

# ROCK RUMBLE RECLINE

## SPECIAL REPORT ON LUXURY SEATING

### EXHIBITORS OFFER LUXURY RECLINERS TO LURE PATRONS, LIFT BOX OFFICE REVENUE

by Michael White

■ North American exhibitors, challenged by ever improving home-entertainment technologies, are fighting back by making the cinema more like home.

Spacious reclining seats—much like those consumers have in their family rooms—are proving to be one of the best ways exhibitors can increase the allure of a night at the cinema. Larger seats and wider aisles eliminate the cramped leg space and battle for elbow room that sometimes make moviegoing more annoying than fun. Instead, patrons can lean back, stretch out, and concentrate on the film.

Improved seating embraces the counterintuitive strategy of reducing the number of seats in an auditorium to increase attendance. In the right location, the tactic is paying off. Among the major U.S. exhibitors, Regal Entertainment Corp., AMC Entertainment Holdings, and Cinemark Holdings Inc., reported positive results from upgrades.

At the 48 locations that AMC has converted to recliners, ticket revenue increased 14 percent in the quarter that ended September 30, even as industry revenue as a whole fell 13 percent, chief executive officer Gerry Lopez says. The Kansas City–based company has accelerated improvements at its locations since it was acquired by China's Dalian Wanda Group for \$2.6 billion in 2012.

That 27 percent differential “clearly illustrates a tremendous power of our reseat program, and the customers are not only driven by the slate of movies, but also by the experience of seeing those movies in comfort and style,” Lopez said during an October conference call with analysts.

Typically, attendance at the auditoriums increases even though the number of available seats is cut by two-thirds. Eventually, chains also begin introducing higher prices for the premium seats.

Regal, the largest U.S. chain, will finish converting 25 of its 574 locations and plans changeovers for a similar number

next year, according to chief executive officer Amy Miles. Marcus Theatres offers recliners in 13 of its 55 locations. Cinemark Holdings Inc., the No. 3 U.S. chain, is experimenting with recliners in its VIP Room, a luxury auditorium at its Palace facility in Kansas City, and Carmike Cinemas Inc., the No. 4 chain, offers them at some newer locations.

Regal has gone a step further, installing 4D motion seats in a small auditorium at its L.A. Live multiplex in downtown Los Angeles. Regal teamed with the Korean company CJ 4DPlex, whose technology can introduce motion, scent, fog, and mood lighting in synch with on-screen images. While new to the United States, 4D has been used in several countries, including Japan, China, Vietnam, and India.

Exhibitors look at luxury chairs as one of several ways, including upgraded food menus and reserved seating, to improve customer experience and push revenue upward. The moves are driven by a decline in admissions to 1.34 billion last year from a peak of 1.58 billion in 2002, according to investment bank Redwood Capital Group.

The strategy marks the first major effort to redesign cinema seating since multiplexes turned to stadium-style seating in the 1990s. Lucrative in the right locations, luxury seats probably will never become the standard, says

Brett Harriss, an analyst at Gabelli & Co. There is no reason, Harriss says, to convert traditional, higher-capacity auditoriums in locations that regularly sell out. Luxury seating works best at theaters, or with films, that cater more to older or better-heeled patrons, he said.

“Premium seating is more about segmenting the market than increasing demand,” Harriss says. “You can get growth by segmenting the market.” ■



# LEAVING THE LIVING ROOM BEHIND SEATING BECOMES THE FRONT LINE IN THE FIGHT TO PUT BUTTS IN SEATS

by Daniel Loria

■ The trend is impossible to ignore. Nearly every investor presentation from North America's biggest exhibition chains highlights enhanced seating options as the best way to maintain a competitive edge in the market. Seating upgrades are quickly becoming a staple of today's exhibition world as both large circuits and local players alike compete in an arms race to enhance customer comfort. Luxury seating formed part of Marcus Theatres' \$50 million investment in premium features across its circuit, a push that also included large-format screens and expanded food and beverage concepts. The company plans to continue expanding its seating options in 2015 after installing its DreamLounger premium recliners at eight of its theaters across six states this year. AMC is crediting recliner seats as a catalyst for enhancing the productivity of existing assets after average attendance in theaters with premium seating options went up by 76 percent despite a seat loss of 62 percent. The company has deployed recliner seats across 505 screens in 44 locations. Regal, the largest exhibitor in the United States, plans to have recliner seats at approximately 25 sites by the end of year.

Seating manufacturers who contributed to this story all noticed an uptick in interest toward luxury seating around the turn of the current decade. Seating Concepts is a fifteen-year veteran in luxury-seat manufacturing but only began to see more of an emphasis in this type of offering over the past three years. "The concept was popular among exhibitors already active in premium offerings, like Cinépolis and iPic, but I started noticing a more widespread appeal after AMC installed luxury seating and other players saw their success," admits Marixa Flores, cinema sales manager for Seating Concepts. Dolphin Seating had a similar experience with its premium offerings. "Our factory has been making luxury seating for the European market for many years," explains Dolphin Seating's Sam Snell. "Now that the U.S. market has become interested in luxury cinema seating over the last few years, we started focusing on the requirements of luxury seating and recliners in the U.S."

Krian Cinema is a relative newcomer to the luxury-seating scene. The company began developing seating this year after noticing that premium offerings were more than simply the latest fad. Rob Poindexter, international sales

manager for Krian, points to the central role that luxury seating has taken in the exhibition world. "The reality for most theaters in the current marketplace is either do it now and keep the market share you have or let your competitor do it first and lose some of your market share to them," he says. The stress of keeping up with the competition has especially affected smaller exhibitors still recovering from the costs associated with the digital conversion. After devoting a large investment to keeping up with larger players at the projection booth, local exhibitors are now facing the challenge to upgrade their seating in order to maintain a competitive edge. Krian is marketing itself to these exhibitors with a low down payment with a per-admission-ticket revenue-share program, offering financing as low as \$99 down with 50 cents per ticket sold. "Pretty soon, most theaters will be faced with a choice," continues Poindexter. "Either make these seating upgrades or be relegated to a discount-theater status."

Implementing luxury seating comes with its share of challenges for exhibitors. Marixa Flores from Seating Concepts approximates that about 60 percent of a typical auditorium space is reduced with the installation of full recliners. Richard Murphy, president of Stadium Savers, has ample experience dealing with both new constructions and retrofits for exhibitors who want to install enhanced seating alternatives. Murphy gets to the point when advising exhibitors on their options. "Luxury recliners require more horizontal space than the current 'standard' recliners," he says. "This added space requirement will widen the established floor/platform dimension. As a result, the concrete floor/platform will need to be adjusted with additional concrete. Two important issue come to light: First, will the existing structure allow the introduction of the additional weight? And two, the widening floor/platform will be expanded, preferably with lighter-weight material. Lightweight foam is a good material for establishing the floor/platform configuration with less use of heavy concrete."

Murphy says he believes that middle-sized theaters work best in incorporating recliners, while clarifying that any size auditorium can be converted to incorporate enhanced seating. "Large theaters would be somewhat less desirable to widen because of the greater loss of



EXAMPLES OF LUXURY SEATING



**One of the things that sets TremorFX apart is its lower cost for theaters. ... TremorFX chairs are easily installed and require low voltage, and we've partnered with some of the leading theater-seat providers to provide premium seating and maximum comfort for consumers.**

Joe Sorenson  
CEO of RedSeat Entertainment

seats. The mid-size theaters are the most desirable because of less total seat loss with a more intimate environment. The small theaters would be the least desirable, but can potentially be marketed as specialty screens."

Gaylord Stanton, VP of sales at First Class Seating and a proponent of the concept, cites costs, occupancy rates, and competition as prime factors to consider before making a decision. "Only upgrade to luxury seating if you are in a competitive market," advises Stanton. "The loss of seats could have a negative effect, and the investment may be very difficult on an ROI basis."

For Stanton, luxury seating has gained popularity in U.S. auditoriums because of an ironic cyclical dynamic between the home media and theatrical markets. "For years now the home-theater market has been trying to bring the movie theater experience into the home," he says. "Now, exhibitors are bringing the comfort of home to the theaters." But the seating conversation doesn't end with rocker backs and recliners, however, as immersive and interactive seating continues expanding its presence in the United States. These options look to bring an entirely different dimension to the theatrical experience.



"The cinemas and the studios are in a constant effort to drive people to the theaters. They are battling against ever increasing home-based and mobile-based entertainment options and are

constantly looking for consumer-driven enhancements and technologies to make the theater experience a destination of its own and keep people coming back, as well as drawing new people," says Alison Jamele, president of MediaMation, a leading manufacturer of 4D products. The company's Twitter hashtag goes to heart of the matter: #YouCantGet-ThisAtHome. "Real 4D Motion EFX theaters such as ours add a tremendous value and excitement to the moviegoing experience that enhances the visuals, audio, and story to bring people into the movie like never before."

A panel on the topic at this year's edition of ShowEast outlined the concept's mission—to stand apart from existing technology as the emerging premium format on the big screen. "Immersive cinema should involve more than just sight and sound; a true immersion comes from a multisensory experience," said Theodore Kim, SVP, head of theater development and relations, CJ 4Dplex Americas. The company has a strong international presence in key markets like Japan, Russia, and Mexico.

Angela Killoren, senior VP of marketing at CJ E&M America, can remember when she started noticing increased interest for the format in the United States. "2013 was the first year we had a booth at CinemaCon," she recalls. "I think it helped to have a booth sitting next to a lot of the very large companies that work with exhibitors around the world, and it was when our partnership in Latin America with Cinépolis was fairly advanced. Sometimes what's happening in Asia can seem quite foreign and look like it might not translate directly to U.S. audiences, and perhaps considering that Latin America is closer geographically and maybe culturally, it started seeming more tangible."

The format's overall success in Latin America can be considered the spark that led to its introduction to the U.S. market. "A story we love to tell is one of our Latin American customers that signed on for three theaters to be installed over the next 18- to 24-month period," recalls MediaMation's Alison Jamele. "One month after the opening of their first theater, they called us up and ordered four more right away!"

The reception north of the border has been just as positive. Enhanced seating alternatives form an important part of leading Canadian exhibitor Cineplex's commitment to premium offerings. "More than 40 percent of our box office revenue is derived from premium tickets, more than double our U.S. peers," says Pat Marshall, the company's VP of communications and investor relations. "Premium charges range from three dollars for 3D premiums to as much as 12 dollars for VIP Cinemas, depending on the day of the week. Guests really enjoy the variety of options we offer and the

