

Hollywood Unscripted Ep 13 - John Fithian: National Association of Theatre Owners

Announcer: From Curtco Media, there's no place like Hollywood.

Scott Tallal: Welcome to another edition of Hollywood UNSCRIPTED. I'm your host, Scott Tallal of the Malibu Film Society. And joining us today is the president and CEO of the other NATO, the National Association of Theater Owners. And today we're going to talk about movies, but we're going to talk about movies from the standpoint of the exhibitionists, the exhibitors. I just want to give you some background on how Malibu Film Society came to be. Our only movie theater in Malibu, burned down in 2005.

John Fithian: Right.

Scott Tallal: And I ended up in the exhibition business. And until we could rebuild our theater here, we started showing outdoor movies. And one thing turned to another. It was never going to be a business. But now we're doing 290 events a year. And as a result of all of this, I have a whole new respect for just how hard it is to be an exhibitor and to do it right. So my first question is going to be the easy one. What keeps you up at night?

John Fithian: Well, first, Scott, thank you for having me on your show. I'm delighted to be able to connect with your audience. I know a lot of the creatives that live out here in Malibu, and it's a great concentration of passionate people who care about movies and care about cinema. So it's an honor to talk about some of these issues. You know, what keeps me up at night, mainly, other than my children, is the continuing myths of disruption in the business. For over 100 years, the cinema business has been the traditional business, the established mature business. And a new technology comes along every few years and everyone predicts the death of cinema with each new technology.

Scott Tallal: And this goes back to television.

John Fithian: It goes back to television and television did actually have an impact. I mean, cinema was the only way to experience motion content before television. And so television did cut into theater admission substantially. But since the advent of television, theater attendance and box office receipts have climbed every decade since then. In the long term, it's a strong growth business. In the short term, it's extraordinarily cyclical because the movies come and go as being good or not. And every Friday nights, a new night when our customers tell us that they like the movies or not by buying our tickets. So we're very confident in kind of the long term trajectories of the business. And yet what keeps me up at night are the myths of disruption and the current ones about streaming. And I'm sure we can get in that if you want. But dealing with those reports of disruption are the biggest challenge we face.

Scott Tallal: Before we actually started recording you were talking about this study that you had done with Ernst and Young, I believe.

John Fithian: Yeah, that's right. If you follow the Wall Street press, if you follow the trade press out here, you'll see many an uninformed story about how streaming is killing the cinema and nothing could be further from the truth. In fact, for the third year in a row now, we're about to release another study organized by Ernst and Young that tries to find the relationship between streaming and theatrical exhibition. And what these studies show consistently across almost every demographic is that the more time people spend streaming content in the home, the more often they go out to movie theaters. And they do that because movie lovers are movie lovers and they want to watch them everywhere. And sometimes they want to watch them at home when they can multitask and do a million different things. Sometimes they want to go out and get away from all that and watch them in cinemas, but they feed off of each other. And I'll give you just one example. About five or six years ago, documentaries just weren't working in the cinema business. Right? I mean, we tried a lot of docs and nothing was catching on. And so we kind of stopped programming documentaries. Netflix comes along, puts a bunch of great documentaries in their service, and the movie lovers are like, hey, these documentaries are kind of cool after all. I'm really liking this. So you go back a couple years ago and we start doing documentaries again and in 2018 four of them grossed more than \$10 million. And last year we had a good slew of docs too. And

now we're looking again at documentaries at film festivals, and it's like a whole rebirth of that genre or that format because Netflix gave rebirth to it. And so Netflix is giving a great space for content creators to create content. And we're seeing all kinds of new ideas bubble up and some of them come to cinemas first and play for a long time and some of them just go to the streaming services and that's fine. There's always been kind of two classes or two different types of movies, if you will. And so the streaming platform as a technology is actually helping the cinema business, not hurting it. And there's now going to be dramatic competition in the streaming space. Disney Plus, HBO Max Peacock, Apple, Amazon, the list goes on and on of that kind of competition. And we think the way that streaming companies can differentiate some of their product is with big, long theatrical runs first before they go to the home. That's not Netflix's model, but it is Disney's model. It's going to be Warner Brothers model of HBO Max. It's likely to be Apple's model when they really get into this, although you can never quite tell what Apple is going to do until they do it.

Scott Tallal: Certainly Universal.

John Fithian: Certainly Universal. So we're very excited that all these different streaming platforms will be creating homes for creatives as long as, you know, their best stuff comes to us first in cinemas before it goes to the streaming platform.

Scott Tallal: I think one of the things that's happened and we've. Talked about this on previous episodes of the podcast, is that the technology that's inside the home, I think it's changed the way directors are framing their shots because we have a big screen to see that the ethical presentation just as an example. Downton Abbey jumped from television to theatrical this year.

John Fithian: That's right. There's no doubt that the technology that allows people to experience content in the home is getting better and better. And so we have to stay out in front of that theatrically. And we are. If you look at the sound systems in particular, if you look at immersive audio with systems like Dolby Atmos, you cannot do that in your home. Yeah, the screens are getting bigger at the home and size does matter and we're still bigger, and we're always going to be bigger. Right? So the visual image we're

putting on our screens, the sound systems that envelop people in the sound in the cinema. We continue to innovate, improve those, and we'll always do that. But the main differentiator between the experience in the home and experience in the cinema is just the nature of the event. It's not even an event at home. It's a pastime. It's a watch part of the Irishman. Now, finish it later. I might have to make lunch in between. I got a phone call from a friend. Cinema is an escape. It's a couple hours dedicated to giving yourself to a story and being enveloped in that story, being enveloped in the sound and the image of that story. But most importantly, sharing your experience of that story with complete strangers sitting down the row from you. As human beings, we just crave the concept of what are our fellow human beings doing? How are they reacting? Are they finding this movie funny or are they crying? Are they bored or they into it and without even having conversation about it, you can sense from that collective experience in the crowd how other human beings are relating to the story and this experience. And that's even more important today than it ever was before. I mean, my youngest is 17 years old, and the number of ways that they isolate themselves with their devices and their social media and their texting. And she's got eight different ways to communicate all at once. Going at the same time. But she gets great enjoyment from the social experience of getting together with eight or nine of her friends and going out to the cinema. So they're spending a lot of time at home isolated. And the cinema still gives teenagers and all people really a chance to go out and experience something together. They're very different types of events. I guess the last thing I'd say in this long answer is we can't sit on our laurels. It's not just we have the collective experience. It's always going to be differentiated from the home. We have to offer the best possible experience. Right, because people are busy. People have lots of demands on their lives and they need to have a special experience when they go out. Beyond the technologies, beyond the image and the sound, we're now differentiating our offerings at the cinema in a number of ways, both in terms of what you can get and its price point so that people of all different types of economic means and desires and what they want to experience can find what they want. At the top we've got really luxurious cinemas with plush recliner chairs and high end food and beverage service. My wife now will pick theaters based on the brand of cabernet that they serve and what type of recliner chair they have. She knows what movie she wants to see, but she'll pick the cinema based on the wine brand. So there's that at the high end. But we also have much more traditional

experiences that are more affordable for people that prefer that. And we continue to innovate to make sure that experience is as great as it can be.

Scott Tallal: Talk to us about let's start with technologies, because one of the ones that I'm most excited about is Dolby Cinema to be able to see the color and contrast increase from 16 million to over a billion.

John Fithian: Yeah. Dolby Cinema is a fantastic experience. IMAX puts together a pretty good experience. We have something called PLFS which your active cinemagoers will know means premium large format screens, branded differently by individual exhibition companies and those all offer kind of truly high end experiences. And they have multiple elements they need. They need a really good image quality. First and foremost, image quality has to be outstanding and Dolby Cinemas is one of the best. It's got to have great sound. It's got to have comfortable seating. It typically has to have reserved seating and typically has to have really good high end food and beverage service. And if you put all those together, it's unlike anything that was possible 10, even five years ago. So Dolby Cinema specifically is a harbinger of what's coming in the industry at the high end. I don't think, you know, we have forty two thousand movie screens in the country and another one hundred and eighty thousand around the world. And I don't think you make them all Dolby Cinemas. You don't make them all PLFs. Because like I said, you have to have differentiated costs and experiences to satisfy all the customers. But what Dolby Cinema does is really enhance the dynamic range and only the true geeks get this. But when the blacks are really black and the whites are really white and the contrast between the two stands out, it makes you feel like you're part of the picture, you're not just an observer. Right. And there are lots of things you have to do to make sure that you're lighting in the auditorium is not distracting from that. Typically, you want black chairs because that doesn't absorb the colors in the same way. There are all these different technological features to designing a cinema that Dolby basically got right. But it's not just the image. It's also the sound. There are various providers of what we call immersive audio systems now, but Atmos is the best and the most widely known. And that means that they've got speakers on the ceiling, they get speakers all around them. And when the sound mixers are doing those tracks, they're doing a very specific design for those types of auditoriums so that they're using

the whole array of speakers as the sound gets rendered up to them. It's a very special experience, but we're not going to stop there. Just this week, I've been in a conference here in Los Angeles with all the top technologists in the business and we're examining all the new waves of technologies.

Scott Tallal: What's coming? What should we be getting excited about?

John Fithian: Well, laser projection is rapidly taking over almost all of our new builds now at higher end are laser projection and not just standard digital. And there are two types of laser projection. There's RGB laser, which means red, green and blue, which means that you're literally beaming multiple colors of lasers to illuminate the picture. That's the best. I mean, there's also blue lasers which are cheaper and more affordable, but you don't quite get the color gamma that you would with RGBs. But these laser projectors have more consistent color quality. They're brighter. They really do improve the image. And we're installing laser projectors like everywhere, not just the big premium, large formats, but we're starting to use them in typical new build auditoriums as well.

Scott Tallal: Is that going to be able to bring HDR then to all theaters? High dynamic range?

Scott Tallal: Depends on how you define HDR. Right. So yeah, I would. Let's go geek. So yes, there's a big debate about what is high dynamic range in the industry right now. And there's a consortium of studios called Digital Cinema Initiatives that just published a paper on what is high dynamic range. We don't necessarily agree with it. So we've started our own testing process across 15 different cinemas here in Los Angeles and then we will migrate to labs with newer technologies to see where we want to peg what is high dynamic range. And I'd actually like to change the lexicon because HDR exists in the home and we want to do something that you can't do in the home. So we'll find some other way to describe contrast issues in cinema. But we are studying all of those issues side-by-side with manufacturers and labs and trying to roll out the best possible equipment we can.

Scott Tallal: One thing they've got to do is we went to see Star Wars. I would say, now don't get pissed off when the screen turns reddish because what's happening is the light from the exit sign is illuminating the screen.

John Fithian: Yeah. This not a minor issue, Scott! This is a big deal because technologists in these labs in Hollywood, in China, they design these things in completely blackened labs. Right. There's a screening room at Hollywood and Vine that's been used by Dolby for years to have all their best new stuff. And they always bring us in and they say, look at that amazing contrast, unlike yeah, but you don't have any emergency lights. You don't have aisle lights. And you don't have, We are required by law to show our people the way to get out in case of an emergency so we can't accomplish that. So you really have to grapple with these things and you have to change your emergency lighting in a way that it's not quite as distracting in the way you design your cinema with the cone of lighting coming off the screen. It all is based on science and it all goes into giving you the best possible experience you can possibly have.

Scott Tallal: Right. What other technology should our listeners be getting excited about, what's coming down the pike?

John Fithian: Well, I'll change your question a little bit to say what may or may not work. And this is a big open question. The idea of cinema for 100 plus years has been something behind you is projecting light that bounces off a screen and envelops you on the way back. And that immersive experience has been thought to be very important to the psychology and the emotions of going to the cinema. So along come these big companies like Sony and Samsung, and they've got these gigantic LED screens and now they're making them for cinema. And there's one out at Pacific Winnetka here, the only install in the West Coast. Samsung's first commercial install of one of these things. And so all the major directors and all of our theater owners, whatever, go and look at this cinema and you're saying, OK, so it's brighter, which is really good. It's important for 3-D in particular. It's got better contrast probably. It's really expensive. But is this cinema? So this is a funny story, which I don't think I've told publicly before. We had a bunch of cinema owners really interested in the possibility of using LED screens. We

now call them direct view displays. Hollywood has to rename everything. So direct view displays are what these things are called. And then I set up a meeting at the Directors Guild for our biggest CEOs to come to town. And I had Steven Spielberg, Christopher Nolan, Michael Mann, Michael Apted. It was a cast of Who's Who's, right? And then the CEOs of Cinepolis and AMC and Regal and like both sides, brought all their big guns. And it wasn't about technology issues. It was about all kinds of other stuff. I won't bore you with and Stevens says I want to talk to you about technology. If you people put these L.E.D. screens in your cinema, you will kill the business because you'll be nothing more than big TV. Don't do it. And Christopher Nolan jumped in the conversation and said Steven's absolutely correct. You gotta have like going back and forth across the audience to bathe them in the experience. Don't do it. Don't change this technology. You're going to ruin the whole thing. And literally several CEOs sitting there with purchase orders went back to their offices and like, whoa, hold. Hold on. Not sure we want to move too fast. So the question of what's coming on technologies is not just a numbers game. It's not just higher brightness. What's the contrast ratio? It's also emotionally. What is it? What are we doing? And I don't mean to say that we won't end up with LED screens or we will. I'm just saying that these are very, very textured, difficult conversations. And we want everybody involved to make sure we have the experience, the way that people want it.

Scott Tallal: The other thing to me that's really been fun living in a large market. I'm sorry to all of our listeners in small markets. You've got to go to a big city to experience this in many cases. But the whole thing about the recliners and the push button and you get a butler coming out to take your order and things like that.

John Fithian: So it started in the big cities, you know, but you guys live in a very cool place in Malibu in a very big city called Los Angeles. And you need to get out there in the middle of the country. Right. Because we are building some amazing cinemas now. And I'll give you just one example. There's this company in Kansas City, Missouri, called B&B Theaters, and it's family owned fourth generation, the entire family's involved in this business. Two sets of moms and dads and the kids. And they are the most passionate you can find about the best cinema experience. And they're in Kansas City. Kansas City's their biggest market. And they build cinemas in all these mid-sized to

small towns all across the Midwest. They have the newest, largest screen X in the world. You may not know what screen X is. That's OK. It's a three sided screen experience where you have a big cinema screen in the front and then two screens come back down the sides at an angle. And so if movies are mastered the right way, you get images coming at you from the sides and the front.

Scott Tallal: So it's almost like an IMAX experience to a degree, then.

John Fithian: It's even more than that. I don't know if IMAX is thinking about this side screen idea, but they've got that. They've got movable chairs with sensors and all that kind of stuff in some of their auditoriums. They've got all the best laser projection. And so, you know, here's this theater company in the middle of the United States that's doing some amazing stuff with all the new best technologies. And they're probably ahead of anybody in Los Angeles now. Every single member of mine that operates in Los Angeles is now going to call me and say that that was the wrong thing to say. But my point is there's innovation going on all over the place. We've got members in 103 countries around the world, despite the fact that our title is the National Association of Theater Owners. We're now truly global. And I saw two auditoriums in Seoul, Korea, last month that just completely blew me away. Not auditoriums but complexes where you had all the choices in one complex and one shopping mall. So you had like 10 screens that were good, but standard technologies, nice seats, you know, and then a whole separate section of four more auditoriums with its own restaurant, its own bar, its own menu, its own maitre'd, high-end leather recliners, top of the line laser projection, immersive audio systems and a ticket price that was twice as much as the other half of the complex. And I kind of stayed at two of these places all evening watching, you know, the teenagers come in and Koreans are even more into their digital platforms than Americans are. And all these teenagers were milling around in a lobby space that had been created on the less expensive side. All right. And doing all their whatever they were doing on their devices, but then going in to watch their movie and coming out and talking about it. Then you go over to the expensive side and people in their 40s and 50s obviously dressed well, obviously got money going in and ordering their high end whatever food and beverage and enjoying their movies in a complete different section. So there's a long answer. I'm very passionate about this. But there's innovation and

choice and offerings happening all around the world. And one of our purposes as a trade association is to try to share those ideas and to bring them from one place to another and ask what's working and what's not in serving our customers. And it's exciting what's going on.

Scott Tallal: You mentioned what's happening in the middle of the country. And one of the most interesting things I've seen is how Bucknell University resurrected downtown Lewisburg, Pennsylvania. And one of the things they did is they bought the campus theater and they are operating like a calendar house where it's a different thing every single night. But it's first run. I'd never seen that before. Do you see getting out of the weeklies as a possible solution to increasing box office during the week for some of these leaders?

John Fithian: So, Scott, you've hit on a gigantic debate in the industry right now, because when we moved from film to digital, one of the reasons to make that move was flexibility in programming. Film was very difficult to be flexible with. Right. It was a very fragile medium. Come on these big reels, you thread a projector, if you want to expand it to another auditorium, you had to do something called interlocking, which means the film actually traveled on rollers across the ceiling over to, really hard to be flexible in your programming. In digital, it's a switch of a set of computer controls to move your files wherever you want to move them and do whatever you want. And so there are all these potentially innovative ways of programming theaters that we think would drive more attendance. Right. So once a night showings and not book the entire week or within the same day what we call split screens, you put a movie that might be attractive to families with kids in the afternoon, but you put the R-rated horror movie on at 9:00 p.m. You really mix it up. There's actually a European company that's created a whole set of software on maximizing attendance based on how you program your screens. So you think this would be easy, but alas, when we made the move from film to digital, the way that it got financed was with a big negotiation between exhibitors and studios where the studios subsidize the transition. Reason why they did that because they stood to save about a billion dollars a year on print costs. Celluloid film was very expensive to manufacture, to distribute in trucks in big heavy reels. Digital cinema is quite inexpensive in terms of how you can make another digital cinema package and ship it to

a theater. But the projection equipment was very expensive, so our members weren't sure we could afford it. The studios offered to pay something called a virtual print fee. Why am I telling this arcane business story? Because that virtual print fee got in the way of good programming because if a studio paid a virtual print fee to have access to that screen. They wanted all the showtimes and they wanted it all week. Right. If I'm paying a fee, that's the same thing as like paying for a print cost. I deserve to have the screen the whole time. Only just now, we're about the 10th year into this program of digital cinema, the virtual print fee program is coming to an end or technically speaking, the cost of the equipment have been recouped. And so it's now going to be really inexpensive for anybody that wants to send a movie or any other content for that matter to theaters wherever, easily either by satellite or broadband. Some of it's still hard drive, but we're trying to get away from that. And so this enables both as a business model and a technological concept much greater flexibility in programming. And that means if you want to split your screens, if you want to play one movie per day and switch it out, if you have a surprise hit on Friday night and you want to expand it to a bunch of auditoriums, you can do it instantaneously. We're expanding services now where people can book an entire auditorium and pick the movie that they want. As long as we've got the movies all on our servers and we're installing massive servers that can hold lots and lots and lots, lots of movies. So micro cinema, for example, is a brand new concept here. It started in China, but the idea is a smaller house. Maybe it seats 15, 20 people and you get your friends together and you got a bachelor's party or birthday party or whatever. You say. I want to watch Halloween or I want to watch a new movie and I want that auditorium totally for my own party. One of the companies doing this has a designated waiter to come in and take orders for your private party with 20 people in our micro cinema. All this flexibility in where we put the movies is enabled by digital technologies and is only now possible because of the new models. So a very long answer to your question, but yes, we are trying to get there where we're really capable of changing it up on the fly programming, whatever people want.

Promo - HU: Hi, this is Jenny Curtis, producer of Hollywood UNSCRIPTED. We hope this show is igniting your passion as much as it is ours. Please subscribe, rate us and leave a review. It really does matter as we bring you more inspiring conversations with the filmmakers you admire. Now back to the show.

Scott Tallal: Well beyond theatrical, let's talk about alternative content and some of the things that companies like Fathom have been doing.

John Fithian: When digital cinema first hit the ground I went to Vegas to give a talk at the National Association of Broadcasters Convention. I scripted out some notes on the 7:00 a.m. flight from here to Vegas. And I came up with this concept called other digital stuff. This is before people started calling it alternative content. What I meant was now that we have digital cinema, we don't just have to do big, long theatrical movies. We can put anything in here. Unfortunately, other digital stuff turned to an acronym ODS which one trade reporter said Fithian calls alternative content odious. So that didn't work. But the point is, from the very beginning with digital technologies, we were looking at how we could use those technologies to program other things. And it's been a struggle, not because we can't program other things, but getting the word out to people that they can come see these things in our cinemas is a huge marketing challenge. People know we're going to have movies. A Marvel picture comes out. It's a massive advertising campaign from Disney. Everybody in the world knows that we're playing that picture. Now you do a type of alternative content as a one off. How do you let people know about it? So there's a big marketing challenge for alternative content and our predictions on what would work and what wouldn't were completely wrong. The thing that worked the best was opera in cinemas.

Scott Tallal: New York Met.

John Fithian: Yeah. Now there are several different opera companies that are pumping their performances into our cinemas and we now have people in the middle, the country putting on their tuxedos and coming to drink champagne or cinema to pay 30 bucks to go watch an opera. Right? Who thought that was going to happen? Some other things have been challenging. We'd really like to pump sports into cinemas and let people come, have a collective experience, buy a beer and watch their favorite sports team on cinema. Licensing problems. You have to get the rights to be able to do this. And the sports bars are trying to shut us down. So there have been challenges both in terms of marketing IP, but we're steadily growing alternative content. And I think it will never be

the dominant part of our business. Our bread and butter is always going to be theatrical movies, but if we can diversify the content, particularly to pick up the offtimes when we don't have a lot of capacity used, we'll continue to do that.

Scott Tallal: What about dynamic pricing? Because there are a lot of nights where you walk into a theater and fire a cannon and not hit anybody.

John Fithian: You would think that Hollywood's power brokers would see that dynamic pricing is a great idea. And we are taking careful steps toward dynamic pricing. Some forms are not as politically charged as others. So the first step we took was discount Tuesdays. Tuesday is typically the least attractive day to go out to the movies. And so several of our companies started offering substantial discounts on Tuesdays and watched the admissions grow dramatically. And in the studies it showed that we weren't cannibalizing Friday high end traffic to go to Tuesday, we were bringing people back to the cinema that couldn't afford it before. And so now it's a well-known tradition in many, many markets here and around the world that Tuesday is discount night. So that's one form of a dynamic pricing, but that's very basic. The idea of differentiating your price based on the experience in the auditorium is happening, as I talked about earlier, with high end pricing for Dolby Cinema or IMAX or whatnot. But the idea of differentiating pricing based on the movie is extraordinarily controversial. Many of us in the exhibition business believe that we could program many more kind of smaller budgeted art films wider or untested concepts wider if we could offer a differentiated ticket price for that versus a major blockbuster. The challenge comes, of course, is that many people in the distribution business believe if their movie ever gets a lower ticket price, we're saying it's a bad movie. And that's just not the case. Right? We know on opening weekend for Black Panther, we could have charged almost whatever we wanted to versus some of these smaller movies where just getting people to take a chance is a challenge. So as an alternative to dynamic pricing based on movies, what we're experimenting with now are subscription services in cinema. And this is a way to give movie lovers a chance to afford to go to a lot more movies.

Scott Tallal: These are things like AMC's A List and Regal Unlimited.

John Fithian: Exactly. And you have to be careful. You have to construct a business model in a way that the rate of usage sustains the program, because when you first launch a subscription model, all the really frequent moviegoers buy it and go to a ton of movies and you lose money. But then as more and more people subscribe, the average usage rate of the subscription model goes down. And if you hit a magic number of about 2.4, 2.5 times a month as the average usage rate based on what our average ticket prices are, you got a sustainable business model. So AMC got theirs out there. Regal has just launched one. Some of our smaller members are launching a subscription programs, and the Alamo Drafthouse has one. And what we're finding is that attendance is growing for those smaller movies and. People are taking a chance on something they might not have paid for specifically. And so that's very, very, very encouraging. Now, if you're a studio, if you're a distributor, you're going to have very mixed feelings about this. Right. If you're Disney and you released ten or twelve movies a year and they're all gigantic blockbusters, people probably would have paid the individual ticket price to see almost all of your movies. Anyway, if you're a small indie distributor, if you're A24, if you're a company like that where you just want to get your movies known, subscription services are going to be great for you because somebody is going to take a chance on your movie. Disney's thinking might evolve. Now, if they've got Fox and they got a bigger range of product, although I understand we can't call it Fox anymore, somehow they kept the 20th century part of the title but got rid of the fox.

Scott Tallal: Yeah, now it's going to be Searchlight and it's going to be 20th century Films.

John Fithian: Are we in the 21st century, though? I don't. I'm going to leave it to the marketing masters at Disney to figure that one out. Probably getting a call about that one, too. But my point is they've got a range of titles too, now. So I think most of the industry will benefit by subscription services because people take a chance on more movies. That's a good thing for everyone.

Scott Tallal: What's the best part about this business?

John Fithian: So I was a lawyer at a big law firm in Washington years ago, and I had lots of different clients that were trade associations or sports unions or what have it. And NATO was one of my smaller clients. But I got to go to their board meetings and see how passionate people were who run cinemas. This is not easy, right? You have to be an expert on construction and mechanical issues. You have to be good at staffing. You have to know food and beverage. You have to work insane hours because we're the busiest at 11 p.m. on Friday and Saturday nights. Right? And if you're a theater manager, you're not going home till 3:00 or 4:00 in the morning. So the people in this business are incredibly passionate about what they do. So when my predecessor retired and I got the chance to come on board full time, it was the passion of the operators that got me hooked. I mean, I've always loved movies, but getting to know people who do it as their livelihood and by do it, I mean, showing movies on screens, was contagious. And then I've been fortunate enough over the last 20 years of holding this gig to get to know a lot of the people in Hollywood that make the movies, too. And the passion in this industry goes from the person writing the script to the director putting it together. The producer finding money for it. And then to the distribution companies that carefully manage how this product's gonna be released to the world, to the marketers that design these eye-catching campaigns, that break through the clutter of the environment to get people to pay attention to their movie. And then to us creating all these new ways for people to experience these movies. There's not a link in that chain that's not passionate. And that's why I like best about this job, is that the people are really crazy passionate about what they do.

Scott Tallal: And then you keep being faced with new challenges every day. I mean, direct to home. Now we've got what, red carpet is out there, a cost of \$15000 per home and \$2500 per title .

John Fithian: Two different things. So first, let's tackle Direct to home, which is a big, broad issue, and then we'll talk about high end services like Red Carpet, which is really quite minute. Direct to the home is nothing new. This is going back to the myth of disruption on streaming. People say, well, they're making content straight for the home. They've always been making content straight for the home. In the days of VHS tapes there were Disney movies made for theatrical release and then later to go to the home.

And there were movies made straight for VHS and then in DVD, same thing straight to DVD. One of my favorite stories of being in a cinema and just experience with the crowd is hearing people watch the trailers and say cinema, movie, DVD, movie, cinema. So the concept that there are different types of content to give to consumers has always been there. I'm not saying that stuff made straight for the home is bad, particularly a lot of the episodic television coming through the streaming services now is phenomenal. But it's still the case that for most content creators, if they've got some really special in a theatrical link format, they're going to put it in theaters first, and if not, it's going to go straight to the streaming service.

Scott Tallal: But then you have the red carpets. Oh, yes, Red Carpet, almost irrelevant. I hate to say it for all those rich people that can afford it. But, you know, we have 1.2, 1.3 billion people coming through our cinemas in the US every year. And these high end services that let people watch newly released movies in the home without waiting are so expensive and so controlled in terms of the type of equipment that you have that it's really only super rich people. But these services, they're almost a facility for people that are too famous and too rich to go to a cinema. So we don't see them as a big deal. They don't really cannibalize our business that much. If the price points came down and they were widely available, that would be a problem. There was a concept a few years ago called the Screening Room, which was movies available straight to the home at the same time, they come to theaters for about 45 bucks. That's a problem, because then Joe Smith says to 12 of his buddies, I'm going to get a case of beer and I'm going to put the movie on, come over to my house and you divide \$45 by, you know, whatever, and now it's cheaper for them to have a collective experience in the home than it is coming to the cinema. So the business model's really important on how this stuff happens. But as long as things like Red Carpet are very high priced and appeal to a very elite crowd, that's not an issue for us. But what you did touch on, if I may expand a little bit on this theme, is the idea of the theatrical window or an exclusive period when movies play in cinemas.

Scott Tallal: Before going.

John Fithian: Before going to the home, at least those movies that get released theatrically. And every three or four years we survey our six hundred and thirty some member companies that exhibit movies and they put preservation of an exclusive window as the number one priority for the industry. And it sounds arcane, but it's hugely important that for those movies that should be experienced, theatrically, that they can only be experienced theatrically for a while. So that word of mouth can develop, so people can talk about it on social media and so people can discover these movies in cinemas while they're playing there and not be able to see them at home, particularly in the busy lives that people hold. If all movies were available in the home the same time they're available in cinemas, the cinema business would croak, not because everyone would stay home. The vast majority of our patrons want to come for the experience. But we operate marginal businesses. And if 10 percent or 15 percent of moviegoers say I'll watch that one at home because it's available at the same time in the home as in cinema, we got big problems. So preservation of that window is really important. This is our biggest challenge with Netflix. I talked positively about streamers earlier on this discussion. How Netflix has done some great things for the business, but I really wish Ted Sarandos, who is a movie lover and a great guy, would come around to understanding that for a handful of his movies. Not all 90 of them. God, no. But for four or five of those movies from Netflix, give them a big, long theatrical run and give them a shot in cinemas before you take them to the Netflix service. They're still going to be exclusive to Netflix subscribers when they get there. But man, the Irishman should have been on 2000 screens. Marriage Story should have been widely experienced in cinemas or Two Popes. These are gorgeous movies that are theatrical in scope and they should've played in a lot more cinemas and they didn't because Netflix was unwilling to give them time to be in the cinemas before they went to the home. We tried. I spent a lot of time talking to Marty Scorsese about this. We had a couple members engage in negotiations with Netflix. We got close. In the end, the talks broke down. We will try again. Netflix is making some really good stuff. Ted and his team know movies really well. I just wish for three or four or five of those movies they would give it a real theatrical try. And it's not just my bias for the cinema. There's economics behind this. Barclays did a gigantic study last year, basically asking why does a Netflix want to make money off of some of these movies theatrically? I mean, the Irishman would have made

hundreds of millions of dollars had it played widely in cinema before it went to the home. So we'll keep trying. But so far, we haven't found the middle ground with Ted yet.

Scott Tallal: You talked about things being cyclical and a buddy of mine is back in the States after working on Avatar 2, 3 and beyond. All he's been talking about is how amazing these films are going to be and they're all going to be 3D. Is 3D just gonna keep cycling in and out? You see it coming back?

John Fithian: So are you talking about Jim Cameron, John Landauer, or Jeff Burdick? Which one of those is your buddy?

Scott Tallal: Well, actually, my buddy is one of the tech guys, and he has been handling some of the 3D tech.

John Fithian: Wow. This one's hard. So. Cameron is a gigantic believer in 3D. He's a gigantic believer in high dynamic range. He's a gigantic believer in higher frame rate. Jim is a visionary who wants his masterpiece movies to be seen with every bell and whistle possible. And John Landau, his longtime partner, and Jeff Burdick, who runs technology for him. They're the best of the best of the best in terms of movie lovers and makers. And Cameron's fiercely defensive of the theatrical experience. He's one of our biggest allies on Windows. And no Jim Cameron movie's ever gonna go to the home quickly after cinemas because he designs his movies for the cinemas. But I kind of disagree with him on 3D. When 3D started in the digital age and we had great successes with people like Cameron and Disney on a couple of films, the expectation got out of control and we rolled it out way too widely and every filmmaker started making all their movies in 3D. Many converted from not shooting in 3D, but converting after the fact. And so the possibility of this money trail as gold goose meant that we didn't master the experience technologically before we rolled it out real wide and the filmmakers and the studios, like we, got greedy. We both did, so fault on both sides, and released too many movies in 3D that had no business being in 3D. And so the customer loved seeing Avatar in 3D and they will for the next three or four, eight or however many he's going to make. But they didn't like some of these other movies in 3D. And so the bad taste they got of a movie that shouldn't have been 3D or equipment that wasn't

perfect for them turned them off at least domestically. And so 3-D is a dying art form in North America. The numbers are way, way, way down. Bizarrely, though, around the world, there are pockets where 3D is still extraordinarily popular. China's first and foremost and I've tried to figure this out and I think it's because of the culture and history of moviegoing. We've had a modern cinema experience in the United States for a hundred years roughly, and people knew how to watch movies in 2-D. China has really only had a modern movie industry for about the lifespan of 3D. And so a lot of people in China got used to going to the cinema in 3D. That's the only way I can explain why it's still hugely popular in China and it isn't here. But yes, we'll do 3D successfully for Jim's movies and Avatars will be experienced in 3D. I'm not saying the technology is going away. It's just, it's a shame that it's a substantially declining part of our business because of those two mistakes in rolling it out.

Scott Tallal: Do we have to go to glasses less?

John Fithian: So there are people looking at 3D without glasses and that sounds oxymoronic, but I'm not sure you get there. I'm not a technologist. I don't not an expert in technology, but I don't see how you get there. But you get many of the same effects by approving a dynamic range and the color and the brightness. And if you really make a spectacular image, it's not quite 3-D, but it's almost as enveloping as that. So maybe we get to 3D without glasses. Maybe we just keep improving the image that we put on the screen in 2D. I don't know.

Scott Tallal: In the earlier days of the cinema, we used to have shorts before the show, all different kinds of content. And here in Malibu with the Film Society, after the movie is over, a lot of times we get to talk to the creatives. Every one of them has so many great stories. What about that kind of alternative content both before and after the show?

John Fithian: We're getting there. In fact, I'll bifurcate your question and its two parts. The shorts before. So we still have some filmmakers and some distributors that love to do that. Pixar is the best at making a short that goes before their features. But there are some filmmakers outside the genre of animation that do it too. So Christopher Nolan did a short piece to play in IMAX only on his upcoming movie, and it got a pretty good

response, but not that many filmmakers are doing it. So if there's more content creators that want to put together either shorts that are cohesive themes in and of themselves or what Nolan did with having a it's not a trailer, it's a cohesive four or five minute piece of your upcoming movie. I think both of those concepts work prior to Showtime and then in terms of dialogue, question and answer and meet the director or whatever after the show we've actually experimented with a little bit. And this is another benefit of digital technologies that we can live stream and most of our cinema is now content from wherever. And if we get the distributors beyond the mindset that movies are always gonna be distributed the same way and all the showtimes are gonna be the same way. And that issue we talked about earlier of being flexible and convincing them to do some of this interesting alternative content, creative discussions thing, we can be successful with it. And you can charge more for it, too. You can do, you know, a limited number of screenings all across the country where you beam in Cameron and talk about Avatar after its shows. And we'd love to do that.

Scott Tallal: From the audience perspective, does that have to be real time or do you think that the audience would be just as happy if it was recorded?

John Fithian: I don't think they'd be just as happy it's recorded because this is an instantaneous, real world, do it live era. But recorded content can work, too. It's not quite as sexy as you know. You're actually watching this person talk to you from L.A. or New York or wherever. But it can work, too.

Scott Tallal: Well, I want to thank today's guest, John Fithian, president CEO of National Association of Theater Owners. We'll look forward to seeing at the movies.

John Fithian: Thank you, Scott.

Announcer: Hollywood UNSCRIPTED is created by Curtco Media and presented in cooperation with the Malibu Film Society. This episode was hosted by Scott Tallal with guest John Fithian, produced and edited by Jenny Curtis. Sound Engineering by Michael Kennedy, the executive producer of Hollywood UNSCRIPTED is Stuart Halperin. The Hollywood Unscripted theme song is by Celeste and Eric Death.

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