

Beyond Opening Weekend

Nielsen PreView Report Reveals 'How to Maximize Margins'

about one year ago, a horror film, *Primeval*, generated 64% of its overall total gross in the first weekend of release. For wide-release movies opening with greater than \$5 million, this puts it high on the list of films that had the lowest margin benefit for theatre owners. Why? Typically, profit sharing of film revenues between studios and theatres is calculated on a weekly basis, with a much higher share being given to a studio (over 85% of ticket price for some

films) in the opening weekend. Typically, for the life of a movie, the profit eventually averages out somewhere between 35% and 45% for most theatre owners, according to industry sources.

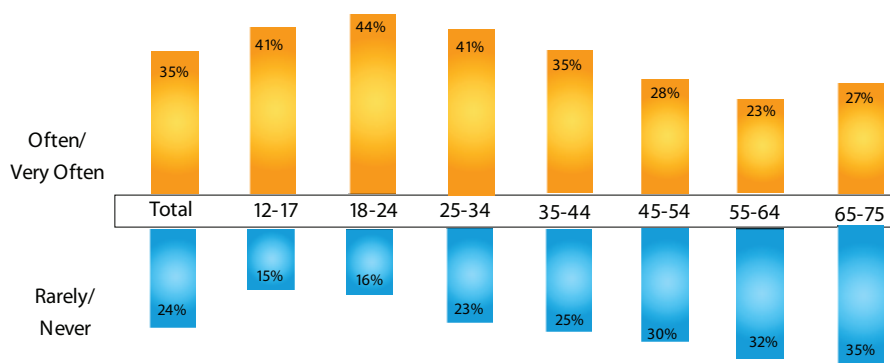
To bolster the margins, theatre owners fall back on concessions. In fact, in terms of margins, concessions can represent the lion's share of profits for theatre owners. Many in the industry consider the cost of film and the tickets as more of a loss-leader for the the-

atre owners, the cost of doing business to attract moviegoers into the theatre, in order to charge them relatively high prices for soda, popcorn and candy, among other items.

But what if this scenario could be improved for theatre owners? What if there was some insight into which films would have a higher likelihood to extend sales beyond opening weekend (thereby providing the highest margins to theatre owners)?

A new report from Nielsen PreView™, "Beyond Opening Weekend: How to Maximize the Margins," analyzes which demographics tend to produce the margins that theatre owners need, and which types of movies generate the highest margins. *Film Journal International* offers this exclusive look at some of the highlights.

Attend during first week to 10 days



How to Interpret the Data

The Nielsen analysis incorporates film sales for two years ending September 2007. For the purposes of this analysis, the variable of interest is the film's multiple (the quotient of total film grosses divided by opening weekend grosses).

Films excluded from the analysis were films not released in wide distribution (less than 650 screens), films opening with less than \$5 million on opening weekend (due to the higher probability of outrageously high multiples) and films that received a Golden Globe nomination or an Oscar nomination, as that affected the post-opening sales (either because of a slower release schedule or renewed interest in a film, causing it to be put back into theatres). The multiples were then analyzed for statistical differences based on the demographic appeal of the films.

This study was also supplemented with data from the American Moviegoer study conducted by Nielsen NRG in 2007, its representative sample of U.S. moviegoers (people having seen at least one new release in a theatre in the last year).

YOUNG MALES AND MARGINS

Young males are the ideal movie target for studios. In fact, sales of movie tickets from this demographic significantly outpace those of other age groups, and begin to fall significantly after age 24.

But while the under-25 crowd mobs to theatres, they are no friend to profit margins. Over 40% of the 12-to-34 segment state that they very often or often see a movie in the first week of its release—when the revenue share equation strongly favors the studios.

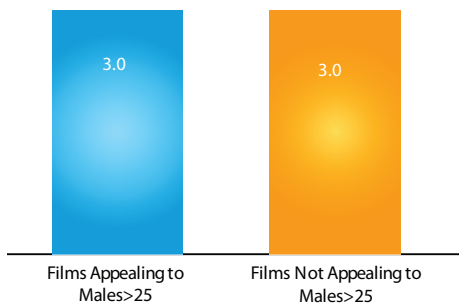
All else equal, films that appeal to older consumers offer an opportunity for a much higher variable margin on ticket sales for the theatre owners, as they are more likely to generate revenue beyond the opening weekend.

For the average film opening at \$10 million, an additional \$2 million to \$5 million in sales will come after the opening weekend (resulting in an increase of as much as 26 to 76% in post-opening sales) for the film appealing to older consumers.

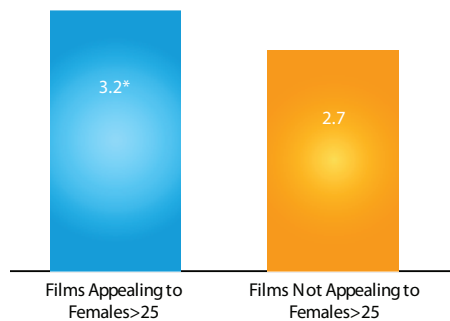
THE FEMALE FACTOR

While interest from moviegoers over 25 tends to signal a higher multiple (and profits)

Average Film Multiple—Men

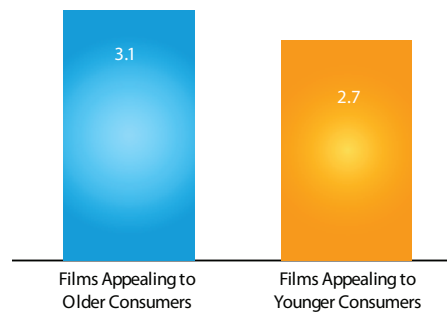


Average Film Multiple—Women



*Note: Statistically significant.

Average Film Multiple



for theatre owners, there is a difference between the impact of men and women over 25.

For the average \$10 million opening film, an additional \$4 million to \$6 million in sales for cinemas will come after the opening weekend (a 28% increase on average in post-opening sales) for the film appealing to older female consumers—all at wider margins.

The “Beyond Opening Weekend” report breaks down which types of films appeal more to older males and which to older females. (Hint: “Guns ’n’ guts” don’t have much allure for the older female crowd.)

Other highlights of the Nielsen report include a “Long-Tail Checklist” of

attributes that tend to bring higher margins; the impact of major award nominations; a breakdown of multiples by genre; and general recommendations for theatre owners.

In the world of movie marketing, it is often remarked that the big media push, what most marketing teams are held accountable for, is aimed at the first week or two of ticket sales.

The reasons for this are clear—with higher ticket margins allocated to the studios in the earlier weeks of the movie cycle, sales in the first couple of weeks can make the biggest difference to the studio’s bottom lines.

While theatre owners share in the success of the studios, they are not likely to ever invest millions of dollars in generating awareness for the films they are supporting. Because of this, the real power for the cinema owner is in the choice of film they choose to distribute and the number of screens they propose to dedicate to one particular film over another. Nielsen’s research provides a guide as to which films are most likely to go the distance and deliver real dollars to the theatre owner.

Adapted from the NielsenPreview study. To purchase the full report, please visit www.nielsenpreview.com.

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