

Exhibition at a Crossroads Part II

April, 2022

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Executive Summary

After two years of COVID, movie consumers are increasingly returning to theaters, but moviegoing has not returned to pre-pandemic levels yet, due in part to the new pressures of consumer inflation.

Concurrent to that finding, this study, which surveyed more than 2,500 filmgoers nationally in April 2022, also showed that consumers are still willing to pay more for a premium theatrical experience—one that could also include movie “merch,” as long as the perceived value of the experience is high.

At the same time, there are opportunities for theaters to attract more budget-conscious consumers through the expansion of rewards programs. As this study shows, those who use these programs go to the theater more often and spend more on concessions; however, adoption is primarily among only the most avid filmgoers.

Executive Summary

All respondents were asked to self-identify into one of five groups:

Avids and Casuals* are regular theater-goers, Reluctants will go to the theater when Covid cases drop, but will stop going when cases rise, while Hopefuls and Likely Losts haven't returned to theaters since the pandemic began.

Avids

This group includes frequent filmgoers. The pandemic did not change their behavior.

Casuals

This group goes to the movies every now and again, the same as before the pandemic.

Reluctants

This group goes to the theater when Covid cases are low and stops going when cases rise.

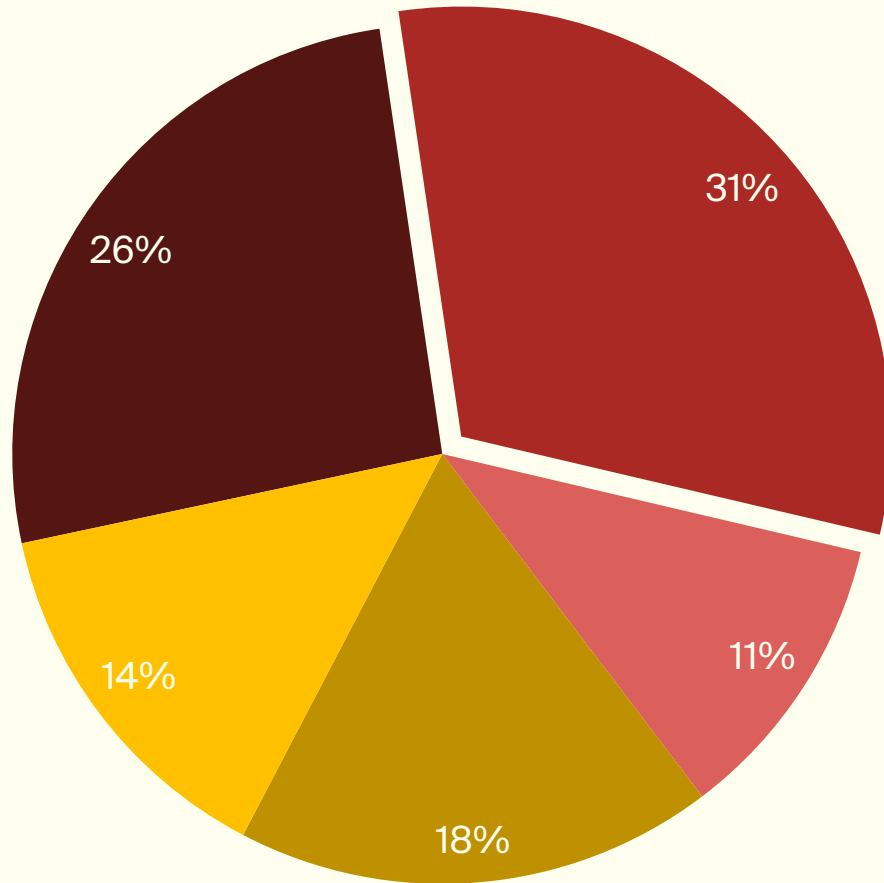
Hopefuls

This group hasn't been to theaters since the pandemic began but they are hopeful to return in the future.

Likely Losts

This group hasn't been to theaters since the pandemic began and don't see themselves returning in the future.

* Casuals were known as Infrequents in the previous study. The name change is designed to better reflect their filmgoing behavior

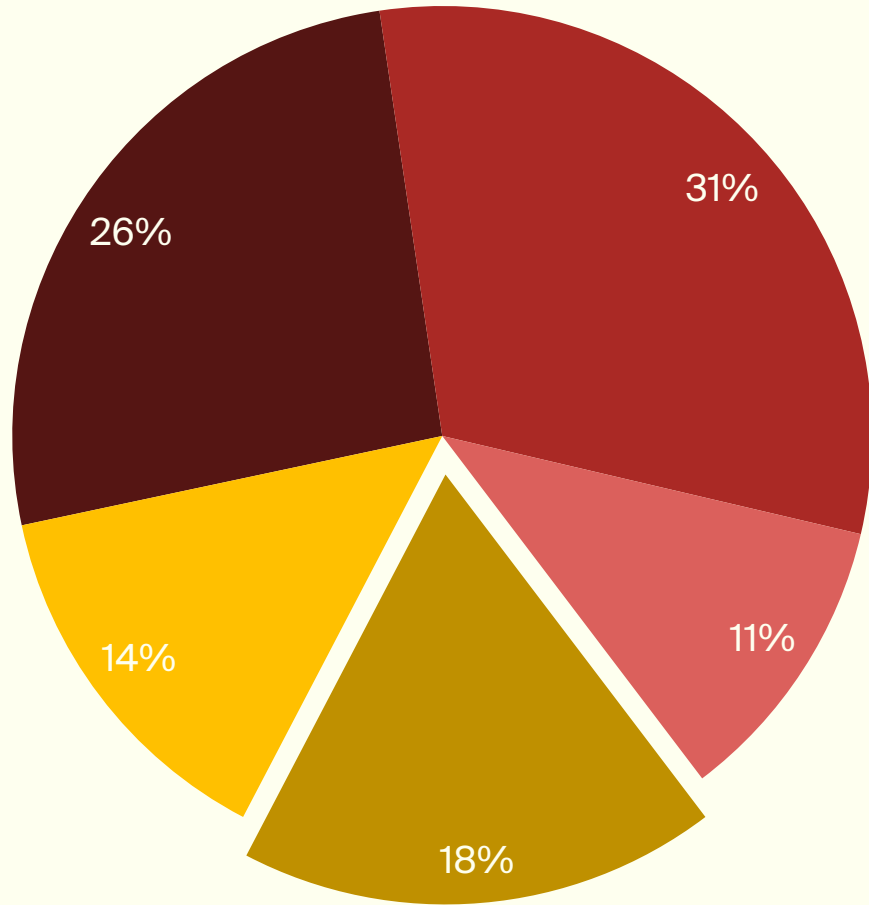


■ Avids ■ Casuals ■ Reluctants ■ Hopefuls ■ Likely LOSTs

Conclusion #1: Return of the Casual Filmgoer

Hopefuls transitioning to Casuals was among the most significant developments uncovered by the new study.

Casuals became the most active group to return to theaters, increasing from 18% in the October 2021 study to 31% in the new study—a 73% jump, making Casual filmgoers the biggest category of moviegoers overall.



■ Avids ■ Casuals ■ Reluctants ■ Hopefuls ■ Likely Losts

Conclusion #2: Hopefuls Are Coming Off The Sidelines

In an encouraging sign, Hopefuls - those sitting on the sidelines - have returned to theaters as Casuals.

Just as the Casuals rose to 31% of all respondents, Hopefuls dropped from 33% in October to 18% today. That's a decline of 45%.

Conclusion #3: Inflation is Impacting the Theatrical Recovery

Box office grosses are on the rise and more Hopefuls have returned to the big screen, and yet there is still downward pressure on the theatrical recovery from inflation.

Despite the positive trend toward a return to moviegoing, 52% of respondents overall indicated that they are going to the theater less often due to inflation. Among Avid filmgoers, only 39% said they were affected by inflation, while among all non-Avid filmgoers, 73% indicated they are going to the theater less frequently due to inflation.

Additionally, there is a clear relationship between income and frequency of filmgoing, with 82% of Likely Losses earning less than \$75K a year and 40% making less than \$25K.

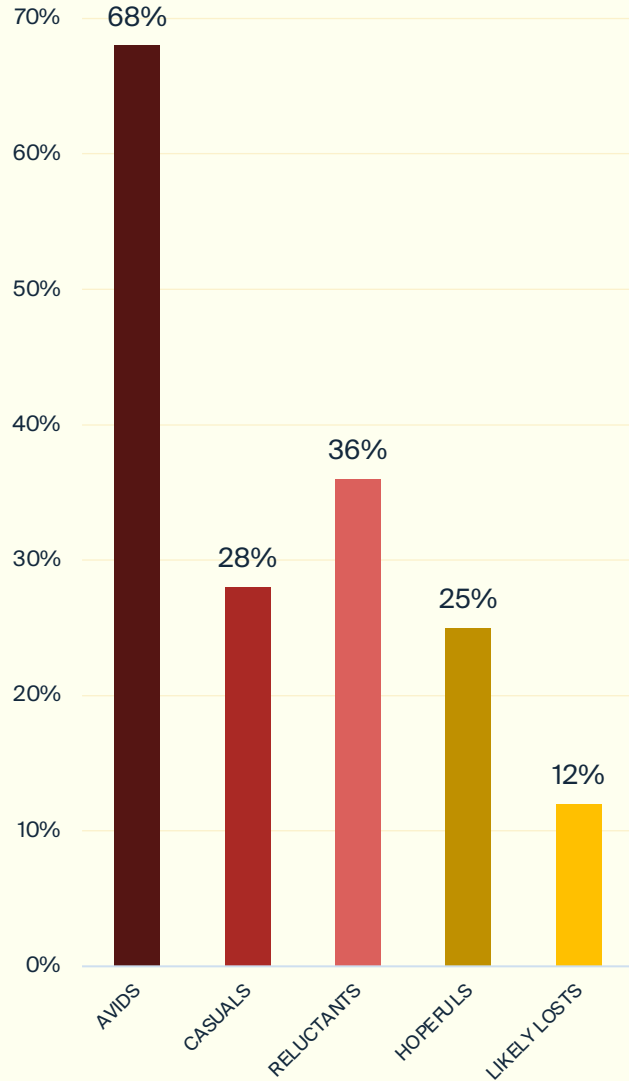
52%

Conclusion #4: Rewards Drives Revenue

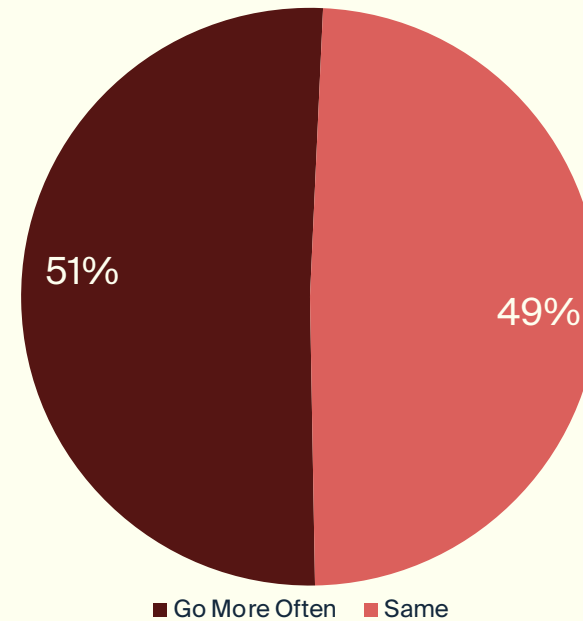
Rewards programs lead to higher attendance and more money spent, but only 37% of people use a theater rewards program. Rewards program usage rises to 68% among Avid filmgoers and drops to 28% among Casual filmgoers.

Among those who belong to a rewards program, 51% say they see more movies as a result of the program, while 67% say they buy more concessions.

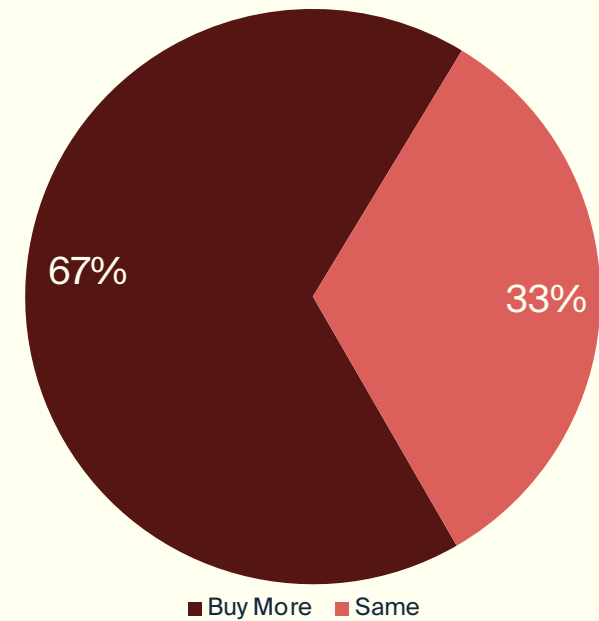
There is an opportunity for Exhibition to expand adoption of these programs, especially among lower income budget-conscious consumers.



Do You See More Movies?



Do You Buy More Food?



Conclusion #5: The Future Is Premium

Exhibition is faced with the daunting challenge of appealing to consumers who crave a premium theatergoing experience, as well as more price-sensitive filmgoers.

For this study, we wanted to know if more people favored a premium experience (larger seats, more and better food options and no commercials) or a budget experience (less room between seats, fewer discounted food options and commercials).

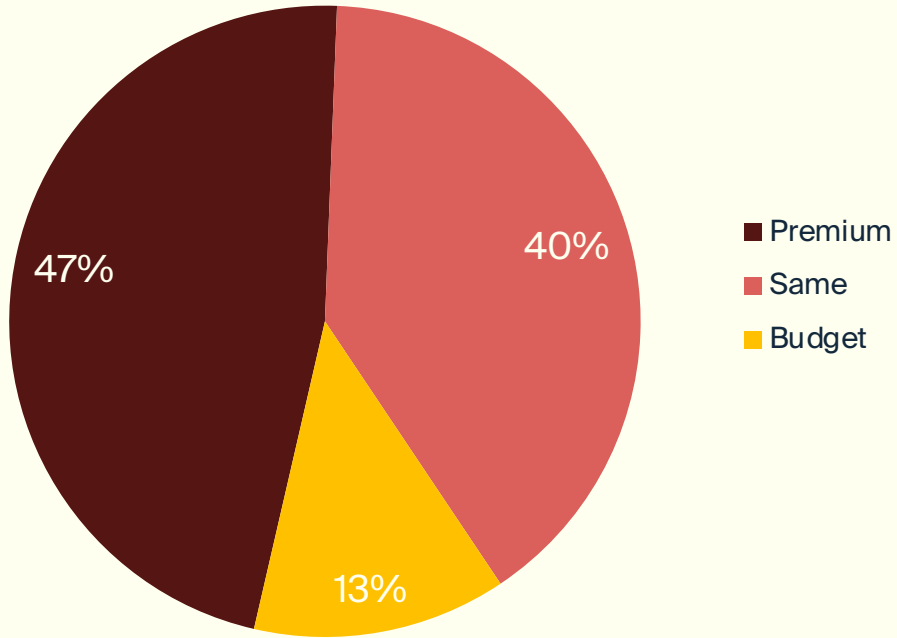
The results were clear. Among those with a preference, the premium experience came out ahead by nearly a 4:1 margin.

Premium

Larger Seats
More Space
More Food Choices
Gourmet Food
Cocktails, Beer, Wine
Food At Seat
No Commercials
Premium Cost

Budget

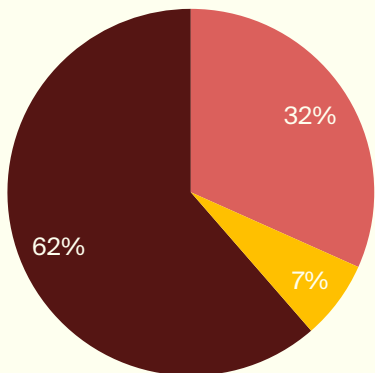
Basic Seats
Less Space
Fewer Food Choices
Discounted Concessions
Commercials
Discounted Ticket Price



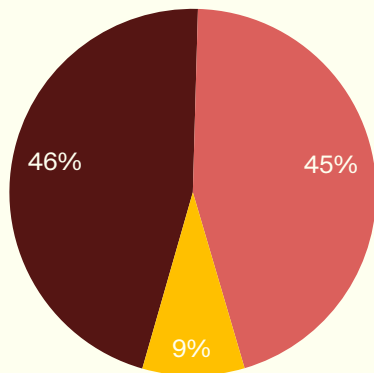
Across all respondents, 47% chose the premium experience, 40% were fine with filmgoing as it exists right now, and 13% chose the budget option.

The numbers change when examining individual groups. Among Avid filmgoers, a strong majority (62%) prefers and would be willing to pay for a premium experience. Demand for a budget experience was very low (under 12%) across all other groups, with 27% of Likely Losts saying they would prefer a premium experience and 38% preferring a budget experience.

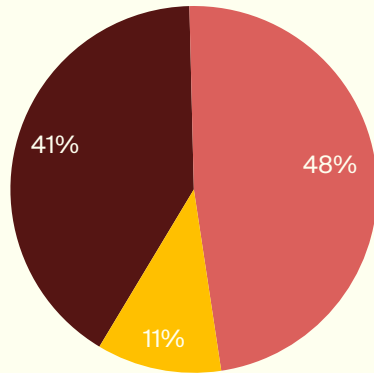
Avids



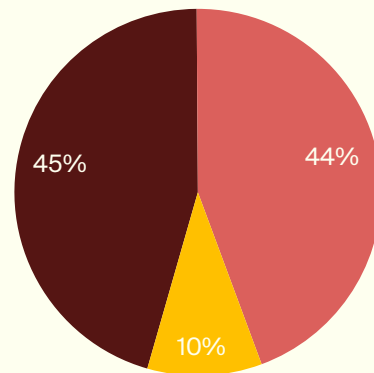
Casuals



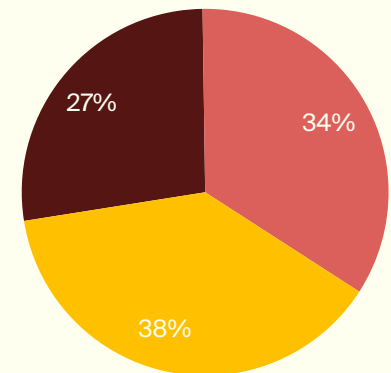
Reluctants



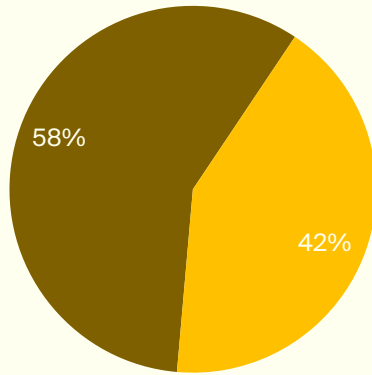
Hopefuls



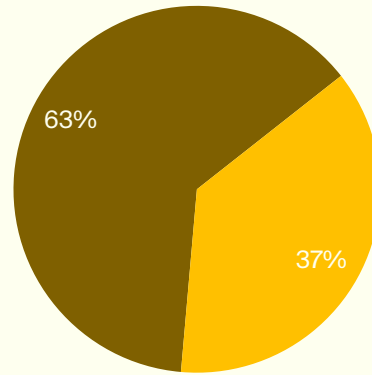
Likely Losts



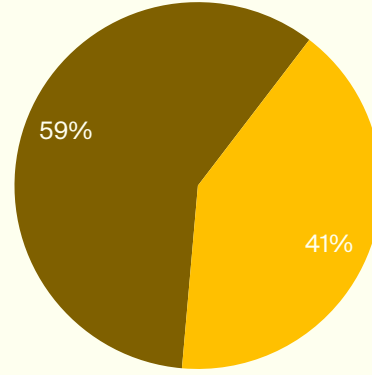
Avids



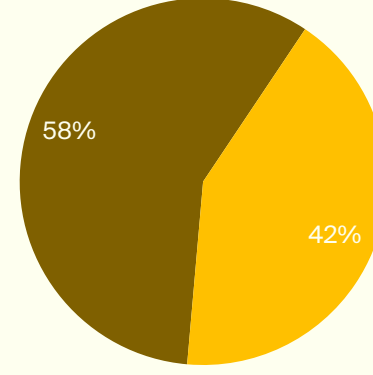
Casuals



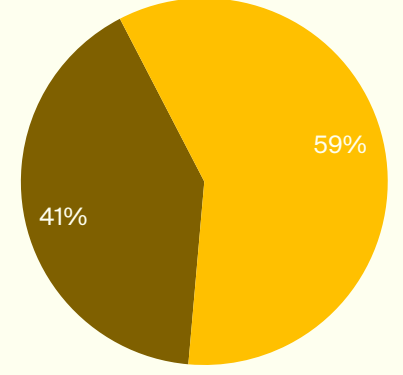
Reluctants



Hopefuls



Likely Losts



■ More Often ■ No Impact

Conclusion #6: Value Is Important

When asked if they would go to the theater more often if the price of traditional concessions (popcorn, soda) were less expensive, nearly every group said they would.

Even 41% of the Likely Losts said lower concession prices would be a factor in getting them to go to the theater.

While most respondents prefer a premium experience, these results show they are savvy to perceived value. Filmgoers are willing to pay more for a premium experience, but do not want to overpay for an experience with perceived low value.

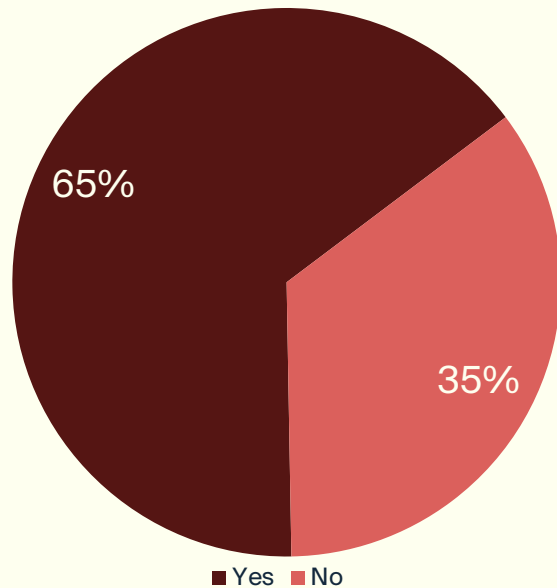
Conclusion #7: Merch is a New Revenue Opportunity

The new study for the first time examined the interest in fan merchandise being available in theaters, and the results suggested an opportunity to reorient filmgoing as a bigger entertainment experience.

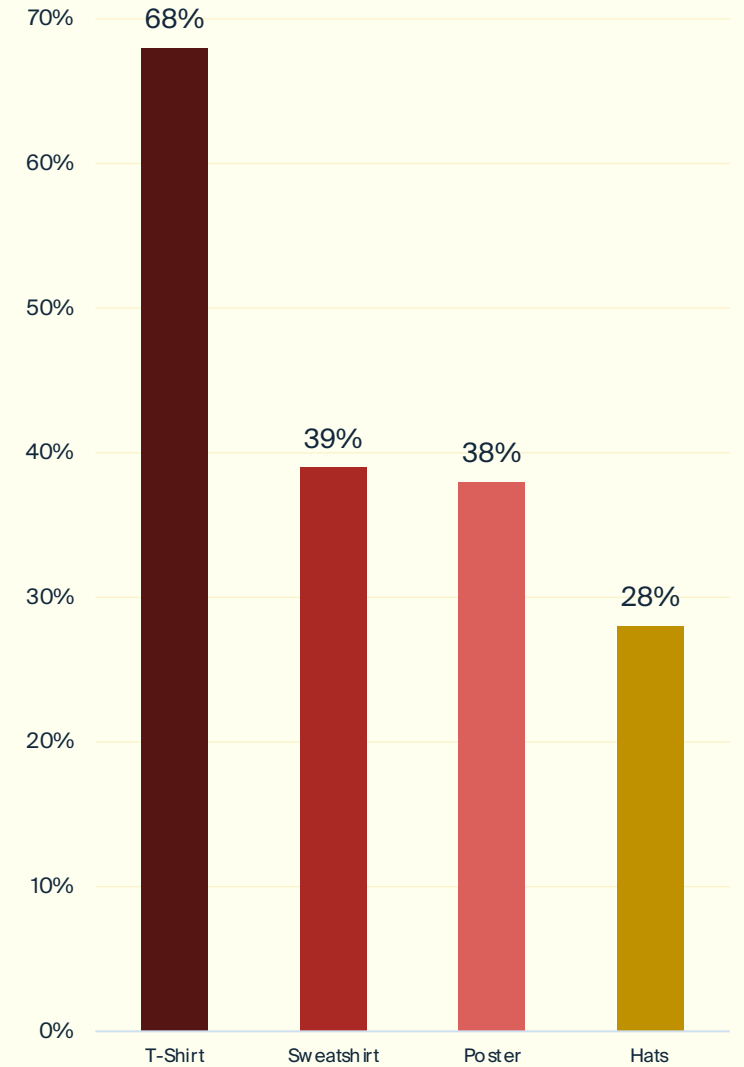
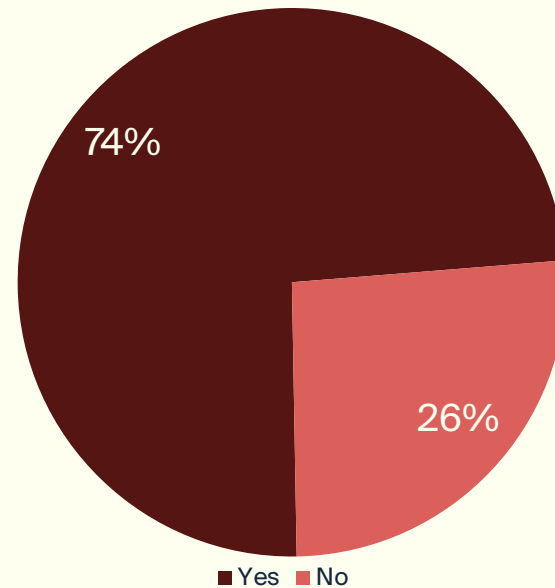
65% of all study respondents signaled their interest in promotional movie “merch” being available for purchase in-theater, including 50% of non-Avid filmgoers. T-shirts led the list of preferred “merch” at 60%, (sweatshirts – 39%, posters – 38%, hats – 28%).

Interest in merchandise rose from 65% to 74% if the “merch” was “limited-edition.”

Would you be interested in film-related merch at a theater?



Would you be interested if the merch was a limited edition?



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