to go over the lap.



**Studio Movie Grill in Scottsdale.** (Photo: Photo by Wade Griffith)

Servers generally take orders and make deliveries before and during previews, and finish up when the movie starts, bringing checks near the end of the movie. It can take some getting used to, seeing servers ducking and darting through the aisles.

"During the movie, our staff is trained to be quiet and respectful," said Joshua Snider, co-founder of RoadHouse Cinemas. "The arrangement and size of our seats also creates a buffer that reduces the number of seats in an auditorium. The main benefit of seat-side service is the relaxing atmosphere and the ease at which somebody can have a fun, great experience."

Alamo Drafthouse has a strict no-talking policy, so moviegoers have a piece of paper and pen at their seats to write down their order, and put up a flag to alert servers to come take the sheets. Patrons are given a warning if they are caught talking or texting during the movie, and then ejected after the second warning.

But Harkins refused to implement seat-side wait service at Camelview.

The Food & Dining team at azcentral.com spent weeks researching what will be the big trends in the industry in 2017. Wochit

"I firmly believe that the sanctity, the purity of the cinematic experience in an auditorium, can be ruined by that when you have a wait person coming up to close your bill right when the movie is ending," he said.

Both Alamo and RoadHouse show original programming before the movie starts. Alamo has a producer who creates all of the programming that airs at all theaters across the country, and it's themed according to the specific movie.

"It might be '70s toy commercials or fan-made tribute videos," Dodd said. "We wanted it to be fun, because usually it can be torture leading up to the movie if you come early."

An added convenience for most of the theaters is the ability to reserve a seat in advance, which can be done online or in the theater. So guests can come in right before the movie starts without worrying about finding a seat. At some theaters, such as Alamo and Camelview, there is extra space in the front row to make those seats more comfortable.



Alamo Drafthouse Cinema Bar. (Photo: Alamo Drafthouse Cinema)

## Not your average menu

When it comes to the food, one of the most important things is serving dishes that don't require a knife and fork, so you don't disturb other guests while watching the movie.

At RoadHouse, a \$3.5 million renovation included building a big commercial kitchen. The popcorn is made with real butter, and other gourmet flavors are also offered: jalapeño, glazed caramel and white Cheddar, all with unlimited refills and bags to take home leftovers. Phoenix's Villa Dolce gelato is available, as well as a wide variety of house-made desserts, prepared by an in-house baking team.

Executive chef Gina Wilson elevates the menu by making as many items in-house as possible, such as the naan bread and pretzels, and dishes such as the Cool Hand Luke salad, Lone Ranger roast beef sandwich and Moonstruck Pizzetta.

"It threw me for a loop coming from a restaurant (setting) to here," said Wilson, a graduate of the former Scottsdale Culinary Institute. "As soon as we flip a theater and everyone comes in, we could have 70 to 80 tickets... During the weekend, we split the kitchen in half with pickup windows on each side of the kitchen."

Many theaters feature monthly cocktails based on the movies that are playing. For example, the AMC MacGuffins Bars are currently serving the Mind Hacker, inspired by "Ghost in the Shell."

Miguel Gastlelum, 24, of Phoenix, was at AMC Dine-In Theatres Esplanade 14 on a recent Friday night with his friend, Jenna Biaz. Before the movie, he sipped on a Lagunitas beer while she had a cocktail called Forbidden Fruit.



**Tanzy Express Westwood Norma Jean.** (Photo: Photo by Eduardo Chacon)

"This is our first time here and I've heard from a couple people that it's good, that it has comfortable seats," Gastlelum said. "We got here a little early, so it's nice to have a place to hang out until the movie starts."

Alamo's Chandler Crossings location, inspired by "Willy Wonka & the Chocolate Factory," is filled with whimsical decor. Ticketing in the lobby is attached to the bar, called Bill's Candy Shop, featuring brightly colored seats, candy dishes and the playful quote: "Candy is dandy but liquor is quicker."

The bar features 32 taps, with 25 dedicated to Arizona brews. Cocktails are based on MPAA ratings:

- G is for non-alcoholic cocktails.
- PG drinks are "easy-going" like The Dude's White Russian.
- PG-13 are "something more adult," such as the Spiced Gin Punch.
- R drinks are "big, boozy and grown-up," like the Bitter Orange concoction.

The food menu features what Dodd calls "made-to-order, high-quality pub food," with gluten-free options and prices comparable to casual-dining restaurants. Look for a pizza topped with brussels sprouts, smoked bacon and goat cheese; truffled Parmesan popcorn; and Hatch green chile mac and cheese. There's even daily brunch for shows starting before 2 p.m., with offerings like caramel brulee, French toast, fried egg BLT and mimosas.

In addition to a traditional concession stand, Camelview boasts a gourmet snack bar with artisanal cheese and charcuterie plates; hummus and kettle nachos; and coffee from Cartel Coffee Lab.

Tanzy, iPic's modern Italian restaurant, is open to the public, not just ticket holders. While moviegoers can eat there before or after their show, the iPic Express concession stand sells food that can be taken into the theater, or served seat-side for Premium Plus ticket holders. The concession menu features items such as a lobster roll, hot pepper fried calamari and green goddess turkey sliders; plus wine, beer and cocktails.

The theaters make it a point to stay up-to-date with ever-changing tastes and food trends. In 2014, iPic brought in renowned chef Sherry Yard to oversee the culinary programs of all of its concepts, including Tanzy. She has won three James Beard awards: Outstanding Pastry Chef of the Year in 2002 at Spago Beverly Hills; Best Baking Book for "The Secrets of Baking" in 2004; and Who's Who of Food and Beverage in America in 2014.

"We are always looking to up our game and give more offerings you don't find elsewhere," Hashemi said.

Scottsdale area 'a no-brainer'

For luxury theaters, it's about providing something above and beyond a regular movie experience. And many people are willing to pay more.

"I looked at the demographics of the area and it was perfect for iPic," Hashemi said, referring to north Scottsdale. "There's a good household income, lots of density, restaurants and office space, and a good amount of retail. It was a no-brainer."



**iPic Theaters lobby.** (Photo: iPic Theaters at Scottsdale Quar)

Launched in 2007, iPic brands itself as the "affordable luxury" movie experience. The theater offers two seating options:

- Premium ticket holders can order their food and drinks from iPic Express and bring it into the theater to their leather seats.
- Premium Plus ticket holders enjoy reclining leather seats, pillows and blankets, free popcorn and call buttons for seat-side wait service.

"We create an environment that's no different than walking into a lifestyle hotel, great restaurant or great bar," Hashemi said.

Harkins said the Camelview location is the only one of its kind. He estimates it generally costs \$1 million per screen when building a new theater, but they spent twice that amount to build Harkins Camelview at Fashion Square 14. The theater replaced the beloved Camelview 5, which was previously across the street from Scottsdale Fashion Square.

The new theater, which opened in December 2015, features first-run and independent films. It boasts a modern atmosphere with stone-clad walls and a number of amenities: the sleek Vérité Lounge; a rooftop terrace with a wall of live plants that showcases the

"Cinema" sign from the old location; Harkins Ultimate Lounger leather reclining seats; and a gourmet snack bar.

"The demographic (for Camelview) is very attuned to exclusive art films, foreign films, and they tend to also want to have an experience at the theater that takes it to the next level of luxury," Harkins said.

The rooftop terrace is something rare for movie theaters. "It's beautiful to just come out here and just talk about movies, before or after you see a movie here at Camelview," he added.



**Harkins Estrella Falls 16 lobby bar in Goodyear. (Photo: Harkins)**

A number of luxe theaters are geared toward adult audiences, and either children aren't allowed or children of a certain age must be accompanied by an adult.

Comfortable seats also are attractive to many moviegoers. As of December, AMC had installed high-end recliner seats in 183 theaters nationwide.

"This has been a huge shift within the industry, to focus on more guest-friendly amenities," said Ryan Noonan, public relations director for AMC. "For decades, it's been how many people can you get in the theater, and getting as many seats in as possible.

With recliners, you lose about 50 percent of capacity, so there are less seats in the building. But more people are in those seats more often."

Harkins Theatres has branded its reclining seats the Ultimate Loungers, which are featured at Camelview and Estrella Falls in Goodyear. RoadHouse Cinemas has cushy, reclining vinyl seats. iPic plans to upgrade its seating later this year.

Harkins believes the magic of going to the movies will always exist, but it will continue to evolve based on consumer needs and preferences.

"We came back with something bigger, better and more luxurious, and cutting-edge for now and the future," he said. "All of that comfort, the quality and perfection of presentation cannot be achieved at home, and it's that communal experience with fellow moviegoers."

## The future of the cinema experience

By Dasym on July 5, 2017

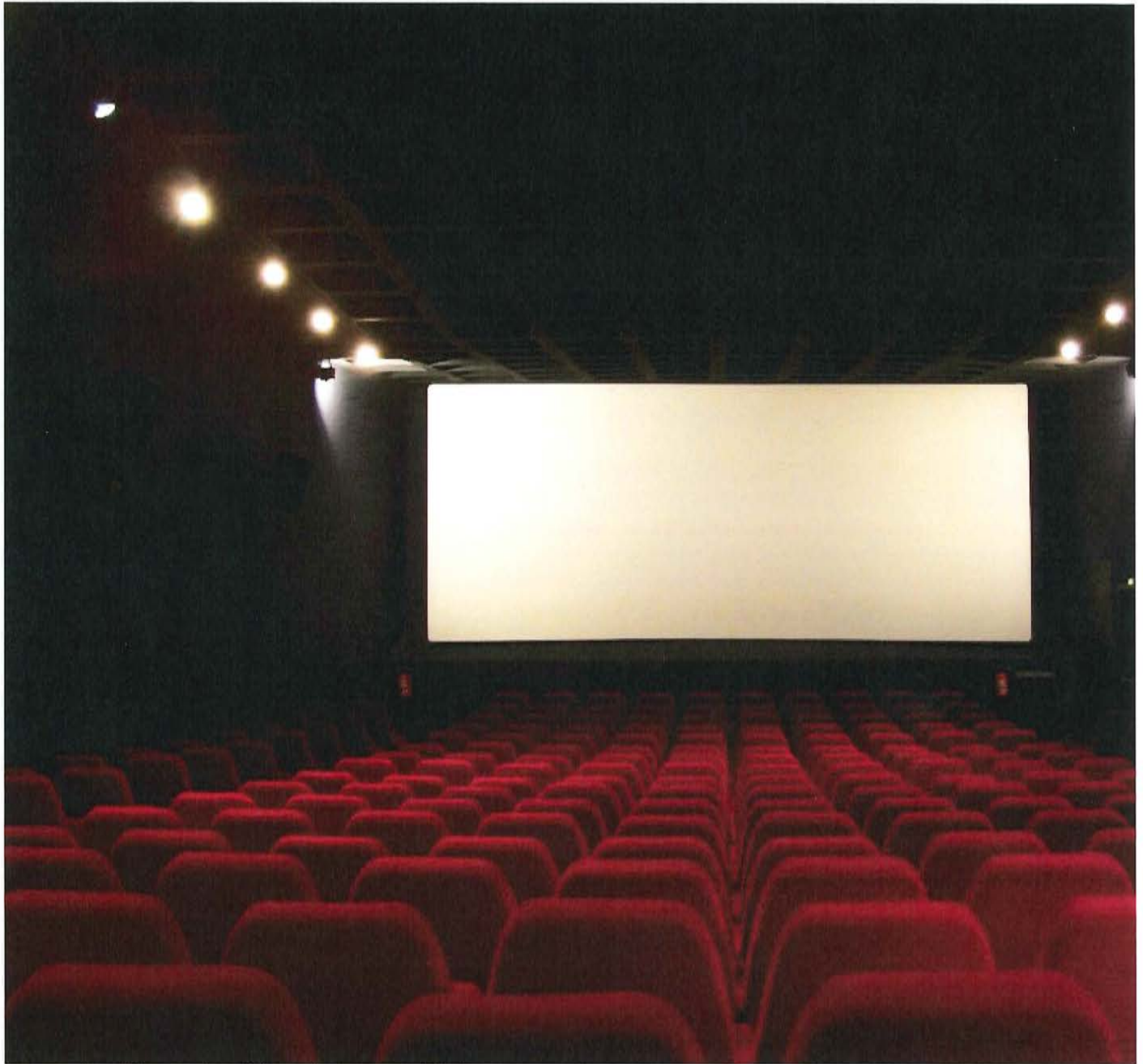


Image by Alexandre Chassignon on Flickr

While the cinema has historically been a social and ecstatic experience, streaming services have created a new 'lone spectator' experience. A trip to the movies has also become interchangeable with visiting a sports match or playing videogames. To retain its edge, theaters create luxurious experiences, provide live entertainment, or try to bring the appealing elements of streaming services to the cinema.

## Observations

- Generally, global box office takings continue to rise steadily, but in mature markets such as the U.S. and Canada, numbers are falling. Furthermore, after years of explosive growth in China, revenue was essentially flat in 2016, which significantly brought down global box office numbers.
- Netflix' chief content officer notes that watching a movie online is like seeing a sports game on TV rather than being at the stadium. His views are reflected in Netflix' home-grown content, which is entertaining or informative, rather than cinematic.
- The 'Attention Economy' dictates that all forms of entertainment continuously compete with each other. Moreover, people can absorb TV as background noise, while their real attention is directed towards their smartphone.
- The Hyper Experience Economy allows immersive experiences like IMAX and VR to trigger altered states of consciousness. New technologies enable cinemas to make sound and picture even more ecstatic.
- Movie theaters increasingly focus on enhancing the cinema experience. AMC is converting half of its 600+ theaters to be dine-in. Luxury theaters have helped AMC increase attendance by 80%. Half of the 340 Cinemark theaters feature enhanced food options.
- Vue Cinemas is teaming up with Ourscreen, a platform that lets people vote for a movie to be screened.

## Analysis

The cinema, as old as film itself, is constantly evolving. Movie theaters have served as social venues for over a century, and the sense of awe that triggers an altered state has been a defining feature of the cinema experience. In one of the first screenings ever, the audience reportedly panicked as an approaching train appeared on screen. The cinema will also keep evolving in decades ahead. For instance, cinema history shows that new forms of audience engagement spawn new genres and content. The rise of the drive-in cinema culture in the 1950s created the teen-movie genre, as the car had liberated teenagers from their parents' homes.

TO RETAIN ITS COMPETITIVE EDGE IN THE ATTENTION ECONOMY, CINEMAS ENHANCE EXPERIENCES, CREATE NEW EXHIBITIONS AND BRING THE APPEALING ELEMENTS OF STREAMING SERVICES TO THE THEATER

The rise of streaming services drives movie theaters to focus on enhancing the cinema experience, similar to how e-commerce drives physical retail to focus on improving the shopping experience. Hence, cinemas increasingly create an experience that cannot be digitally replicated, just like high-end retailers do. For instance, luxury theaters, with comfortable seats and waiter service, create a full dinner and movie experience. In addition, similar to the music industry, streaming services drive cinemas to focus on live

entertainment: film screenings augmented by live performances have achieved significant box office success. These events also fit a certain type of movie, namely movies with little dialogue, similar to how drive-in culture fit the teen-movie. Moreover, we can distinguish between the cinema experience and the lone spectator experience of streaming services, that both fit certain content. Indeed, Netflix focuses on informative documentaries for the lone spectator, whereas the cinema is better suited to epic adventures, action-packed thrillers, and comedy. However, the cinema essentially competes for consumers' attention with all forms of entertainment.

To retain its competitive edge in the Attention Economy, cinemas enhance experiences, create new exhibitions and bring the appealing elements of streaming to the theater. Luxury theaters, dining options, crowdsourced movie suggestions and altered states enhance the cinema experience. Besides live performances, VR provides a new exhibition for the cinema experience, which will also fit a certain type of content (like horror). Whereas some directors aim to stream movies on the same day of their release in theaters, this will lack the social, ecstatic and luxury elements of the cinema experience, especially in the face of smaller homes. Meanwhile, cinemas can bring the appealing elements of the streaming experience to the theater, for instance by creating digital platforms with archived content that people can vote on.