

Pop Goes the World

With foreign boxoffice now driving growth, smart exhibitors are thinking globally

By Alex Ben Block

The lobby of Hong Kong's ISquare Theater looks

more like the reception area at an ultramodern luxury hotel than a movie ticket boxoffice. Perched six floors up in a high-end shopping mall in the city's Kowloon neighborhood, the Ux Cinema outpost features mosaic flooring and a glass counter that resembles a diamond display.

What's more impressive, however, are the spectacular grosses racked up at the 46,000-square-foot digital five-plex since it opened in January. "Avatar" in Imax sold out all 460 plush seats, in advance, for five performances a day during its first six weeks at an average of \$20 per ticket. That single screen grossed more than \$2 million during that time.

Over in Shanghai, scalpers were selling Imax tickets for "Avatar" for up to \$90 each during its first weeks. Those results are symbolic of a dramatic movement in China and across the developing world to modernize the multiplex. As a result, while exhibitors may be gathered in Las Vegas this week for

ShoWest, their eyes are increasingly on the global market, where growth opportunities are greater in many ways than those in the U.S.

AT A GLANCE

SHOWEST 2010
LOCATION: Las Vegas
DATES: Through Thursday
TODAY'S SCREENINGS:
 "Toy Story 3" (Disney),
 "Letters to Juliet"
 (Summit)

"New shopping centers are opening everywhere and like other parts of the world, the movie complex is part of the draw," says Larry O'Reilly, executive vp theater development for Imax. "So there is great competition between various developers to have a better quality moviegoing experience to help drive traffic, and everybody is trying to one up each other."

China, for instance, is growing at a breakneck pace. There have been more than 4,000 new cinema complexes built there since 2004, fueling 30% annual growth at the boxoffice.

"And they are still under-screened," says Millard Ochs, president of Warner Bros. International Cinemas. "The development of new cinemas (in China) is intense, and that is despite restrictions on western films that are limited to 20 titles a year."

Ochs, the third generation of his family



of opening a film in a big city and then moving prints out to suburbs and eventually rural areas, studios are increasingly able to open digitally everywhere at once, capitalizing when a title has the most sizzle. Distribution of local movies also is becoming more economical at a time when there is more local production, both internally generated and from U.S. studios investing.

In some countries, notably Japan, local product has actually come to dominate in recent years. However, the success of "Avatar" has helped revive interest in American films.

"A year ago, local production in places like Japan and Korea was clearly eating into American movies," says Patrick Wachsberger, co-chairman of Summit Entertainment. "Now it is shifting back to a more equal balance. First there are less local productions because it's more difficult to get movies finished, in part because broadcasters have less money to spend due to lower advertising. And with the

success of 'Avatar,' there is optimism because in Japan, for instance, they are saying 'Wow, American movies are not bad. We can't see those kind of movies from our local production.'"

At least not yet. But even that is changing. In July, Imax will open a \$30 million Chinese-made film on its screens in China and across the Pacific region. Called "After Shock," from director Feng Xiaogang, it features all Chinese performers and is the first non-Hollywood movie to be digitally remastered for Imax under a three-picture deal with Huayi Brothers, China's largest privately owned media group.

It all signals just how important the international market has become for exhibitors.

Three years ago, a "Harry Potter" film in Imax earned 90% of its gross domestically, O'Reilly says. For "Avatar," the international gross is up to 35% and he expects that to continue to rise.

"That's a growth curve we're going to continue to see over the next few years," O'Reilly predicts. **THR**

2009 boxoffice by region (% increase from 2005)



Source: MPAA

Today's Honorees

ShoWester of the Year

William Stembler, Georgia Theatre Co.

"I was born into it," Stembler says of the movie theater business, which his grandfather joined in the 1920s. "His first theater was a stable that he remodeled into a theater. But the young Stembler initially resisted the family enterprise, instead joining the Army and earning a law degree from the University of Georgia. After a short stint with the SEC, Stembler was hired by his father as in-house counsel at the family's Georgia Theatres and was promoted to president in 1983. When the circuit was sold to UA, Stembler stayed on for a bit but eventually left and created the current Georgia Theatre Co., which has become a major player in the South with 272 screens in 27 locations (and 10 under construction). During his 37 years in exhibition, Stembler has maintained a family dynamic — his son-in-law recently joined the company, he boasts — while also serving in many capacities for NATO, including as chair from 1996-97. What film did he enjoy most this year? "The Blind Side," not even close," he says. "A wonderful values movie and it was filmed at the high school I graduated from in Georgia. More importantly, it was a tremendous performer at our theaters."

—Matthew Belloni



Big Ten Award

Pixar Animation Studios

If a baseball player hit 10 home runs in 10 at-bats, he'd be in the Hall of Fame. Pixar will have to settle for more than \$5.5 billion in worldwide boxoffice and a record five Oscars for best animated feature (including three in a row) from its first 10 films. Beginning with "Toy Story" in 1995 and continuing through last summer's "Up," the Emeryville, Calif.-based computer animation studio has enjoyed a track record unrivaled in the history of the medium. How? "At the heart of it all is the passion of the filmmakers to focus on story and characters," says GM Jim Morris. "That's an obvious thing to say but it's one thing to say it and another to make the hard choices to ensure that the projects are successful." True, it's hard to imagine another studio scrapping a half-completed film ("Toy Story 2") to start over from the beginning. Four years into its ownership by Disney and with execs John Lasseter

and Ed Catmull now holding dual Disney/Pixar roles, the company has grown to 1,200 employees, with plans to increase its output from one film a year to three films every two years. The perfect streak can't last forever, though this summer's "Toy Story 3" is as close to a sure-thing hit as the studio has ever made. "Every director feels pressure not to screw it up," Morris jokes. "It's our worst nightmare."

—Matthew Belloni

10 for 10

Pixar's remarkably consistent track record

"Toy Story" (1995)	\$362 mil
"A Bug's Life" (1998)	\$363 mil
"Toy Story 2" (1999)	\$485 mil
"Monsters, Inc." (2001)	\$525 mil
"Finding Nemo" (2003)	\$865 mil
"The Incredibles" (2004)	\$631 mil
"Cars" (2005)	\$462 mil
"Ratatouille" (2007)	\$624 mil
"WALL-E" (2008)	\$521 mil
"Up" (2009)	\$723 mil

Worldwide boxoffice. Source: Rentrak and THR research

working in film exhibition, has spent much of the past four decades as a kind of Johnny Appleseed of movie theaters. His mandate is to bring modern theater technology to countries all over the world, from Europe to Asia to Latin America.

"We open up the market, create the platform and get everyone else interested in doing the same thing," Ochs says. "When the timing is right, we sell our interests and invest in other countries."

Alone and through joint ventures, Warners has seen its efforts help boost attendance and grosses in more than a dozen countries including the U.K.,

Germany, Australia and Japan, where it still owns and operates about 60 locations.

"Typically what I'm seeing is local operators getting stronger," Ochs says. "Then they also go into distribution and production, so they become vertically integrated. Wanda in China (the Dalian Wanda Group) now does all of that, and it is into concessions operations."

In 2008, Wanda had 300 screens in 38 locations. By year's end it will operate 600 screens in 70 locations. And it is only one of several players building new theaters in China, including a company partly owned by the government.

China isn't the only growth area for new theaters and conversion to digital and 3D. Poland and Brazil are adding theaters at a surprising pace. South Korea now has the highest per-screening attendance of any country in the world.

The result has been a shift in where Hollywood gets most of its revenue. In the early 1980s, about 70% of American film boxoffice dollars came from domestic theaters and 30% from international. As of the end of 2008, about 65% of grosses come from outside North America, according to the MPAA. The international share of market increased 17% between 2003 and 2008.

In some cases, that number can be even higher. For instance, on Sony's 2006 thriller "The Da Vinci Code," 71% of the gross came from international. For its 2009 sequel "Angels & Demons," that number rose to 73%, according to Sony.

"There's no question the development of modern theaters has stimulated growth," says Mark Zucker, president of Sony Pictures Releasing International. "When a new state-of-the-art theater goes up, grosses go up, the number of admissions goes up. This has happened even in semi-depressed areas."



Hong Kong's ISquare Theater sold out five Imax showings of "Avatar" per day for six weeks at \$20 per ticket.

For example, in some cities in Latin America, Zucker says, admissions have increased dramatically in the past few years thanks to the introduction of safe, modern theaters.

The only thing holding up this growth has been the need for capital. While the global recession has slowed development in some countries, including once-booming building programs in India and Russia, the massive conversion to digital cinema continues worldwide. Much of that has been driven by the success of 3D, which commands premium ticket prices. Fox's sci-fi epic "Avatar," which has broken records all over the globe, is leading that charge.

"There are 6 billion people outside America and 320 million in America, so that is where the growth is coming from and that is a continuing trend," says Andrew Cripps, president of Paramount Pictures International. "When you see markets like China do \$140 million on a single movie, as has happened with 'Avatar,' or Russia where it has done \$100 million, those are spectacular grosses."

Cripps predicts that global growth is only going to pick up speed as more capital flows in from "integrators," which raise pools of money for digital conversions and then are repaid through virtual print fees from movie distributors as they release pictures.

Even in countries with modern theater infrastructure like the U.K., circuits have embarked upon a process of upgrading facilities, certainly when it comes to the digital 3D area.

"In the six to nine months at the end of last year leading up to 'Avatar' there was a huge rush to put 3D in," Cripps says. "And now everybody has seen how profitable that can be."

The digital revolution also is changing how movies are distributed in each country. Instead

