ART HOUSE CONVERGENCE
in participation with SUNDANCE INSTITUTE

National Theater Operations Survey 2015

Conducted and Presented by

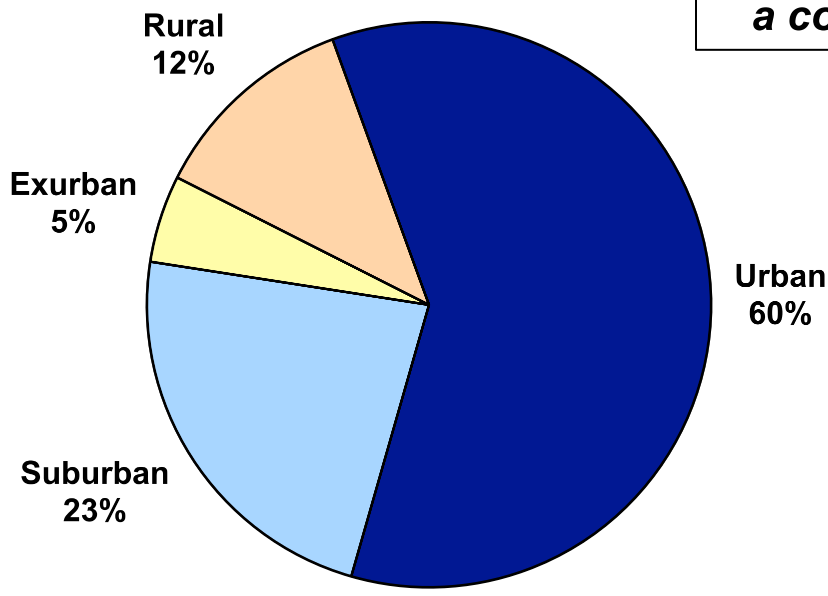
BRYN MAWR FILM INSTITUTE

Sixth annual online survey, conducted October-November 2104

- Respondents included 129 theaters from 29 states plus DC and Canada
- 89% independent
  - 11% in chain/group consisting of 6 theaters on average
  - Single-screen theaters are least likely to be in a group (only 3%, vs. nearly one-third of theaters with four or more screens)
- 73% nonprofit
- Just under half (47%) own their theater buildings
- As in previous surveys, most theaters are located in metropolitan areas (slightly more than in 2013), and most are near a college or university
- Audiences continue to consist primarily of adults (including many seniors)

Location of respondents' theaters

79% of theaters are near a college or university

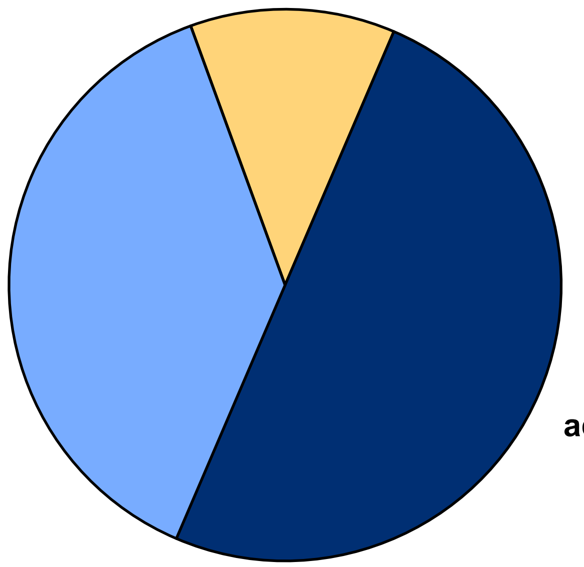


Percent of theaters

Q35/Q36: Which of the following BEST describes the area where your theater is located?
Is there a college or university near your theater?

n=75

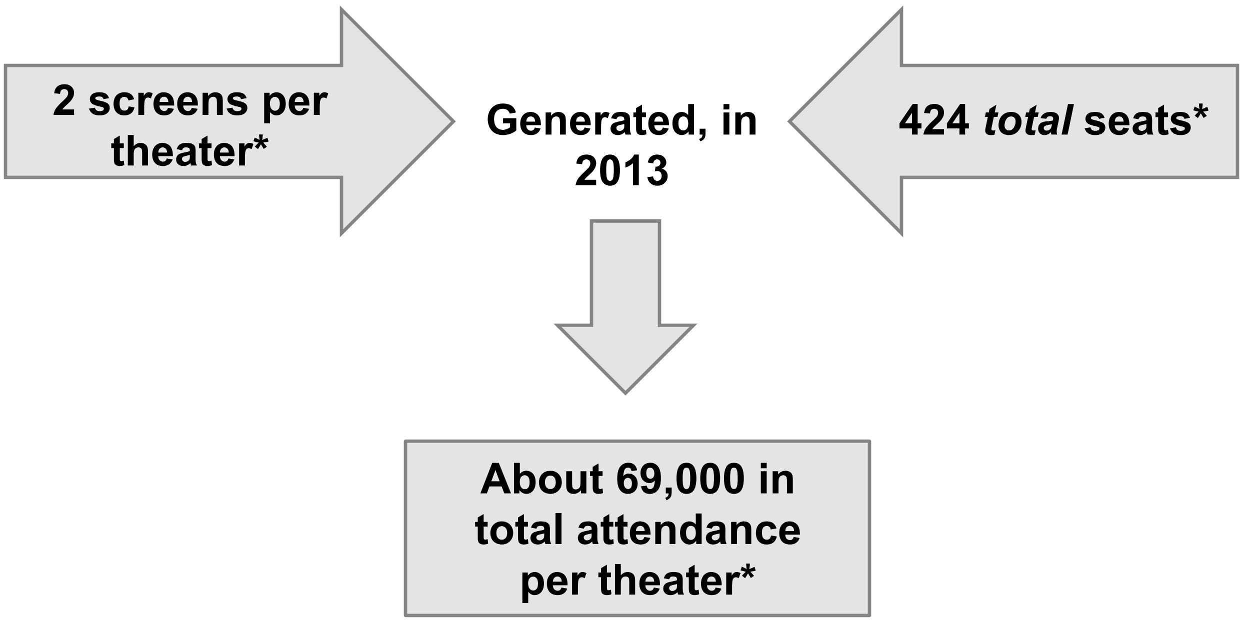
Age of theater attendees



Percent of attendees

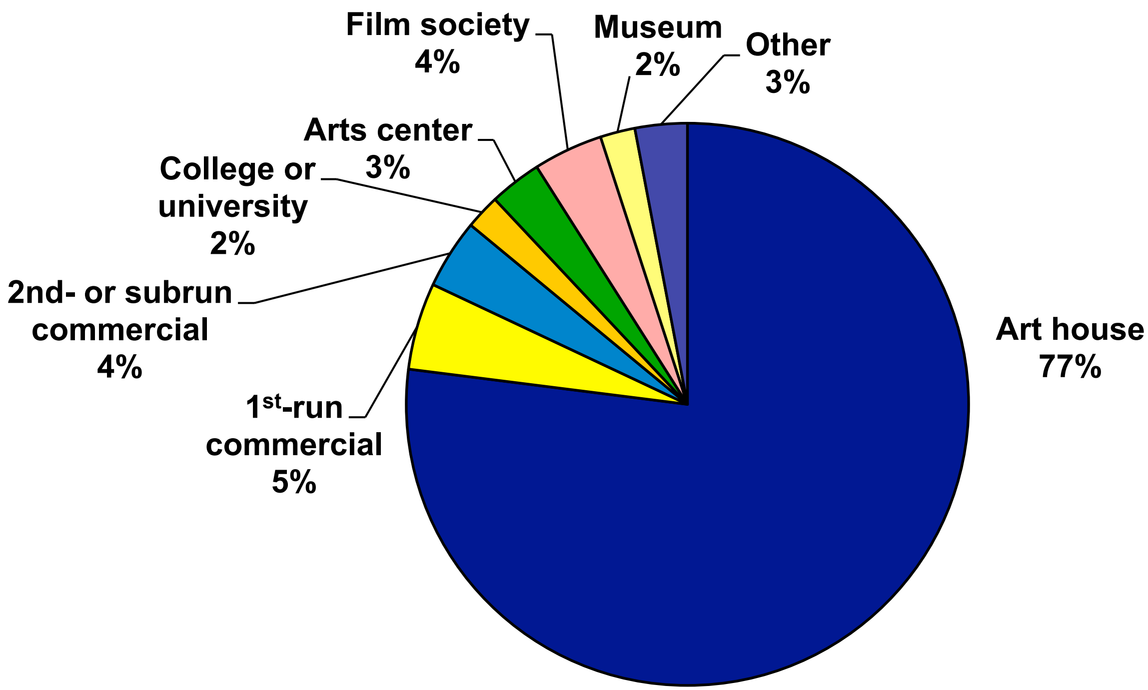
Q37: Please estimate the percent of your attendees who fall into each category.
n=74
*High school or college

- As in 2013, three-fourths of respondents characterize their theaters as art-house cinemas



*On average

Type of theater

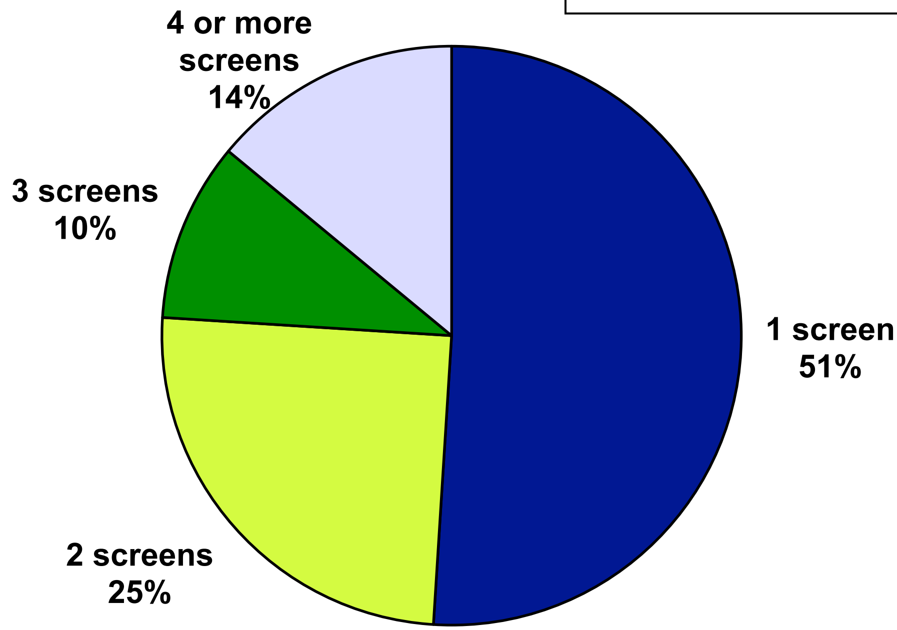


Percent of theaters

Q3: Which of the following BEST describes your theater?.
n=124

Number of screens

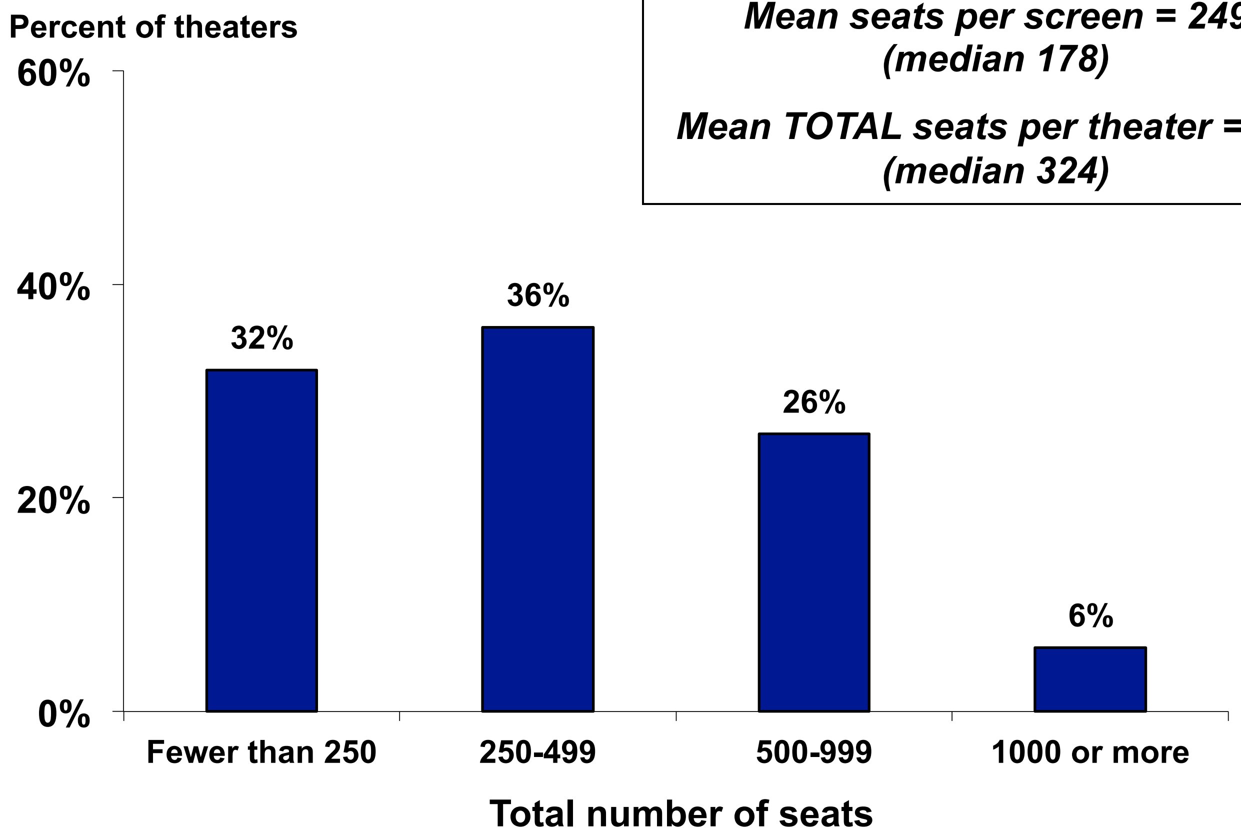
Mean number of screens = 2
Mean seats per screen = 249
Mean TOTAL seats per theater = 424



Percent of theaters

Q4: How many screens does your theater have?
n=122

Total number of seats (across all screens)



Mean seats per screen = 249 (median 178)

Mean TOTAL seats per theater = 424 (median 324)

Q5: How many seats for each screen?
n=120

How do we help our hearing- and vision-impaired patrons?

- Over half of theaters provide headphones that amplify volume but are not equipped for audio description

  - Other types of hearing-assistance devices remain relatively uncommon, as do those designed for the vision-impaired

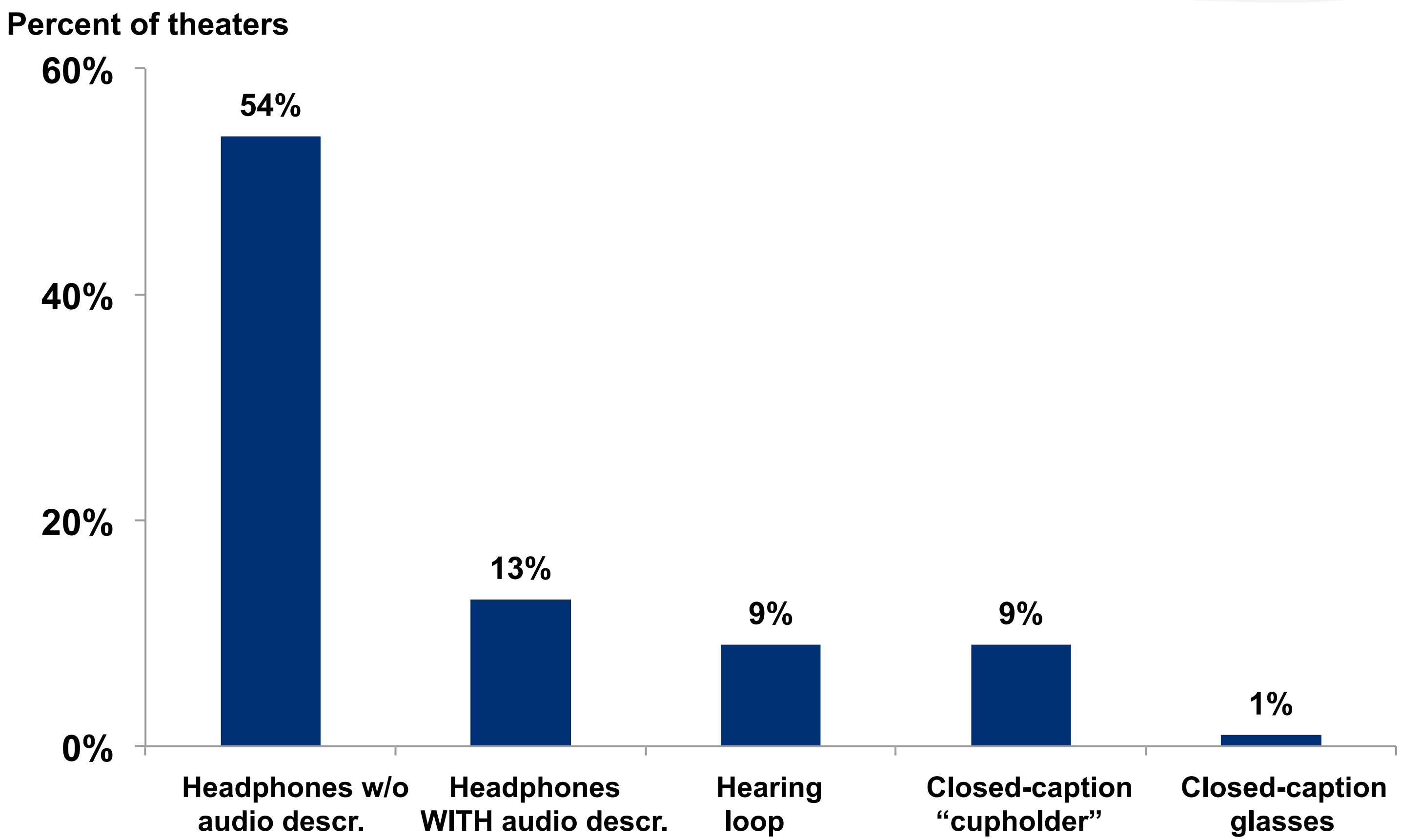
  - Most theaters that <u>do</u> provide devices have only one type

- Theaters that provide headphones without audio description average one device for every 62 seats

  - As would be expected, other types of devices are fewer in number and thus must “serve” more seats

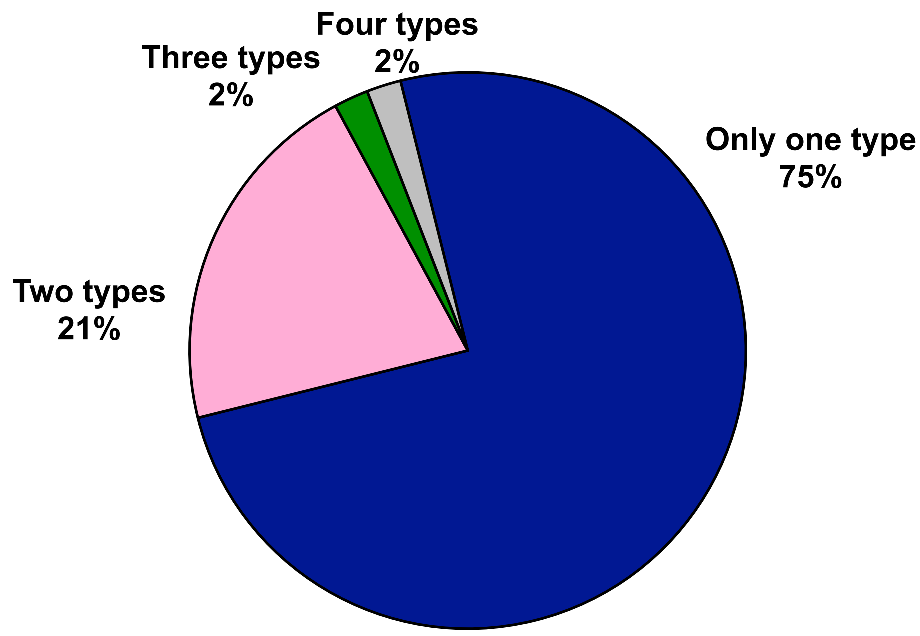
- The 2014 survey of art-house patrons reveals about 5% have impaired hearing or vision
    - Half of the impaired report using any type of assistance device (mainly headphones)
- 7% of hearing- or vision-impaired patrons report being denied an assistance device for any reason, such as lack of availability
    - This suggests that the current supply of devices in our theaters generally meets current demand
- However, the majority of patrons with impairments are not sure whether their preferred art-house theater offers assistance devices, suggesting a need for more (or more effective) advertisement of their availability

Availability of devices for hearing- and vision-impaired patrons



Q6: For each screen, please check the types of devices you provide.
n=129

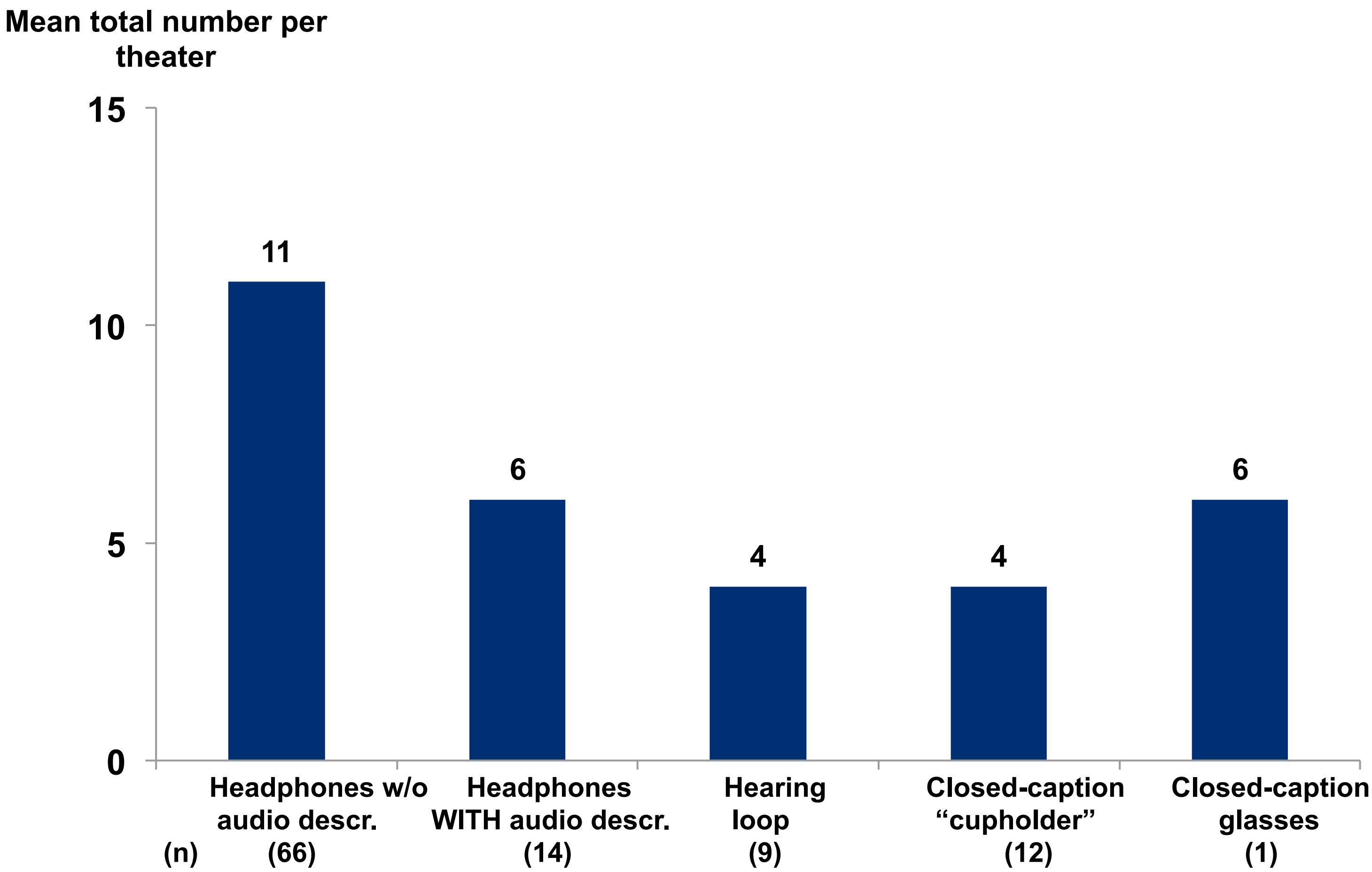
Availability of devices for hearing- and vision-impaired patrons*



Percent of theaters

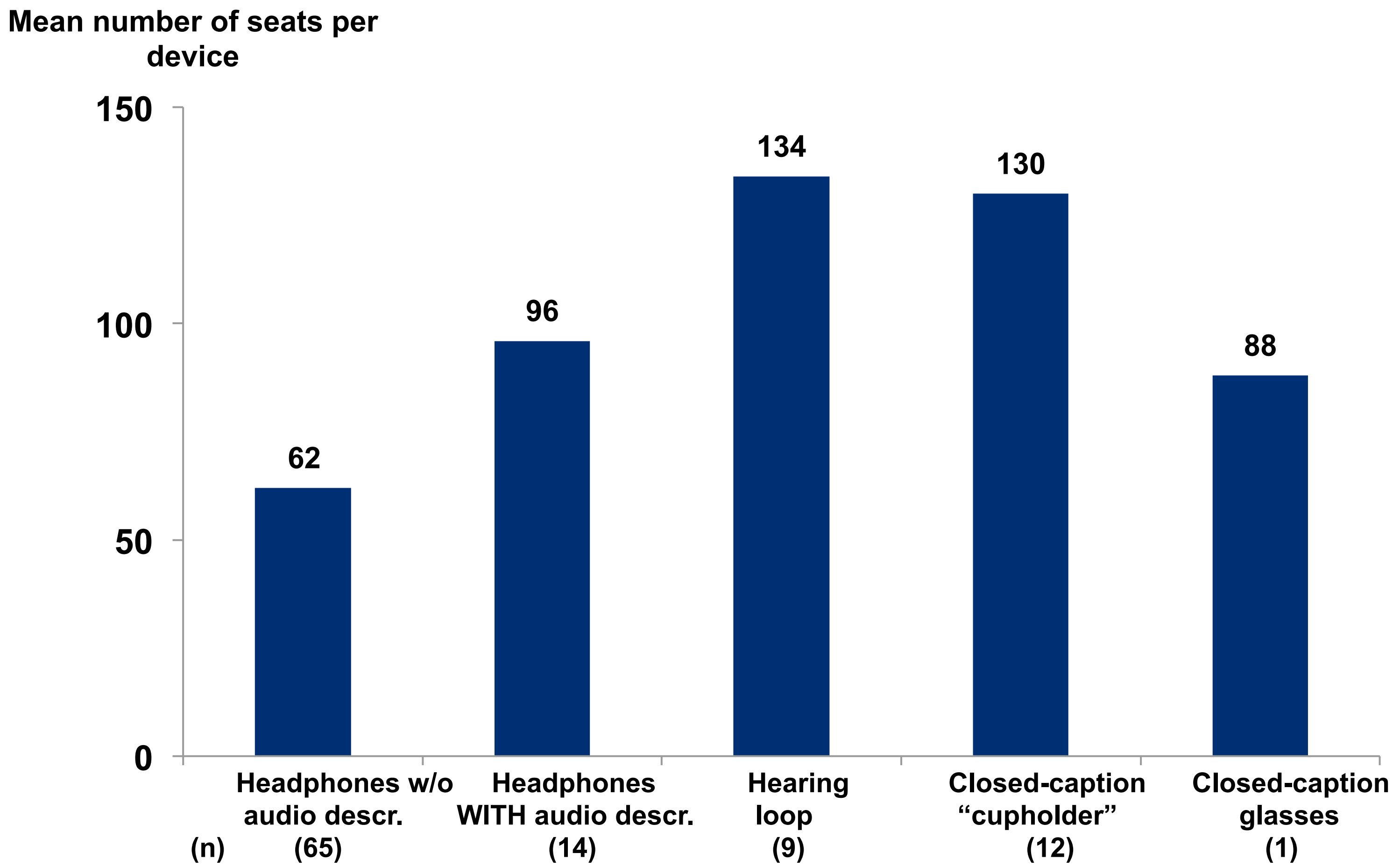
Q6: For each screen, please check the types of devices you provide.
n=84
*In theaters that have any type of device.

Number of hearing and vision devices provided by theaters



Q7: Please indicate the TOTAL number of each type of device you provide.

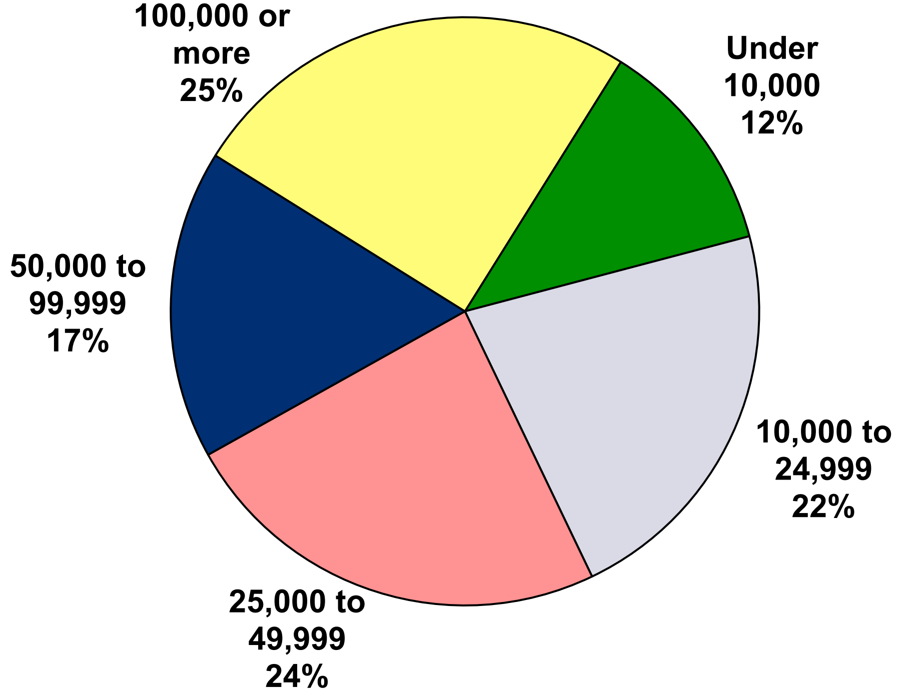
Number of seats served by each type of hearing and vision device



Q6/Q7: For each screen, please check the types of devices you provide.
Please indicate the TOTAL number of each type of device you provide.

Total attendance in 2013 for all screenings and other programs

Mean attendance in 2013:
All theaters = 68,609
Art houses only = 73,188

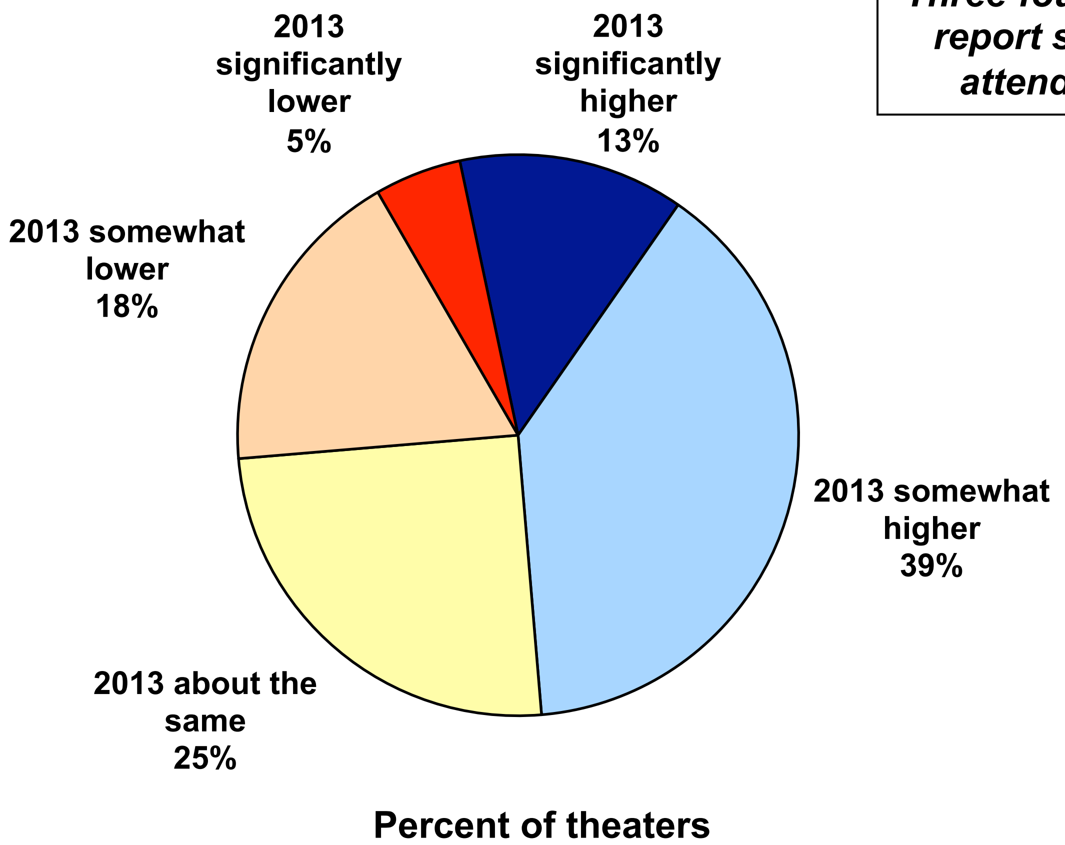


Percent of theaters

Q10: Please estimate your total attendance in 2013.
n=91

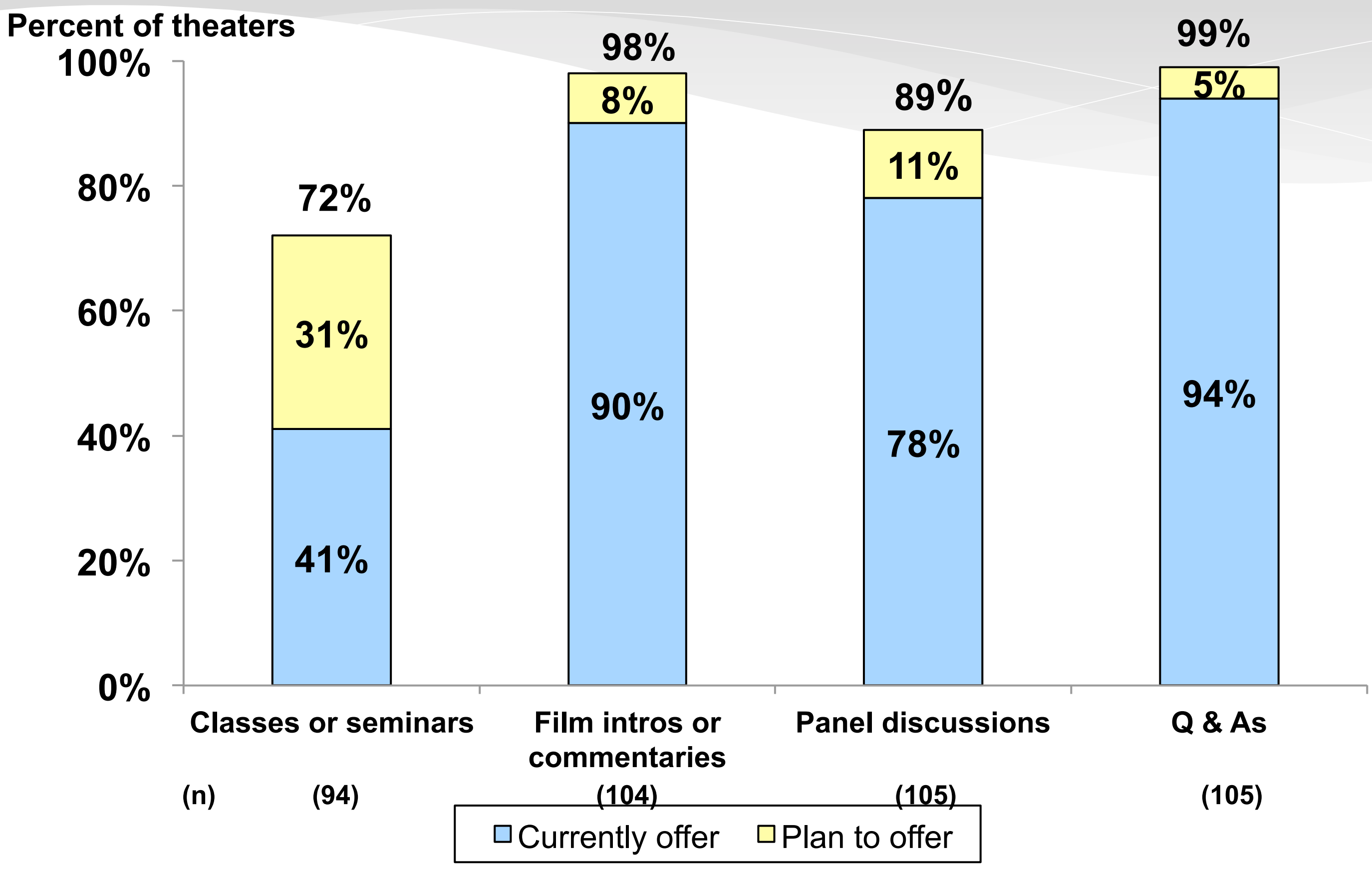
Trends in attendance, 2012-2013

Three-fourths of theaters report same or higher attendance in 2013



Q11: Which best describes your 2013 total attendance?
n=97

Most theaters offer some type of “educational” programs



Q12: Which of the following does your theater offer?

Many theaters offer educational programs for local students (K-12)*

- Topics include:
  - Film literacy and history
  - Classes in acting, editing, screenwriting, and film criticism
  - Master classes or public lectures with filmmakers
- Special screenings for area schools; e.g.:
  - Documentaries
  - Films related to curricula
  - Foreign cinema for children
- Classroom visits and programs led by theater staff at local schools
- Filmmaking workshops

*Open-ended

How much do we make?

$1,053,047 mean total revenue per theater*

50% from box office*

Generated, in 2013

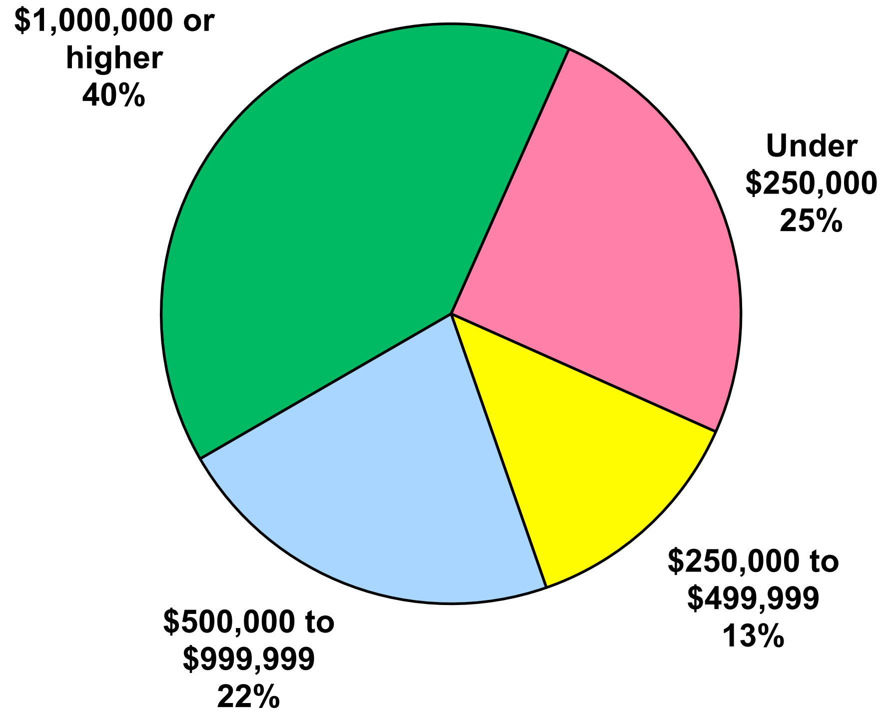
About $80,000,000 grand total revenue for 76 responding theaters

Box office about $521 K/theater or $260 K/screen*

*On average

Total gross revenue in 2013

Mean gross revenue in 2013 = $1,053,047
Median = $800,000

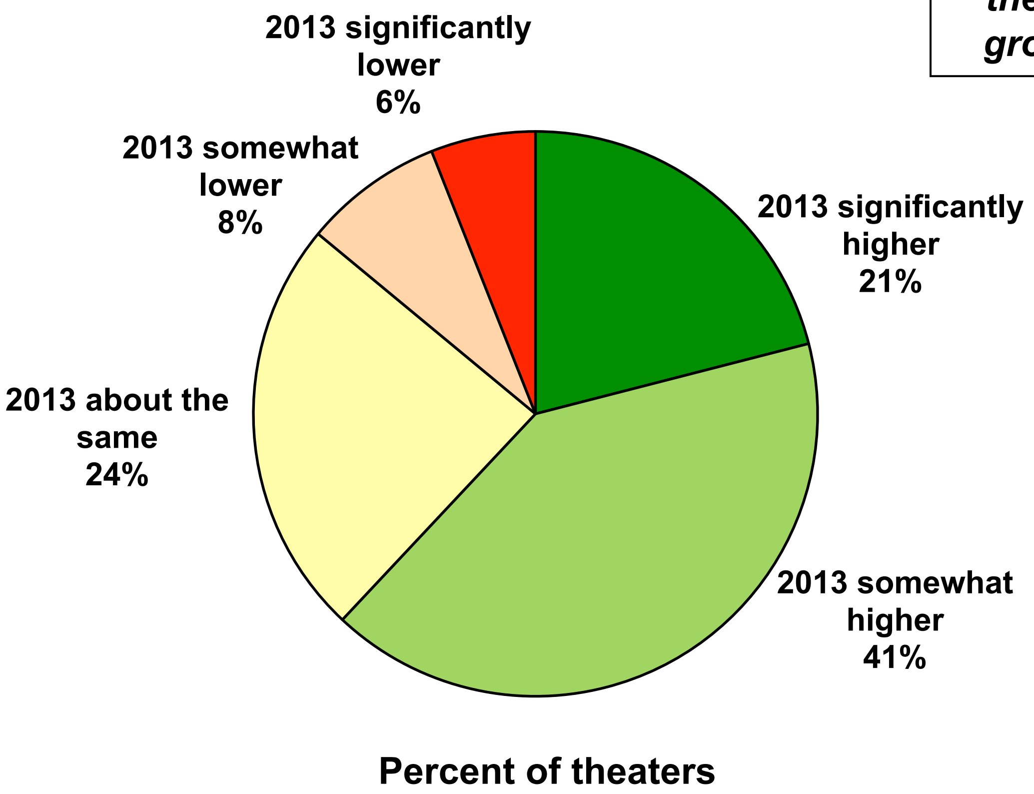


Percent of theaters

Q14: Please estimate your total gross revenue in 2013.
n=76

Trends in total gross revenue, 2012-2013

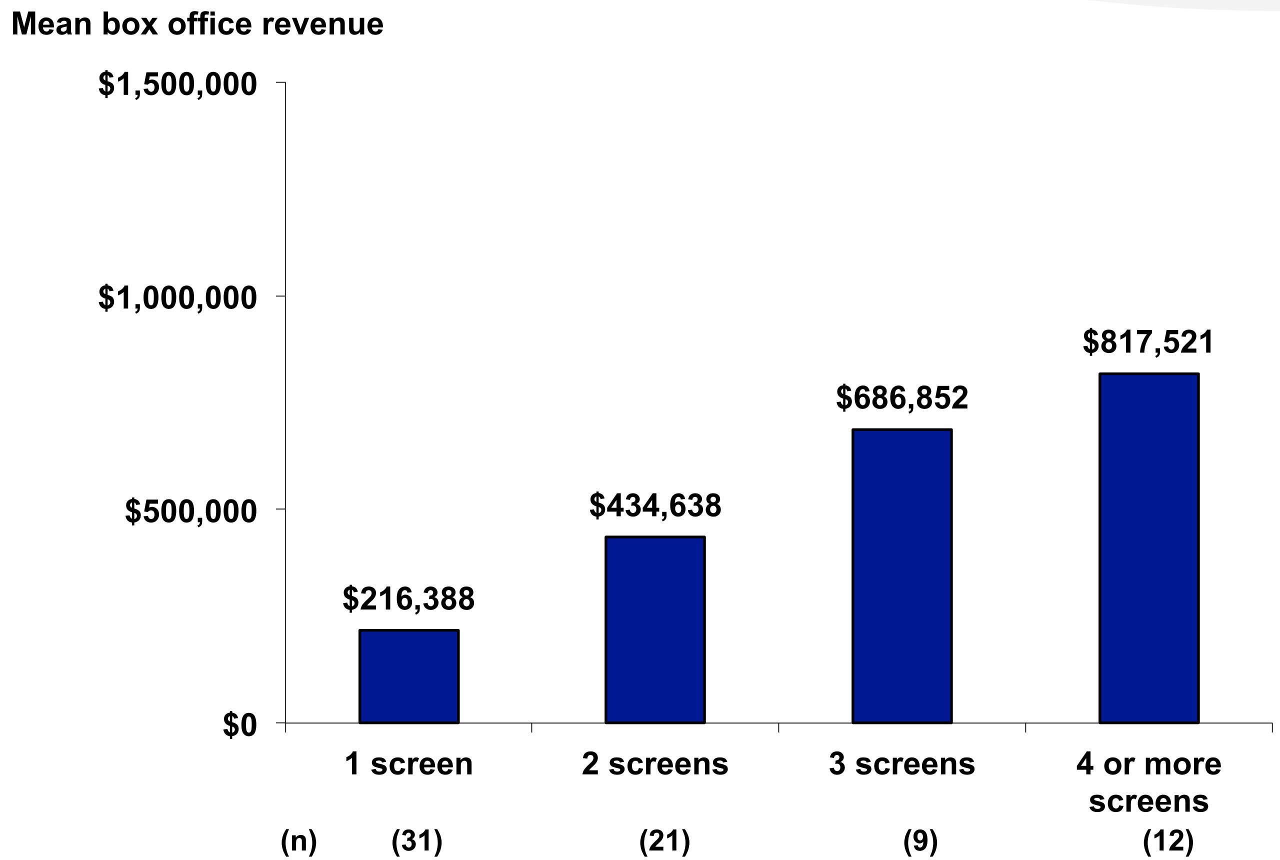
Nearly two-thirds of theaters report higher gross revenue in 2013



Q14: Which of the following best describes your 2013 total gross revenue?
n=82

Gross revenue in 2013: ***Box office ONLY***

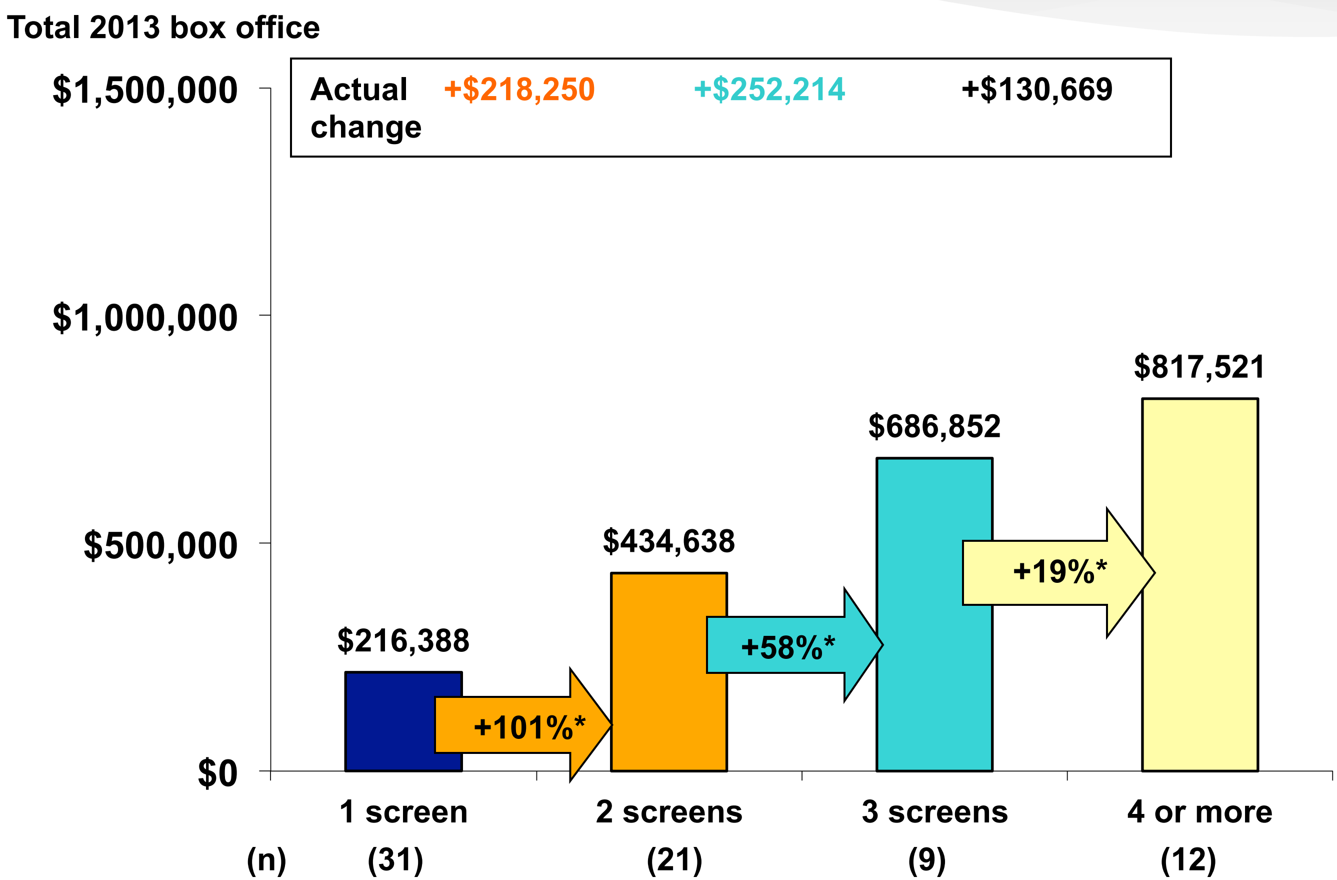
- By Number of Screens -



Q14: Please estimate your total gross revenue in 2013.
Q16: What percent of all 2013 revenue came from each source?

Total *BOX OFFICE* revenue in 2013

- By Number of Screens -

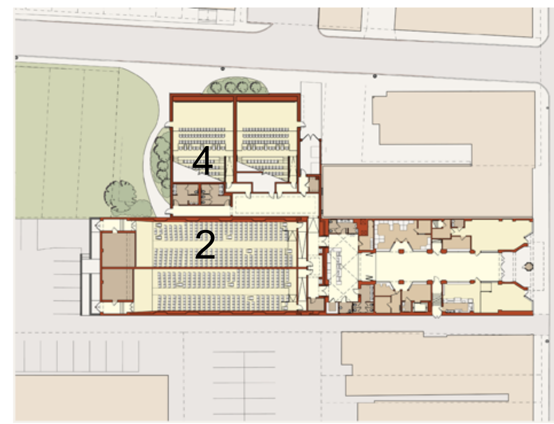


***Percent difference with additional screen.**

Q14/Q16: Please estimate your total gross revenue in 2013.
What percent of all 2013 revenue came from box office?

Impact of adding screens:
The case of Bryn Mawr Film Institute

4 screens
862 seats



2 screens
660 seats

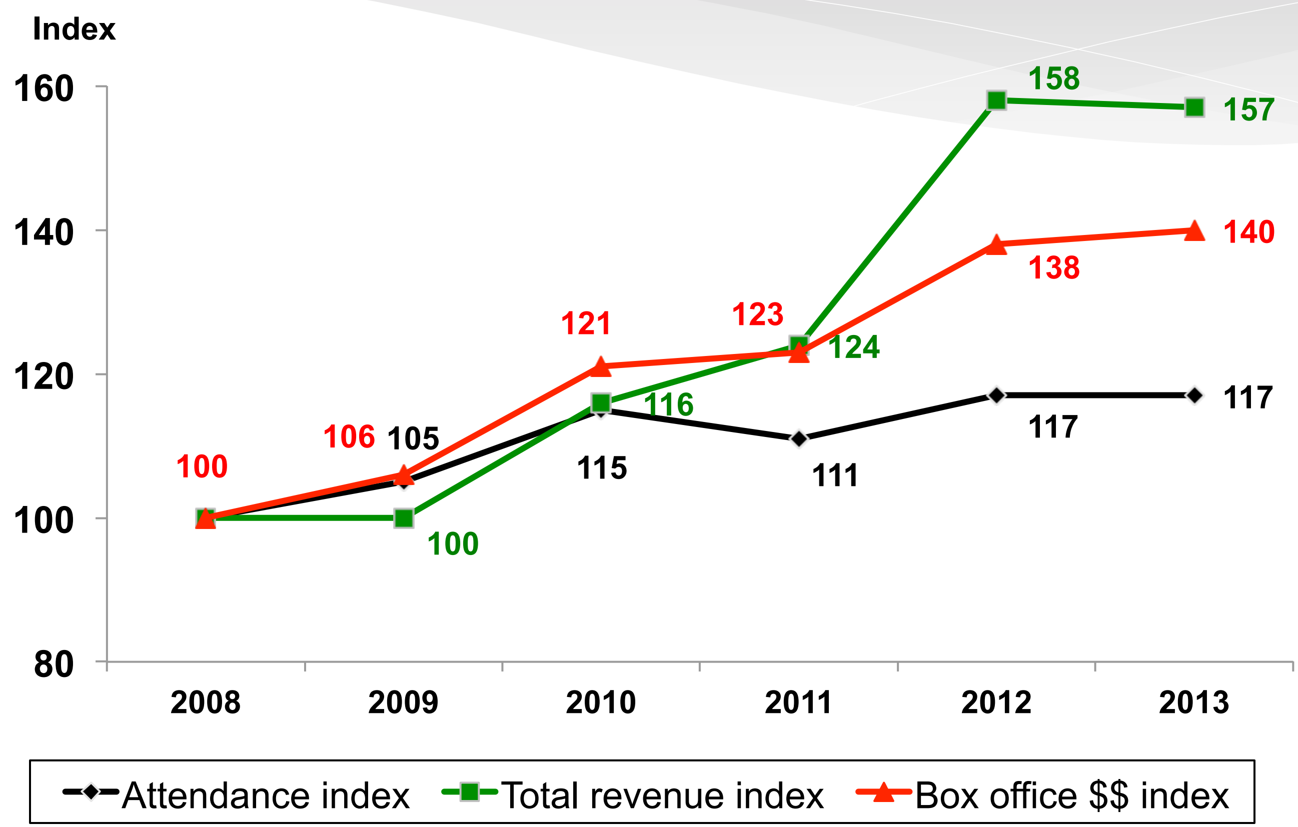
CONSTRUCTION:
9 months with 1 screen
$\leq$300 seats

2012 | **2013** | **2014**

Impact of adding screens: The case of Bryn Mawr Film Institute

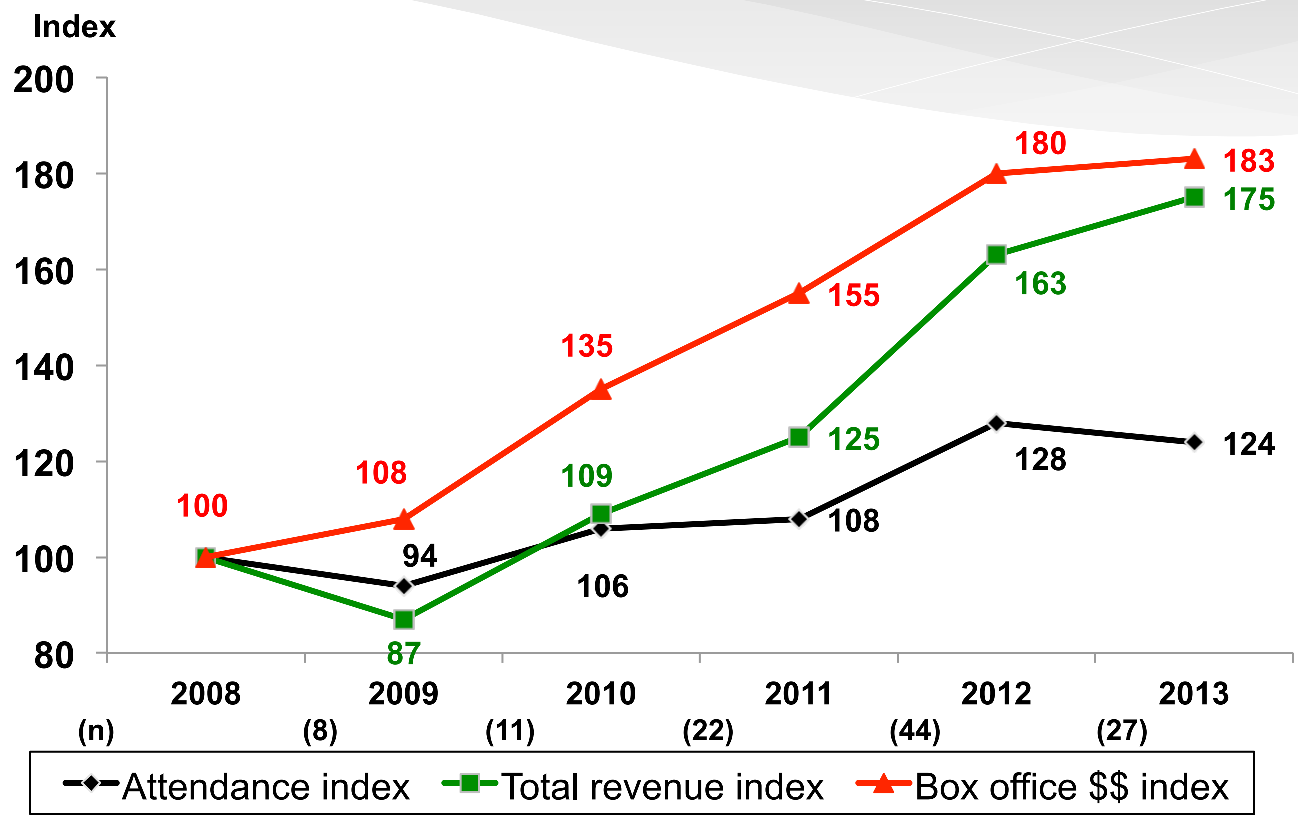
Characteristic	**2012 2 screens 660 seats**	**2014 4 screens 862 seats**	**Percent increase**
Box office gross revenue	$927,000	$1,473,000	60%
Total gross revenue (all sources)	$1,973,500	$2,900,000	47%
Total expenses	$1,780,000	$2,297,000	30%
Total attendance	126,332	166,036	32%
Number of members	6,700	8,000	19%

Attendance and revenue 2008-2013
- Theaters that provided financial information in all six surveys -



Q6: Please estimate your total attendance in 2013.
Q14: Please estimate your total gross revenue in 2013.
Q16: What percent of all 2013 revenue came from each source?
n=5

Attendance and revenue 2008-2013
- Theaters providing financial information in consecutive years' surveys -

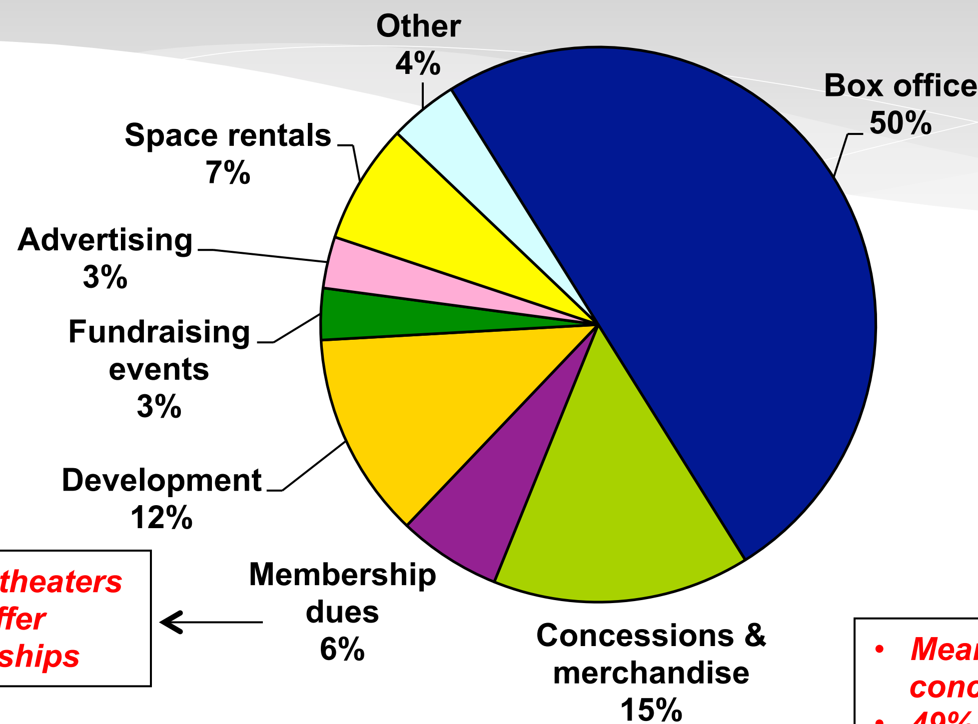


Q6: Please estimate your total attendance in 2013.
Q14: Please estimate your total gross revenue in 2013.
Q16: What percent of all 2013 revenue came from each source?

Where does our revenue come from?

- 50% box office
  - Mean adult evening admission:
    - Senior $7.73 (range $1 to $12)
    - Non-senior $9.54 (range $5 to $13)
- 15% concessions
  - Mean per-capita concessions sales = $2.86 (range $1 to $16)
  - Half of patrons buy <u>any</u> concessions item
- 12% development and donations
  - About half of donations come from individuals
- These three revenue streams account for three-fourths of <u>all</u> revenue

Sources of revenue in 2013



Mean ticket price:
Senior $7.73
Non-senior $9.54

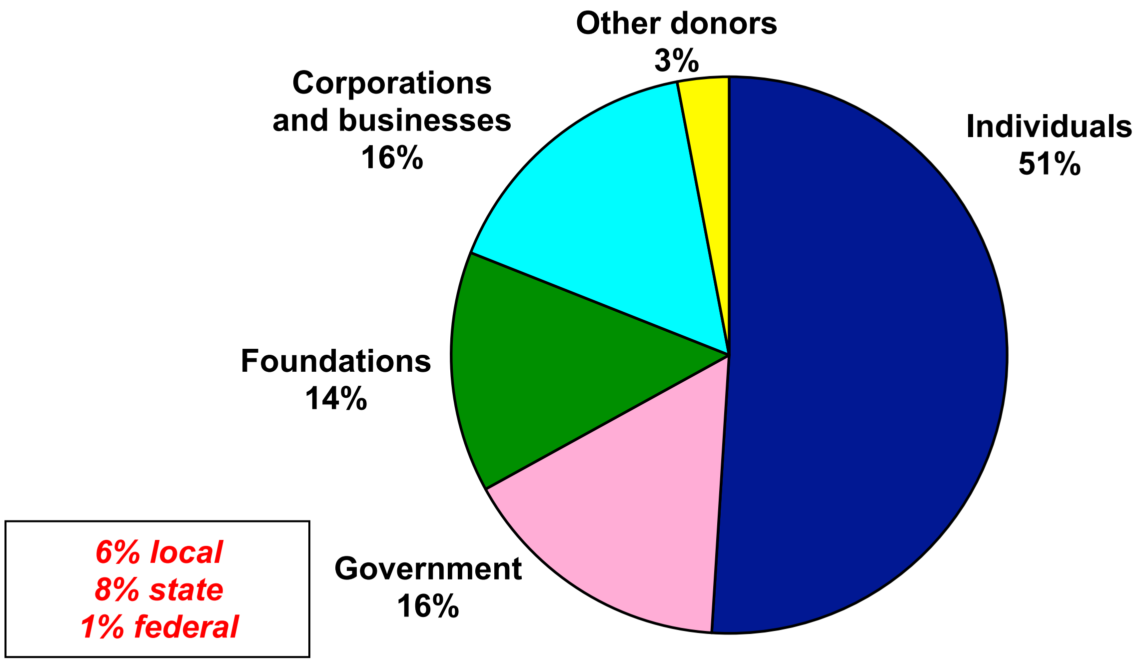
8% among theaters that offer memberships

- *Mean per-capita concessions sales = $2.86*
- *49% of patrons buy concessions items*

Percent of total 2013 revenue

Q16/Q22: What percent of all 2013 revenue came from each source?
n=73

Sources of development/fundraising revenue in 2013



Percent of total 2013 development revenue

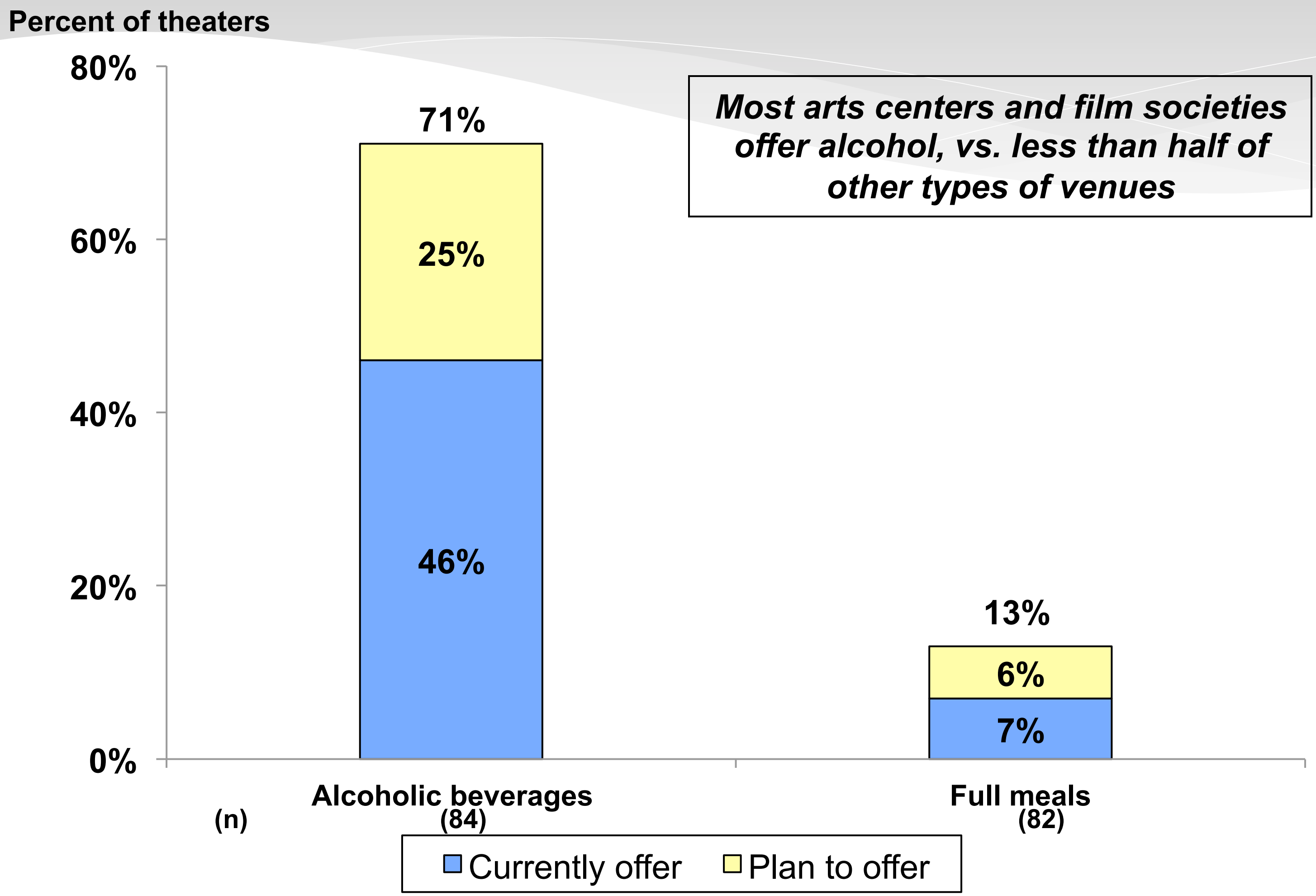
Q17/18: What percent of all 2013 development and fundraising revenue came from each source? What percent of government revenue came from each source?

n=57/36

“High” vs. “low” revenue theaters

Characteristic	**High 2013 gross ($800 K or more)**	**Low 2013 gross ($250 K or less)**
2013 gross revenue	$1,781 K	$139 K
% of 2013 revenue from box office	43%	59%
% of 2013 revenue from development/ donations	15%	5%
% of 2013 revenue from membership dues	8%	1%
Mean number of screens	3	1
% with 3 or more screens	49%	5%
Total seats	571	232
Total screenings per week	68	15
Total 2013 attendance	124 K	15 K
Offer classes/seminars	47%	28%
Own building	57%	20%
Urban/suburban location	94%	73%

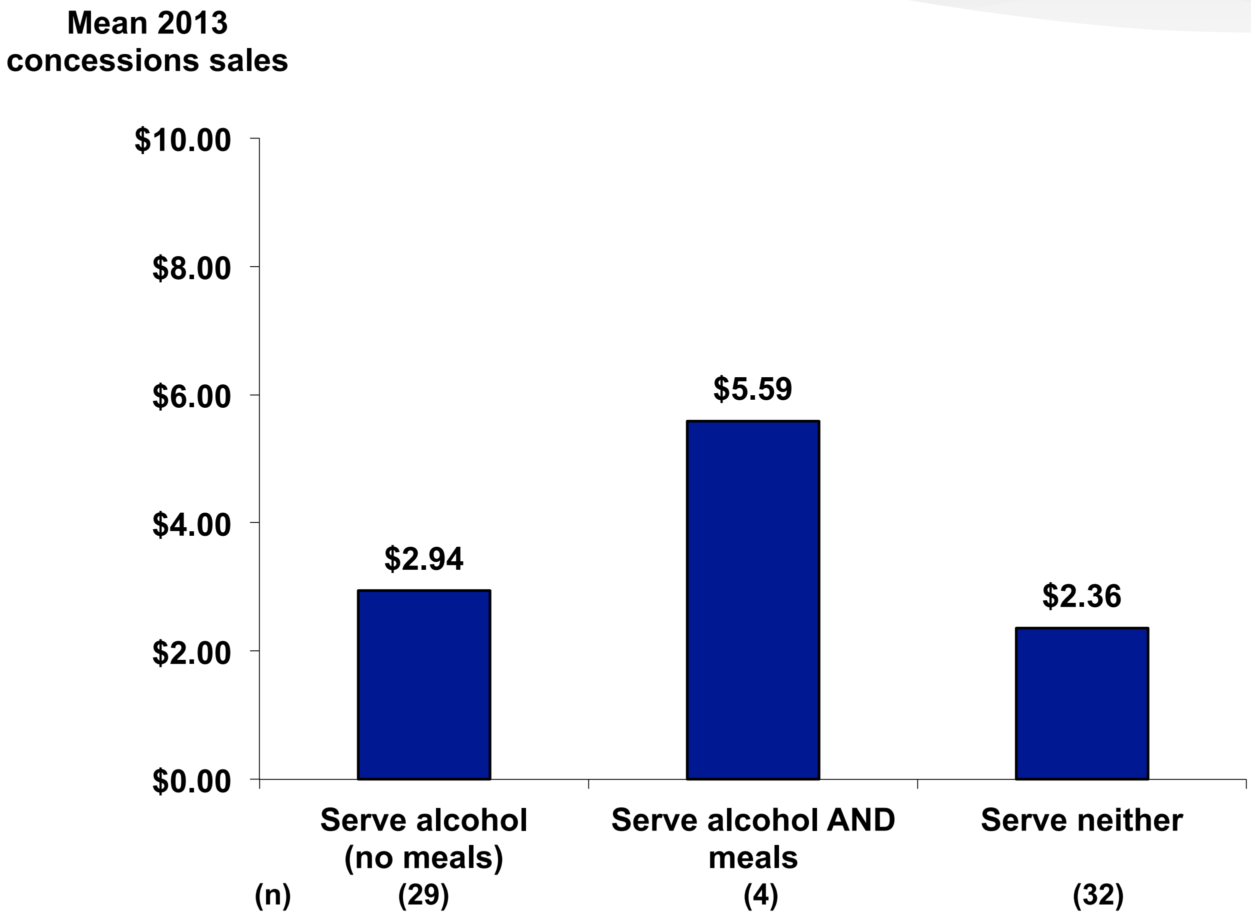
Current availability of full meals and alcoholic beverages



Q23: Does your theater offer each of the following?

Mean per capita 2013 concessions sales

- By availability of alcohol and meals -



Q22: Please estimate your per capita concessions sales in 2013.
Q23: Does your theater offer each of the following?

How much do we spend, and for what purposes?

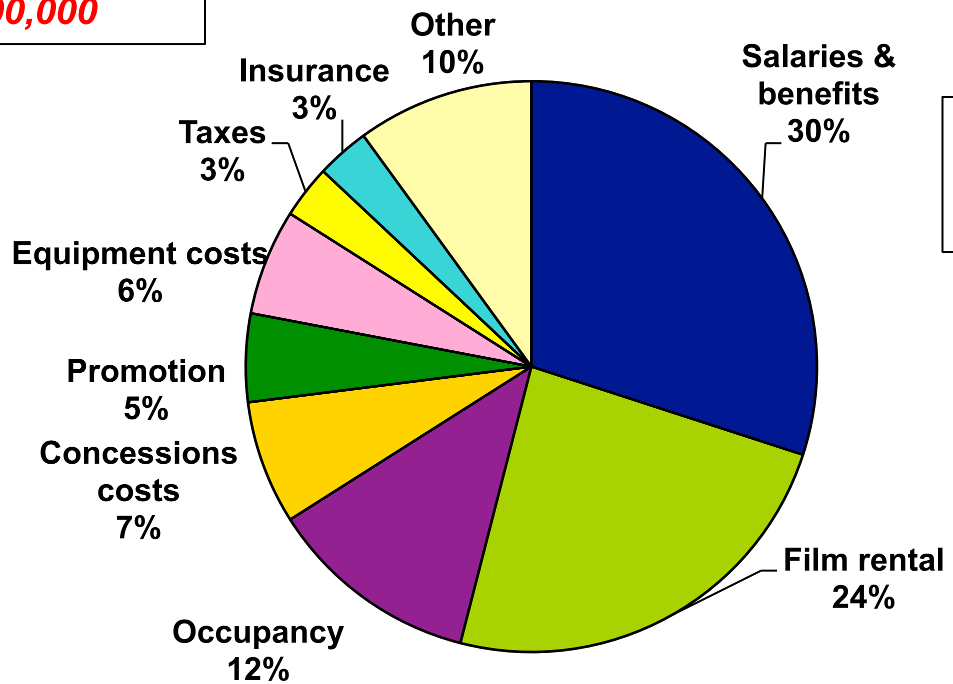
- Mean total operating expenses in 2013 = $1,043,744

  - Salaries/benefits and film rentals together account for over half

  - Another 12% goes to occupancy costs (rent or mortgage, utilities, maintenance, etc.)

Operating expenses in 2013

Total mean expenses = $1,043,744
Median = $800,000



Percent of total 2013 operating expenses

Mean # of employees:
8 full-time
12 part-time

Q25/Q26: What percent of all 2013 operating expenses went toward each?
How many paid employees do you currently have?
n=63/70/72

How profitable are we?

- Average net profit in 2013 was 6%

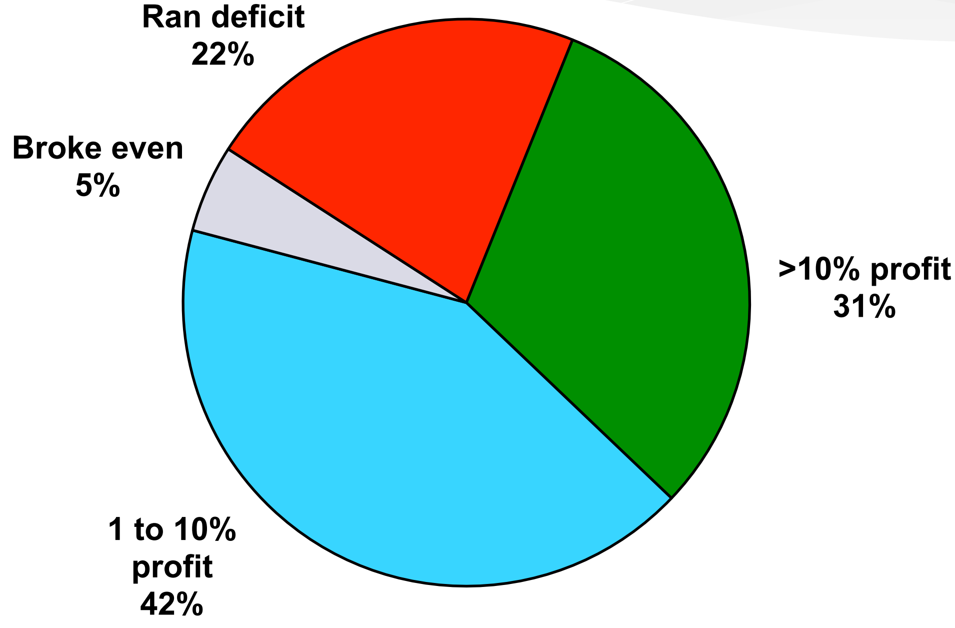
  - 73% of responding theaters showed a profit, while 22% ran a deficit (vs. 2012, when only 16% ran a deficit)

- Theaters that ran a deficit earned a smaller proportion of their revenue from box office, and were more reliant on development and donations than more profitable organizations

- Theaters with three or more screens -- while generating more revenue than smaller venues -- were actually less profitable, probably because of correspondingly higher expenses (personnel, utilities, etc.) associated with larger operations

Net profit or deficit in 2013

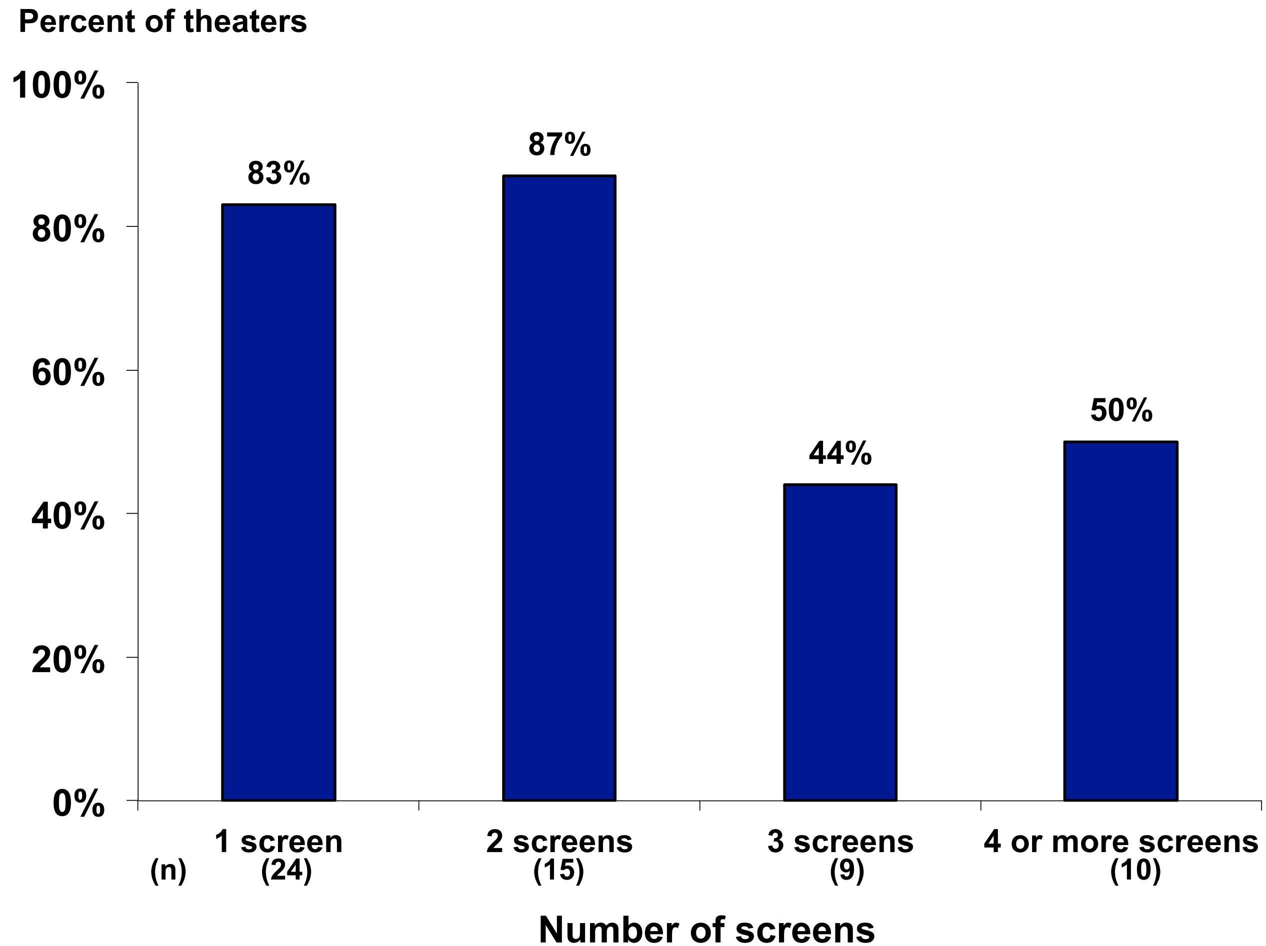
Mean profit = 6%



Percent of theaters

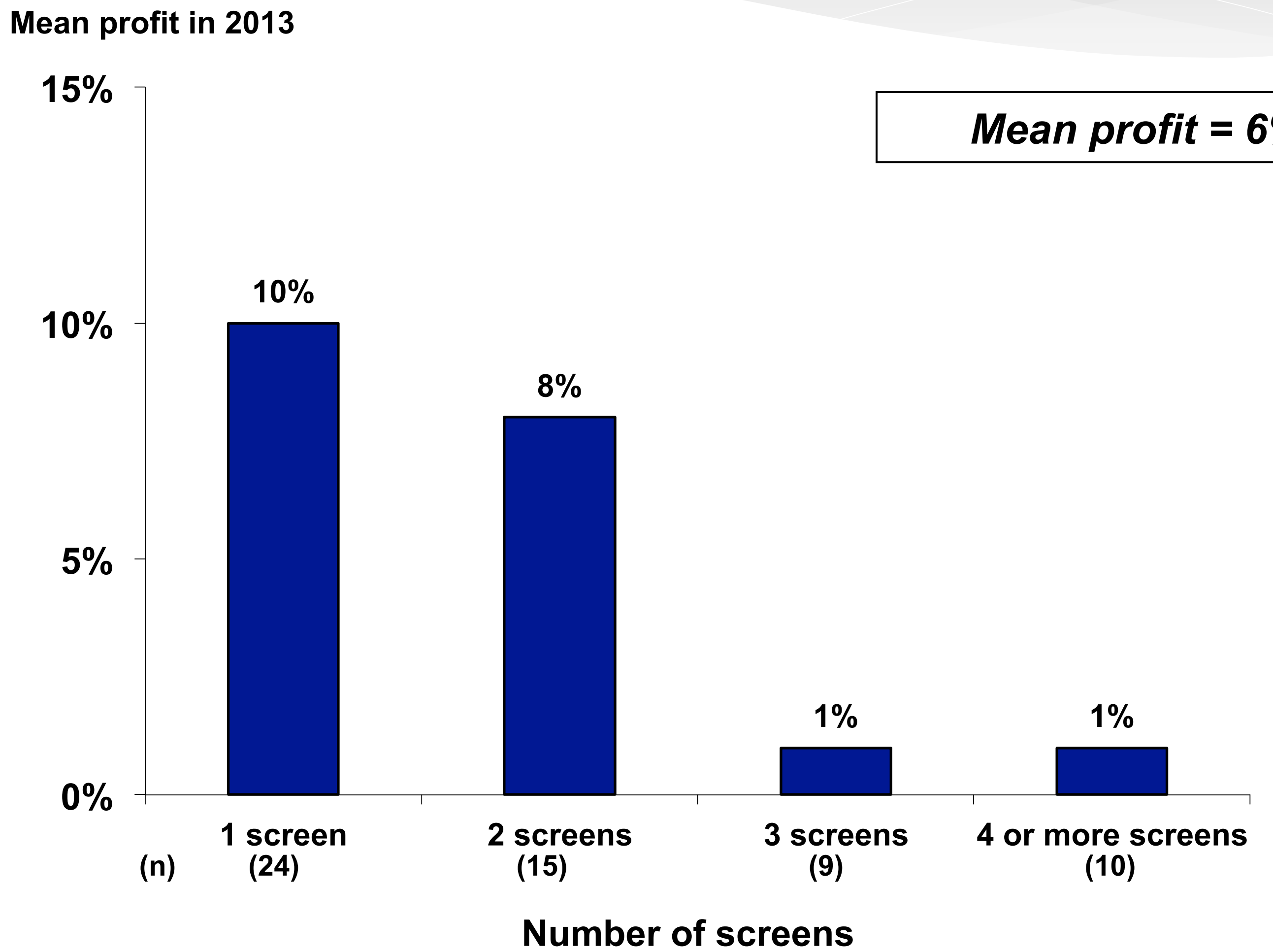
Q14/Q24: Please estimate your total gross revenue in 2013.
Please estimate your total operating expenses in 2013.
n=58

Percent of theaters that showed a profit in 2013, by number of screens



Q14: Please estimate your organization's total gross revenue in 2013.
Q24: Please estimate your organization's total operating expenses in 2013.

Profitability by number of screens

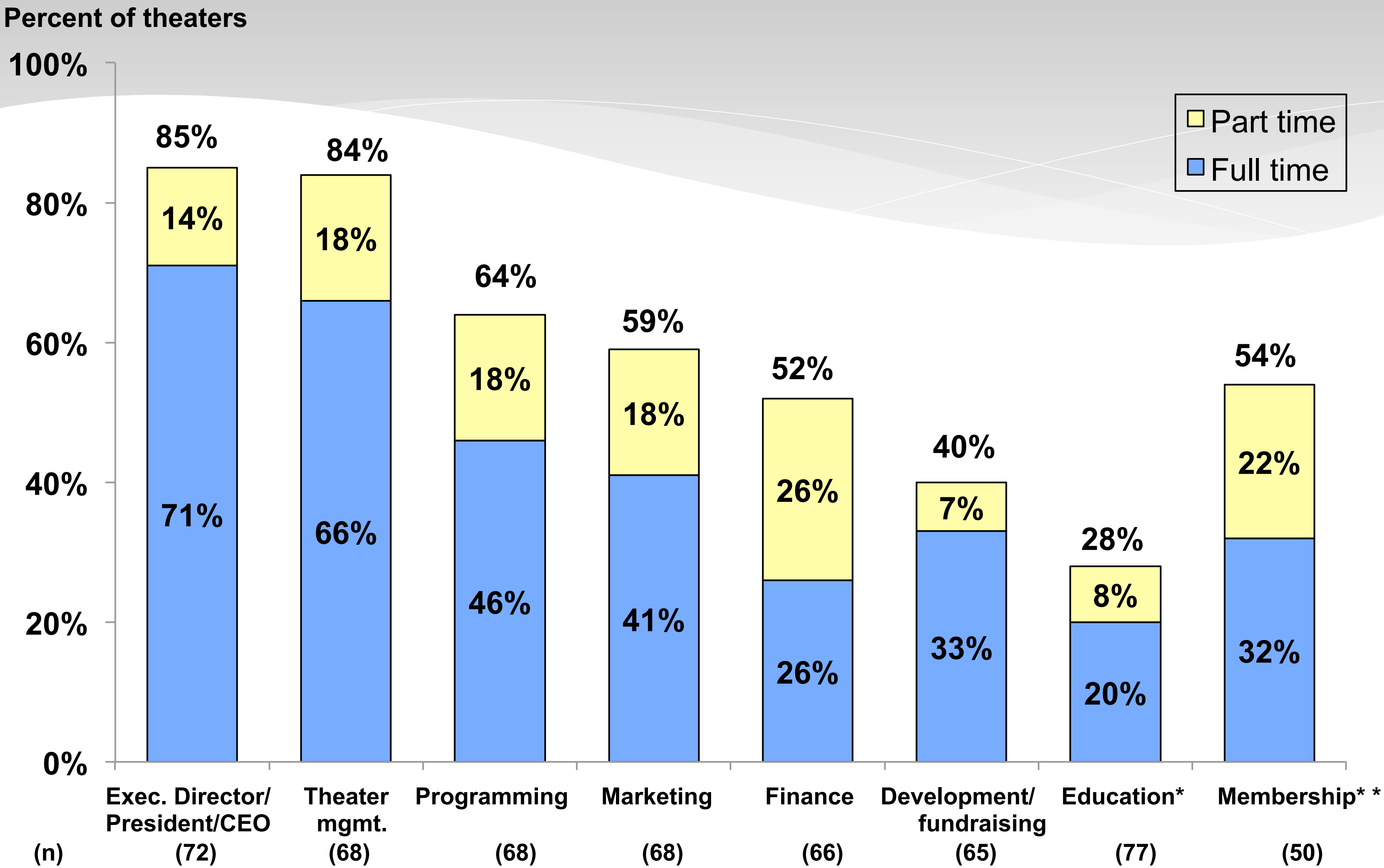


Q14: Please estimate your organization's total gross revenue in 2013.
Q24: Please estimate your organization's total operating expenses in 2013.

Theater characteristics by 2013 profitability

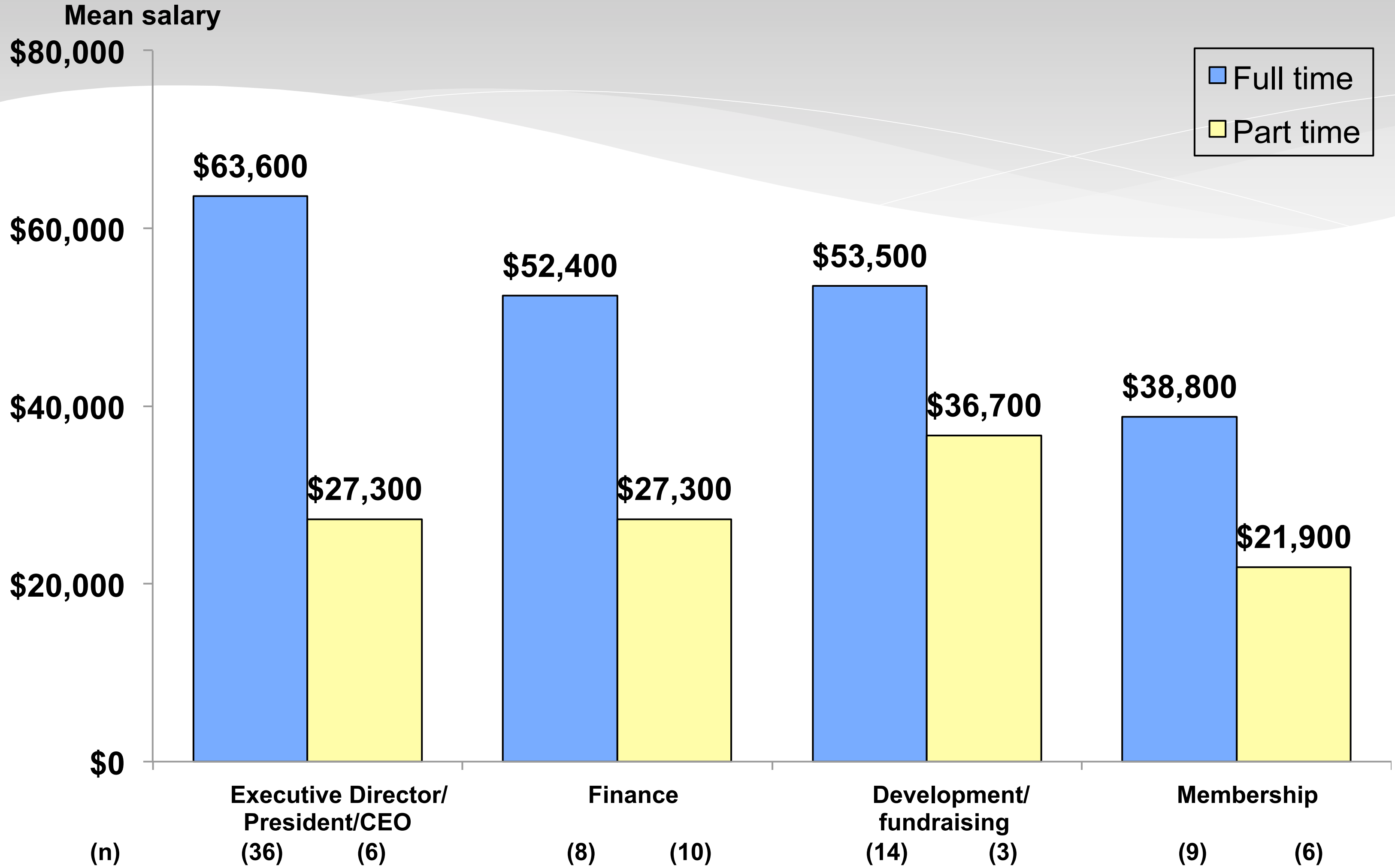
Characteristic	>10% profit in 2013	1-10% profit in 2013	Ran deficit in 2013
2013 gross revenue	$937 K	$1,121 K	$1,283 K
2013 total expenses	$746 K	$1,066 K	$1,418 K
Mean profit margin in 2013	+23%	+5%	**-14%**
% of 2013 revenue from box office	51%	47%	40%
% of 2013 revenue from development/donations	11%	14%	17%
Per-capita concessions sales	$3.49	$2.70	$2.73
Total seats	338	515	474
Total screenings per week	34	40	82
Total 2013 attendance	66 K	71 K	101 K
Employees FT/PT	5/8	12/16	7/15

Use of dedicated staff for key functions



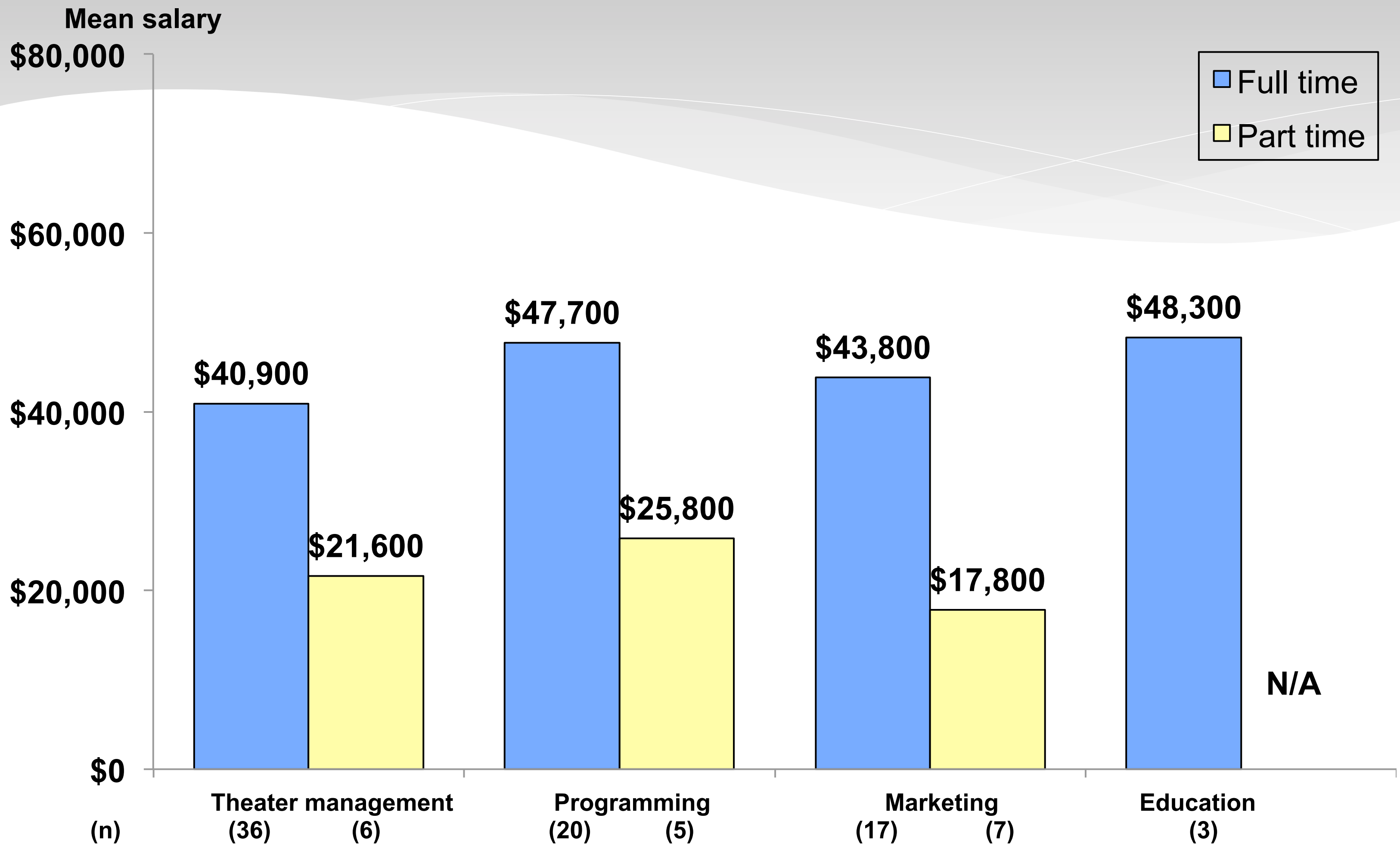
Q27: For which of the following functions did you have a DEDICATED staff member in 2013?
*Source: 2013 survey
**Among theaters that offer memberships

Compensation for key functions



Q28: Please indicate the 2013 salary for each position.

Compensation for key functions (cont'd.)

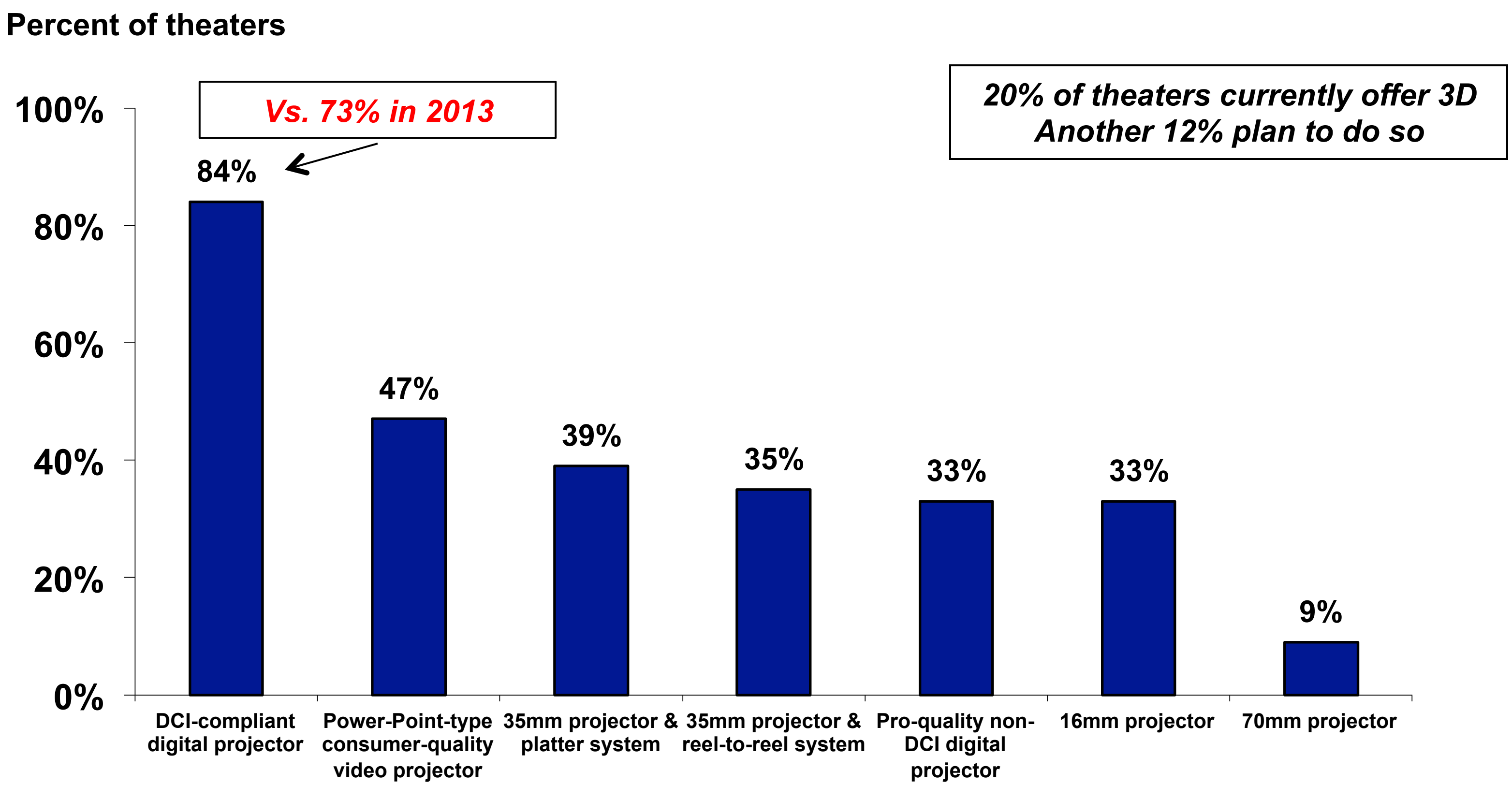


Q28: Please indicate the 2013 salary for each position.

How do we show films?

- By now, nearly all theaters have DCI-compliant digital projection
  - Three-fourths of theaters have converted all of their screens to digital
  - Christie remains the most widely used type of projector
- Most theaters still have 35mm projectors, with platter systems slightly more popular than reel-to-reel
  - Most also plan to keep their 35mm capabilities
- Only 20% of theaters currently offer 3D programming

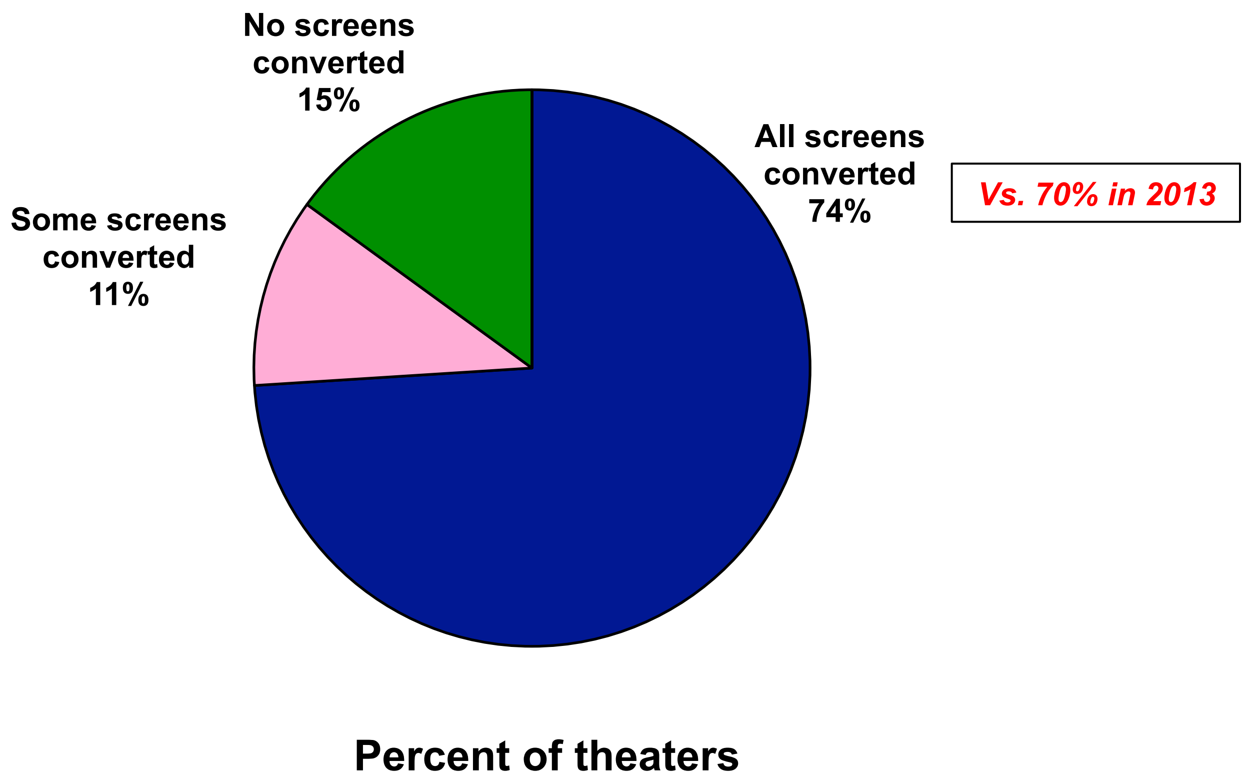
In-house projection equipment and capabilities as of 2104



Q29/Q33: Which of the following projection equipment/capabilities do you have in house?
What is your status regarding 3D programming?

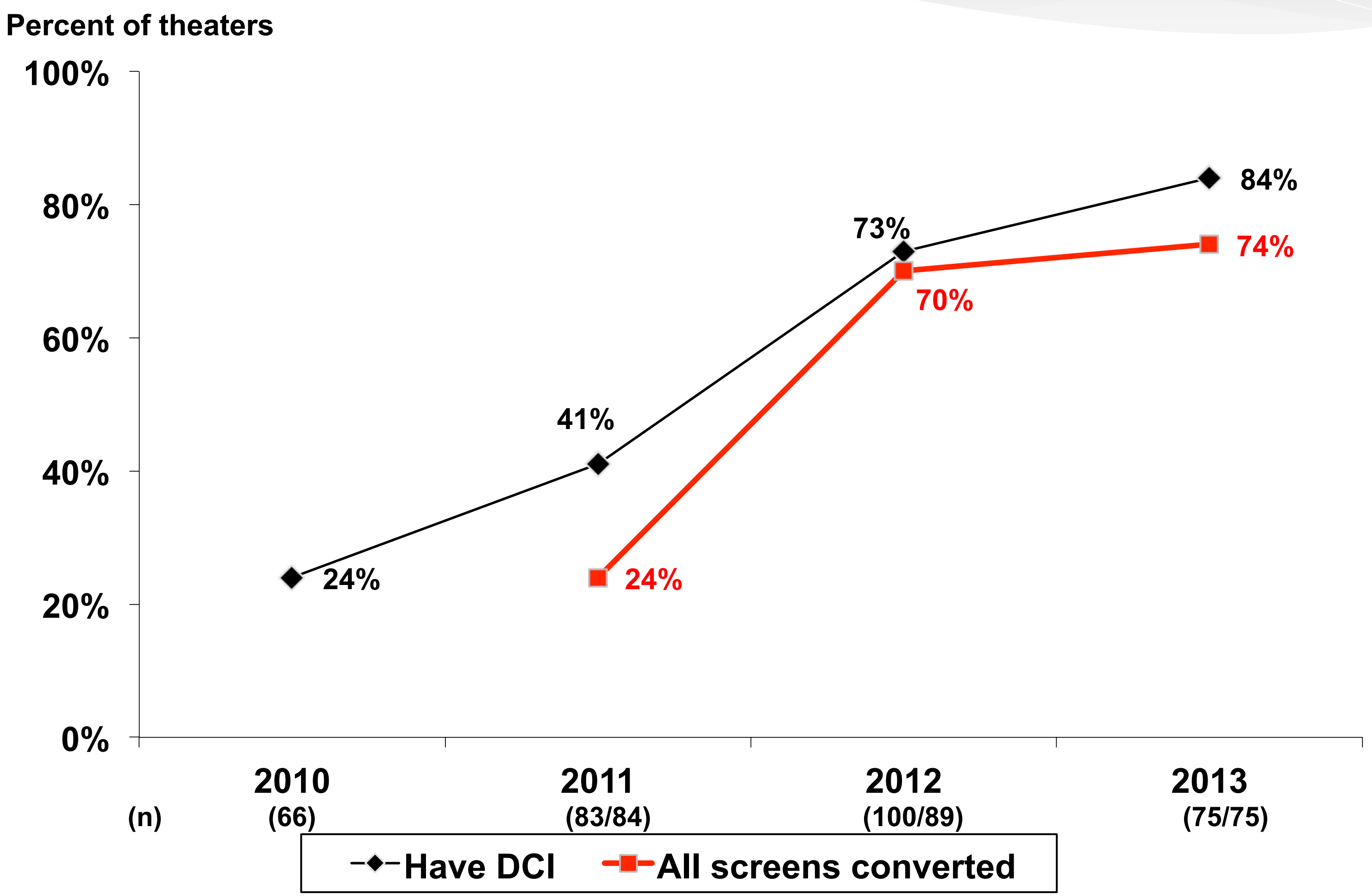
n=75

Current digital conversion status



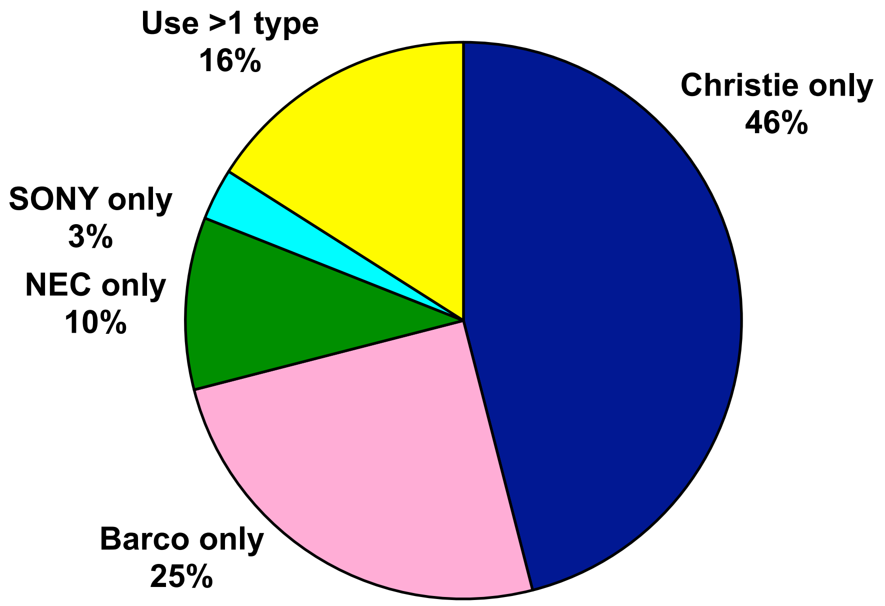
Q31: Which best describes your theater's status regarding DCI conversion?
n=75

DCI conversion, 2010-2013



Which of the following projection equipment/capabilities do you have in house?
Which best describes your theater's status regarding DCI conversion?
*Question not asked in 2010

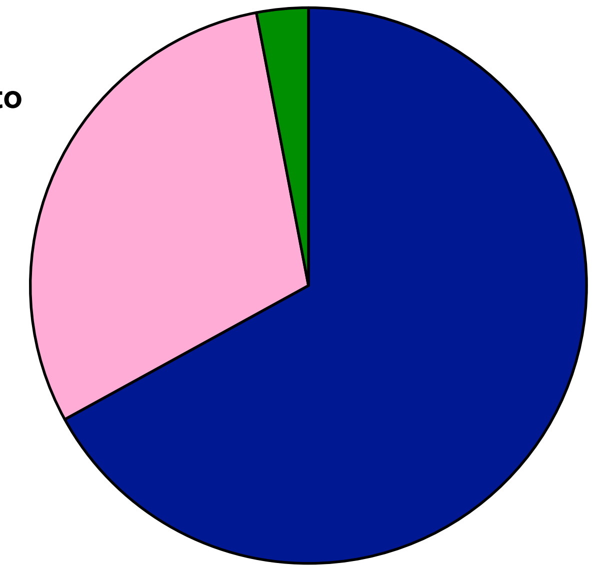
Use of specific types of DCI-compliant projector



Percent of theaters that have a DCI-compliant projector

Q30: For how many screens do you use each type of DCI-compliant projector?
n=63

Plans for 35mm projection after digital conversion



Percent of theaters with 35mm projection capabilities*

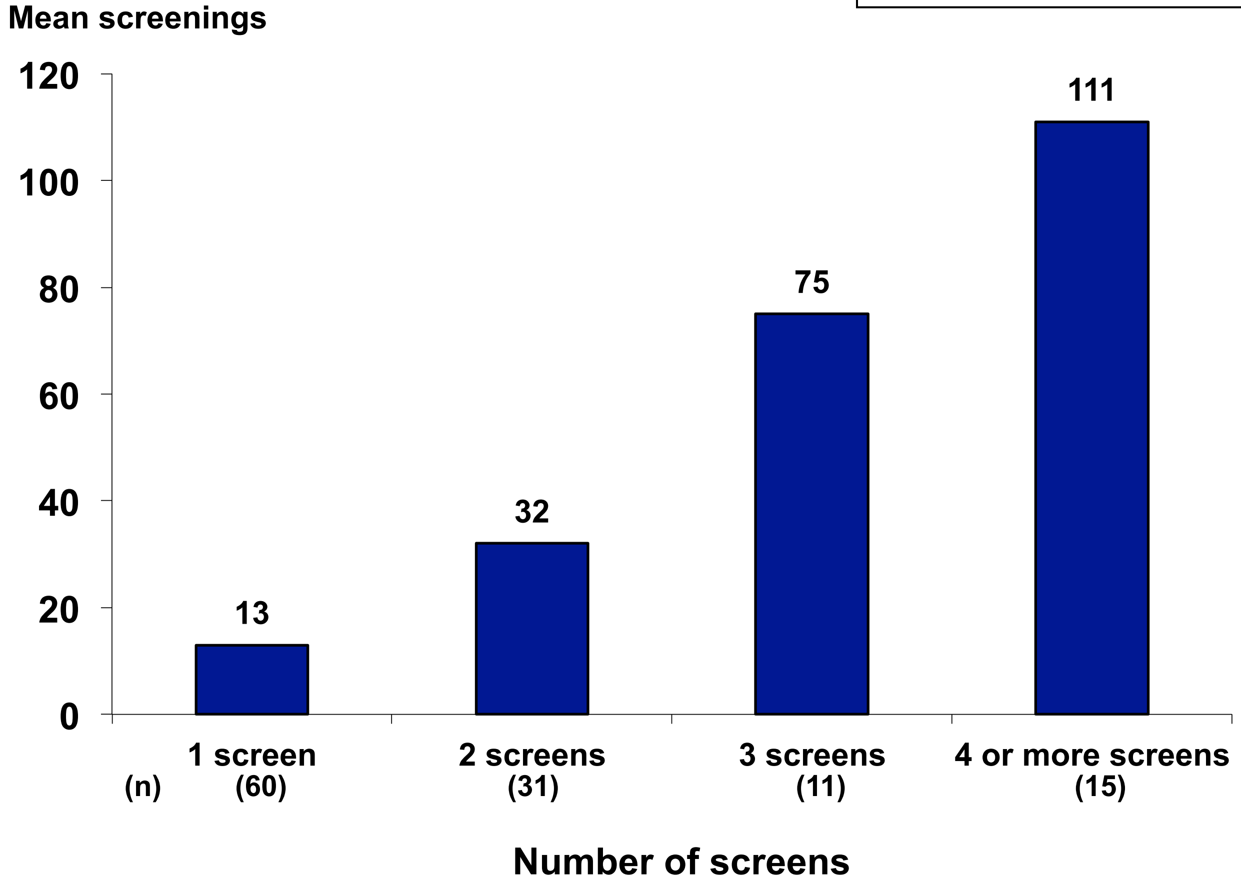
Q32: Do you plan to retain your 35mm projection capabilities after completion of DCI conversion?
n=64
*11 theaters have no 35mm capabilities

When do we show films?

- Theaters average 36 screenings per week
- As might be expected, <u>first</u> screenings generally begin earlier on weekends (Saturday-Sunday) than during the week
  - Over one-third of theaters do not “open” until 4:00 pm or later
  - Half of theaters have no matinees before the 3:00 hour during the week, while on weekends, half begin screening by 1:00
- Start times for <u>last</u> screenings exhibit less differentiation between weekends and weekdays
  - Only 15% of theaters begin their last weekday show at 10:00 or later, vs. nearly one-third on weekends.
  - Most common starting time for last screening is the 9:00 hour

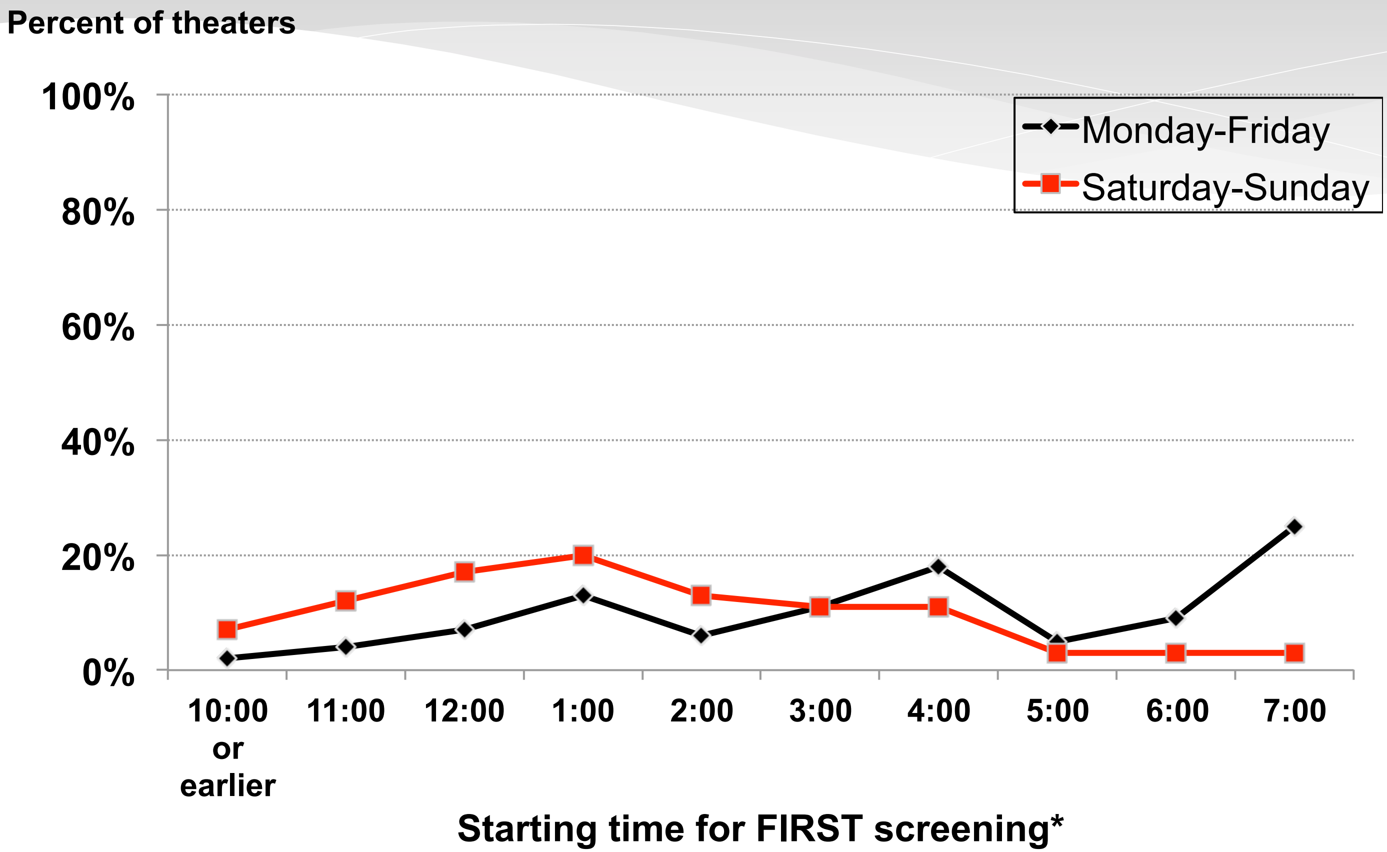
Total number of screenings per week

Mean = 36 per week (median 20)



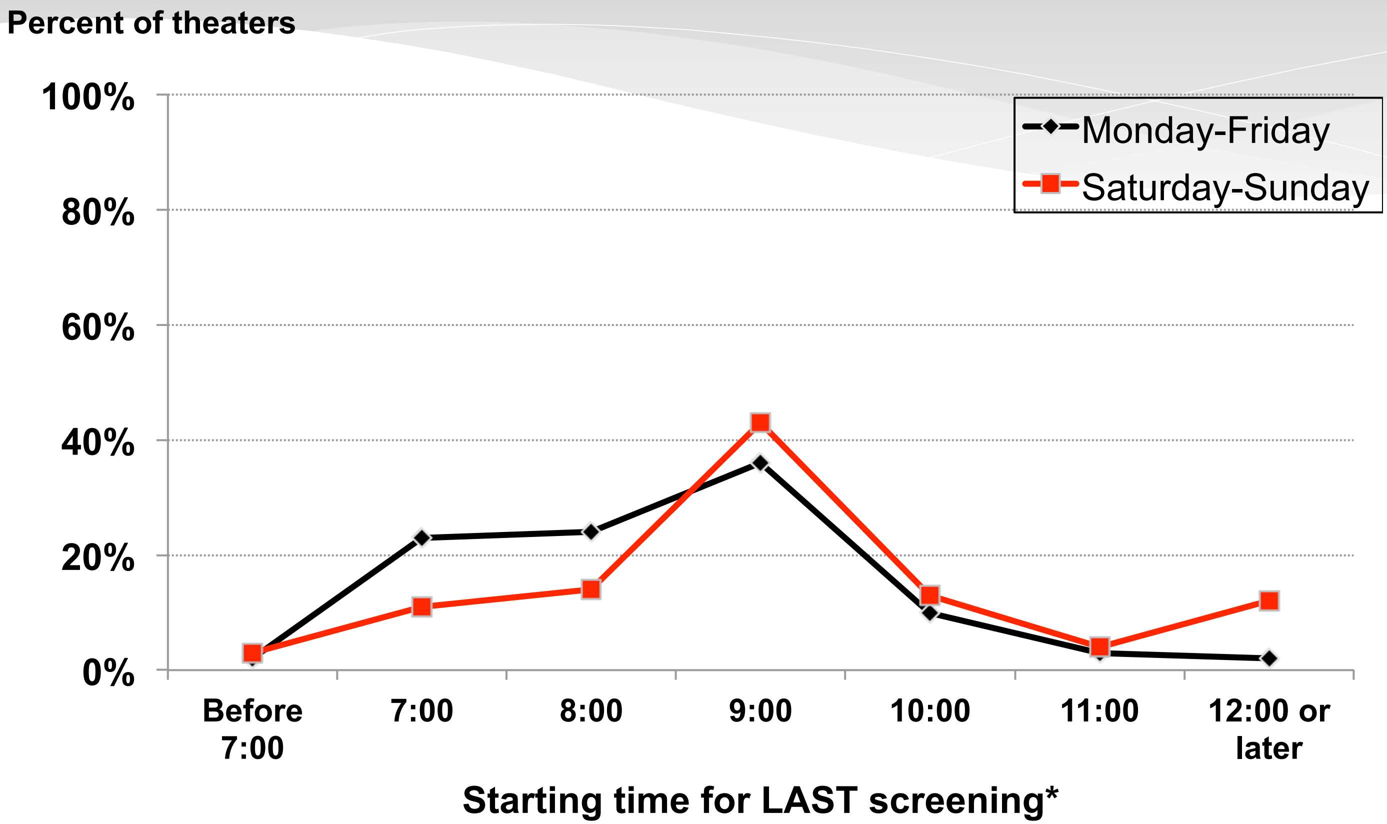
Q9: In TOTAL, how many screenings does your theater usually present per WEEK, across all screens?

Usual starting time for FIRST screening of day



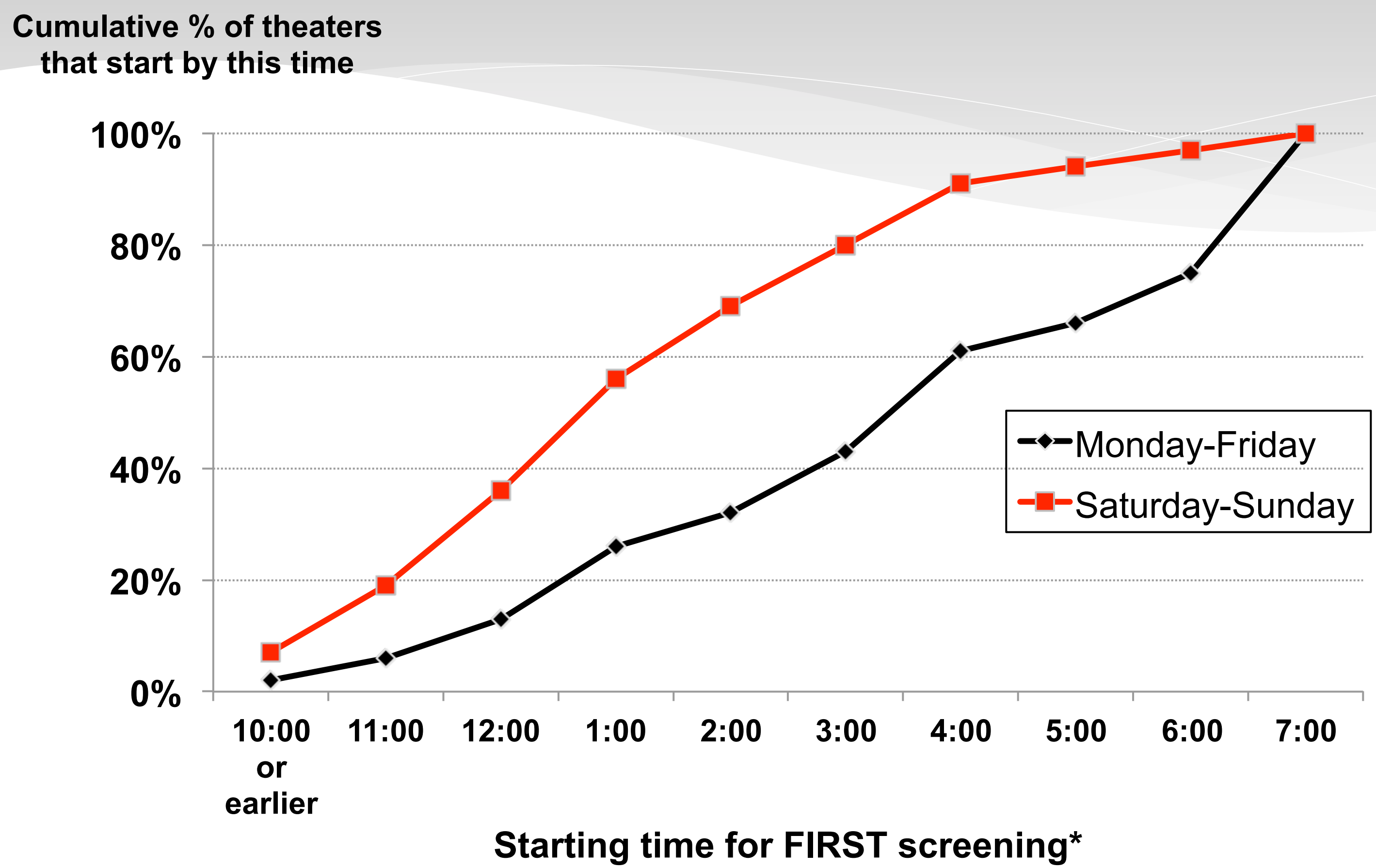
Q8: Please indicate your theater's USUAL starting time for EARLIEST screening.
n=114/116
*Within the hour beginning at indicated time; e.g., 7:00 = 7:00 to 7:59.

Usual starting time for LAST screening of day



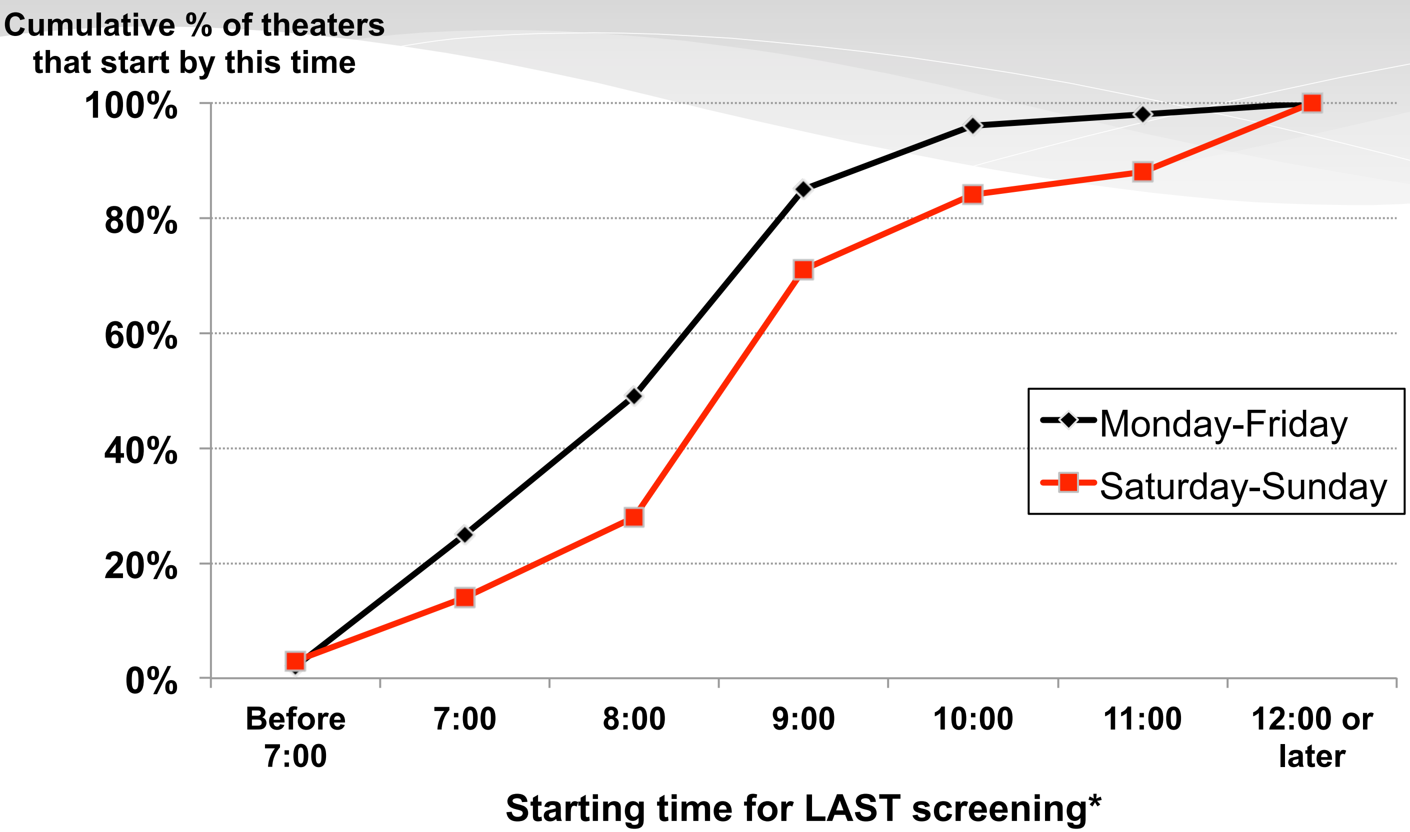
Q8: Please indicate your theater's USUAL starting time for LAST screening.
n=112/116
*Within the hour beginning at indicated time; e.g., 7:00 = 7:00 to 7:59.

Usual starting time for FIRST screening of day



Q8: Please indicate your theater's USUAL starting time for EARLIEST screening.
n=114/116
*Within the hour beginning at indicated time; e.g., 7:00 = 7:00 to 7:59.

Usual starting time for LAST screening of day

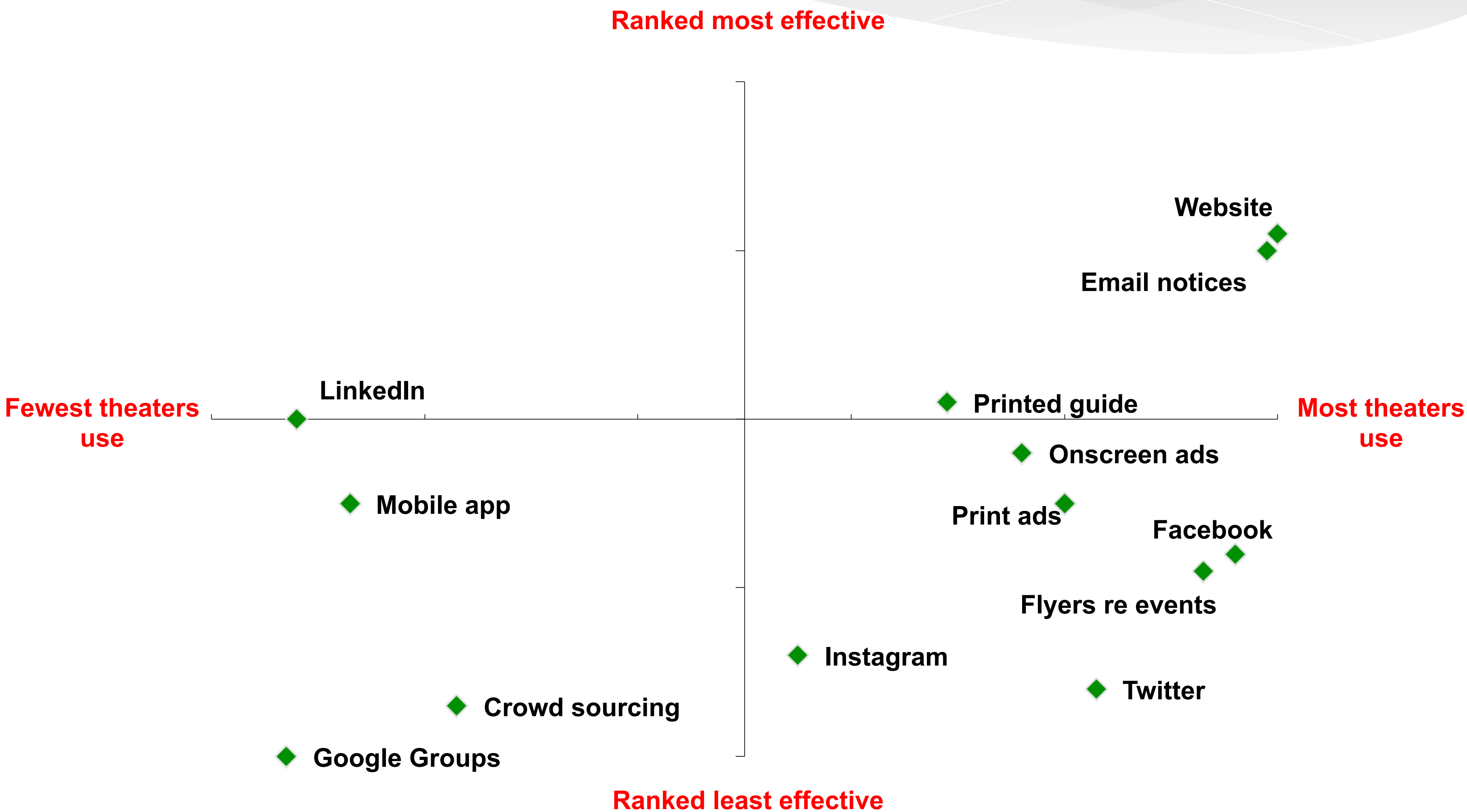


Q8: Please indicate your theater's USUAL starting time for LAST screening.
n=112/116
*Within the hour beginning at indicated time; e.g., 7:00 = 7:00 to 7:59.

How do we communicate with our audiences?

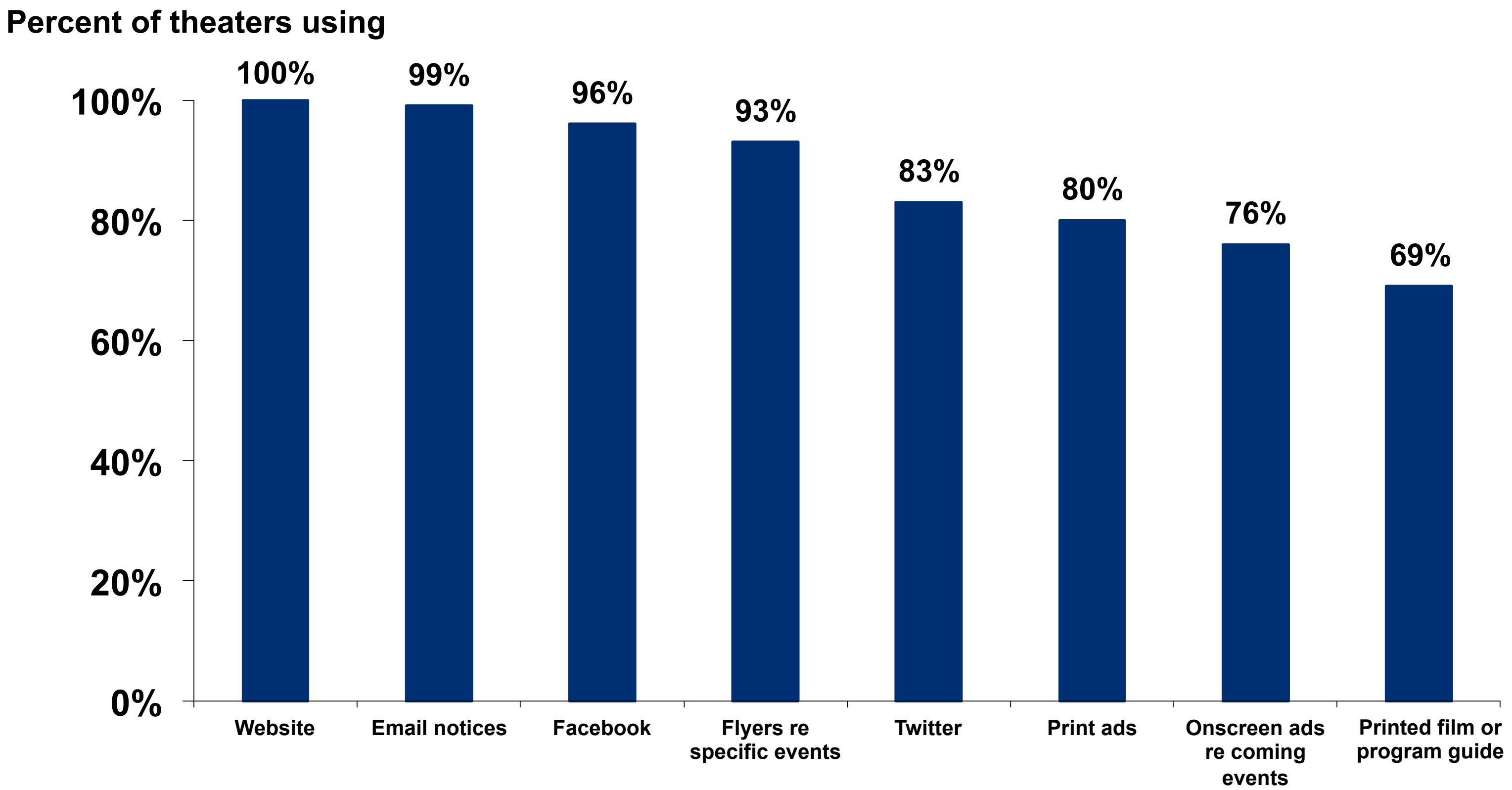
- All theaters rely on their websites and on email updates and notifications to promote programming
  - Respondents feel that these media are the most effective in reaching patrons
- Printed film and program guides also still play an important role for most theaters
- Among social media, Facebook and Twitter are most widely used
  - In addition, over half of theaters use Instagram
  - But social media are generally viewed as significantly less effective means of communication than websites and email

Use of marketing and communications media



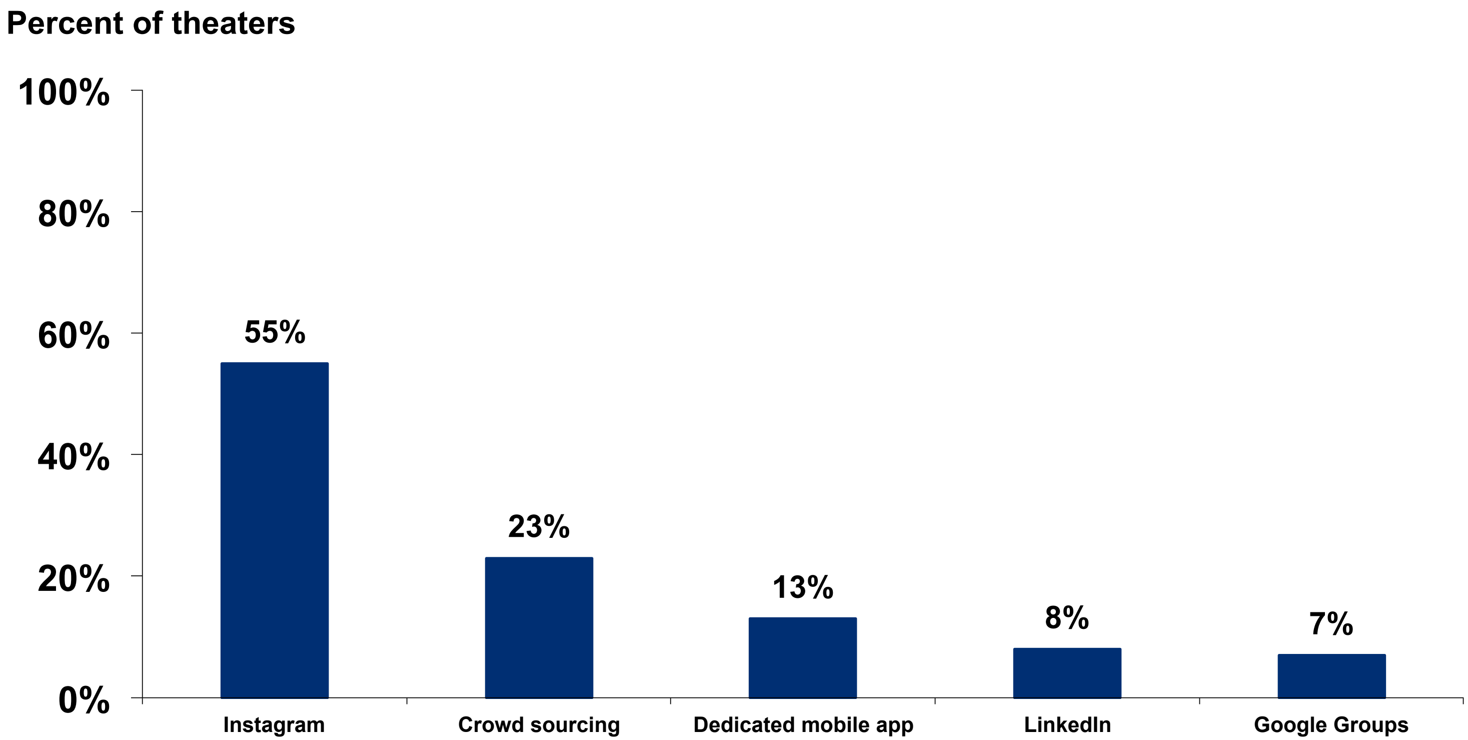
Q38/39: Please check ALL types of media that your theater currently uses.
Choose and rank the FIVE media that you have found most efffective.
n=75

Use of marketing and communications media



Q38: Please check ALL types of media that your theater currently uses.
n=75

Most effective marketing and communications media
(cont'd.)



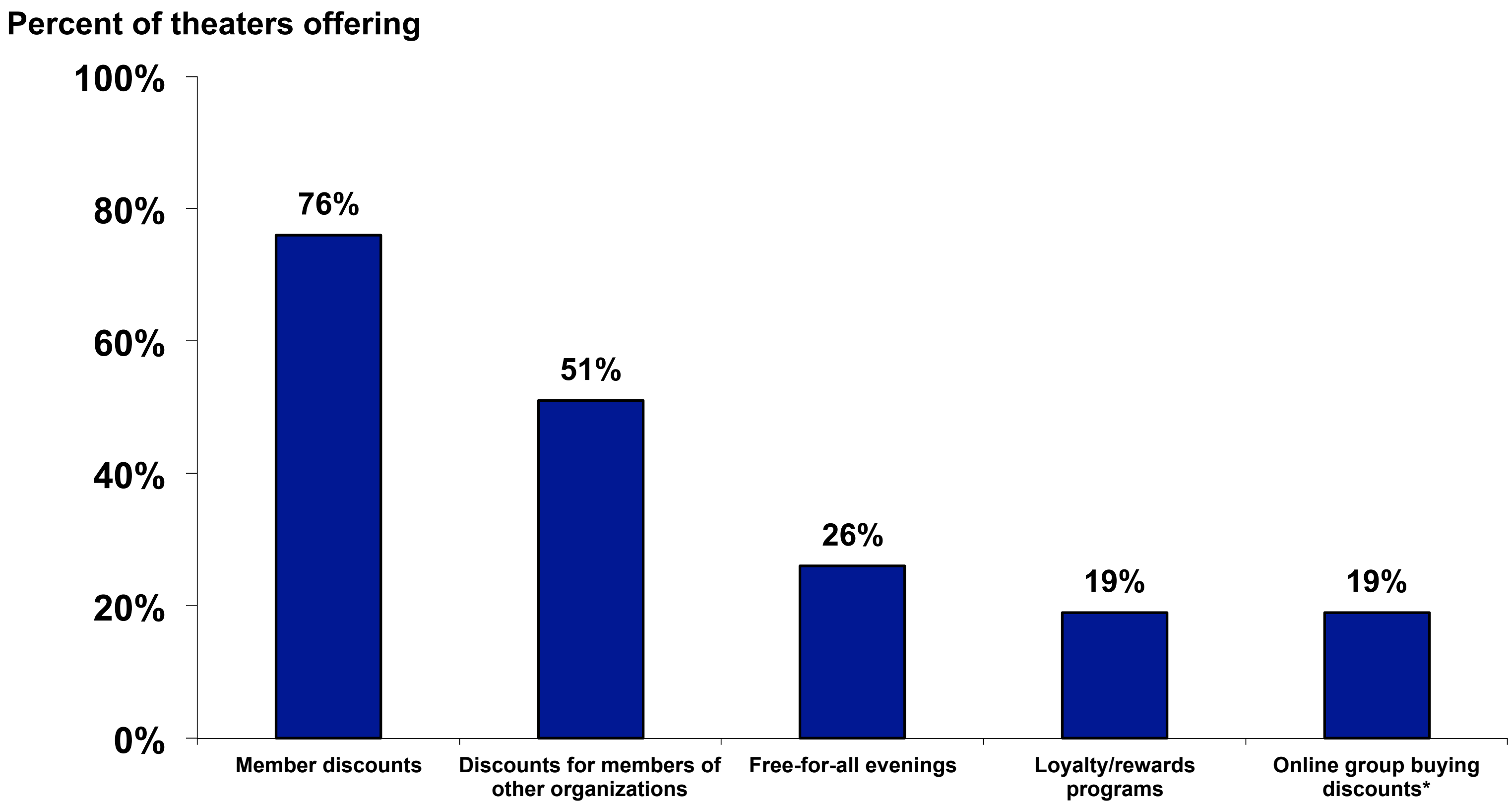
Q38: Please check ALL types of media that your theater currently uses.
n=75

Rankings of effectiveness of media

Type of media	% including in top 5	Mean ranking (1 = highest)
Website	91%	***1.9***
Email updates/notifications	91%	***2.0***
Facebook	84%	3.8
Newspaper/magazine ads	51%	3.5
Onscreen ads re coming events	45%	3.2
Flyers re specific events	44%	3.9
Printed film or program guide	41%	***2.9***
Twitter	19%	4.6
Instagram	7%	4.4
Crowd sourcing	4%	4.7
Dedicated mobile app	3%	3.5
LinkedIn	1%	3.0
Google Groups	1%	5.0

Q39: Choose and rank the FIVE media that you have found most efffective.
n=75

We provide a variety of special offers, usually involving discounts



Q41: Which of the following does your theater offer?
n=74
*E.g., Living Social, Groupon, etc.

Three-fourths of us offer memberships

- Mean number of members = 2,131 (up slightly from 2,014 in 2013; range 10 to 11,000)

- Average annual dues are about the same as last year:

  - Basic individual -- $67 (range $20 to $300)
  - Basic couple/family -- $124 (range $35 to $550)

What challenges keep us awake at night?*

- Engaging younger audiences, especially as theaters' principal audiences continue to age

- Frustration in marketing, whether due to limited budgets or uncertainty about where to spend most effectively

- Building issues and costs, especially for older theaters

- Fundraising, particularly for theaters undergoing or contemplating renovations or expansion

- Competition from cineplexes, especially as more of them are showing "art-house" films

- Competition from other platforms, especially given the shrinking pre-VOD/video window

*Open-ended

Additional challenges*

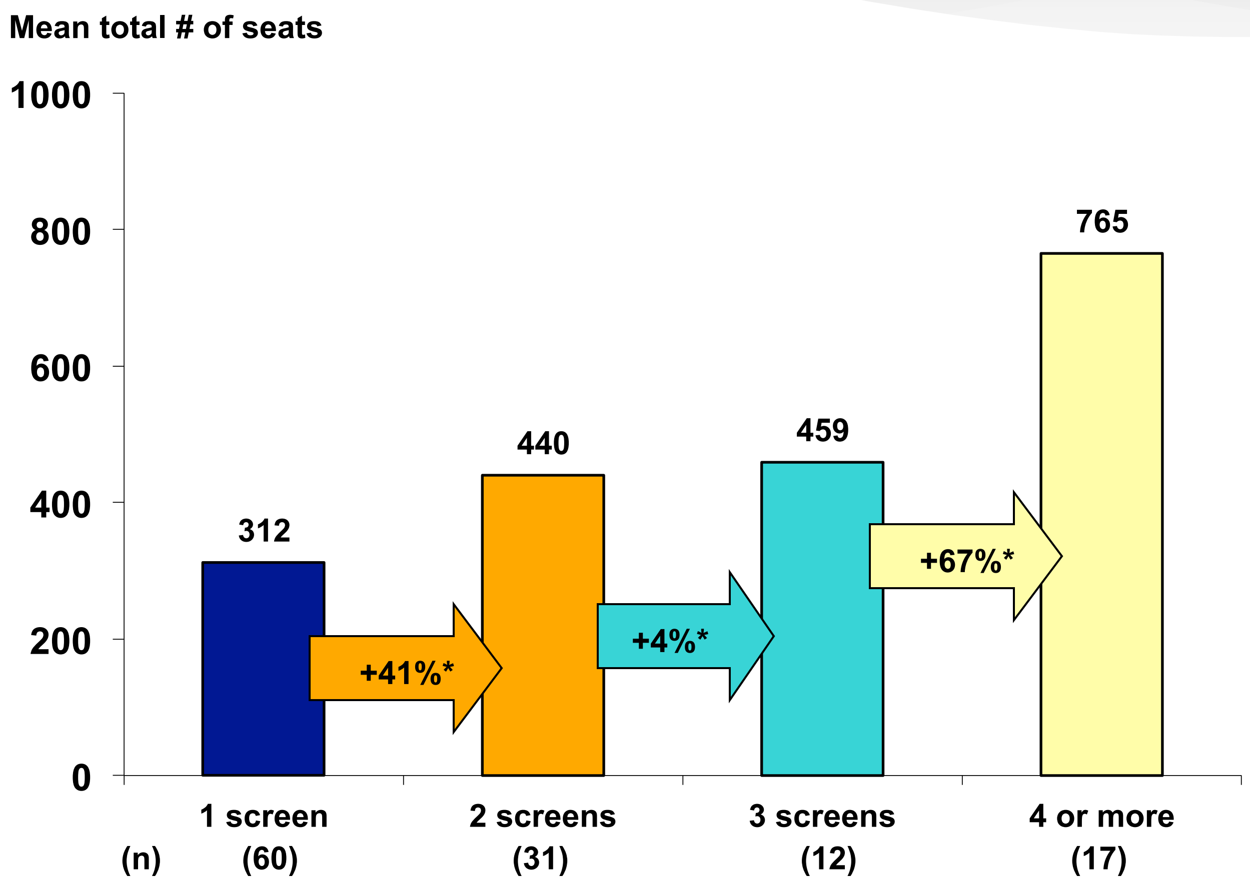
- Understaffing
- Challenges associated with digital conversion (service issues, confusion about future expenses and technological changes)
- Small theaters (especially those with only one screen) face several problems specific to their limitations:
  - Selling out popular shows (and thus having to turn patrons away)
  - Not being able to show as many films as they would like
  - Low distributor interest
- Some theaters in urban areas have concerns about patrons' fear of coming downtown at night

*Open-ended

Additional slides

Total number of seats (across all screens)

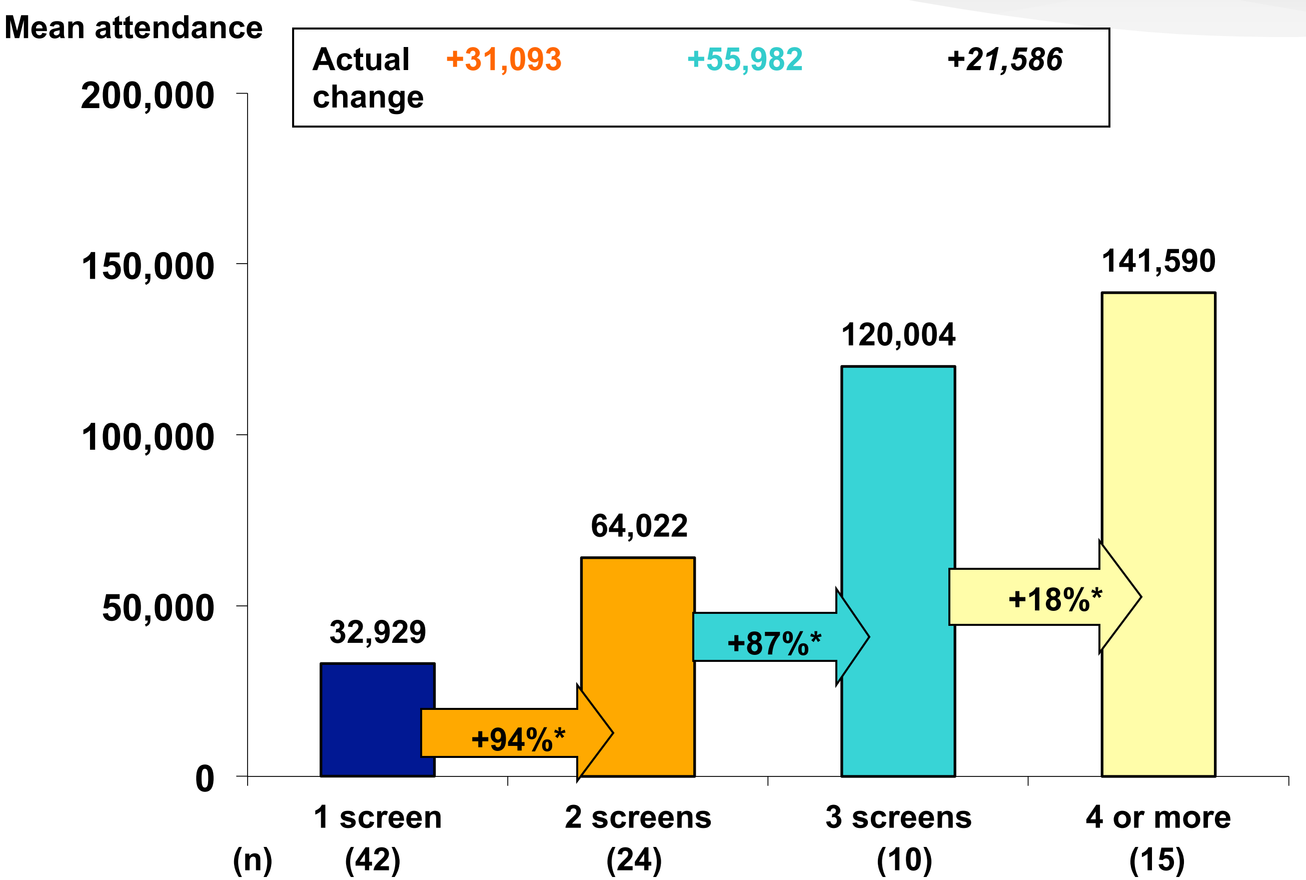
- By number of screens -



***Percent difference with additional screen.**

Q5: How many seats for each screen? (TOTAL for all screens)

Total 2013 attendance
- By number of screens -



***Percent difference with additional screen.**
Q10: Please estimate your total attendance in 2013.