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The Short Answer

What drives cinema admissions? Product. Although for many going to the cinema is a regular event (I knew two couples who went every Friday, the four taking it in turns to choose which film to see), or the result of an ulterior motive (a date movie), many more are lured to see particular films.

Variations in the popularity of films can be enormous. A single hit like *Titanic* can transform a whole year's takings, while the combination of *Lord of the Rings* and *Harry Potter* films between 2002 and 2004 obscured the more-or-less saturation of North American and Western European cinema markets which happened around 2000 for several years.

Admirably brief as this answer is, it is not much help from a practical point of view. Exhibitors have little control over the flow of film product. Whether one believes the movie industry is getting better at risk mitigation or not, it is clear that film producers do not have complete control either. Think *John Carter* or on a positive note, *Mamma Mia!*

The Long Answer

As many readers know we have accumulated a considerable dataset covering the exhibition industry in more than fifty countries, going back to 2000 in a comprehensive way, and much further in the case of some series.

Based on this data, we have come to some intuitive conclusions about how the industry works. People seem to buy more cinema tickets in countries where they are cheap than where they are expensive. The multiplex building boom of the 1990s led to a surge in cinema-going, which is still going on in those markets which are not yet built out.

Early this year we decided to test these intuitions by commissioning a report from an academic expert, Dr Michael Phillips, who until recently taught mathematical statistics at the University of Leicester.

The report studied how far two explanatory variables, ticket prices adjusted for inflation and screen numbers, have influenced cinema admissions since 1996 across a sample of fifteen different cinema markets in Europe, Asia and the Americas.

It came up with a mixture of unsurprising and surprising results. Screen numbers were important in most markets, especially so in countries were admissons have been growing quickly such as South Korea, Russia and Brazil.

Despite some quite high increases in ticket prices, the effect of these on admissions was not statistically significant except in the contrasting cases of Spain and Greece. In Spain higher prices tended to reduce admissions. In Greece, however, higher prices were associated with higher admissions. This somewhat perverse effect may be because higher prices were associated with the improving quality of cinemas.

A similar perversity can be seen in the case of the United States, where increases in screen numbers are associated with falling admissions. Historically competition between exhibitors in the United States has taken the form of building cinemas, not always with sensible results.

These associations, of course, do not imply causality. Even where causality seems plausible it is not necessarily clear in which direction it is travelling.

In the case of screens, for example, some new screens enable potential demand to become actual and in this limited sense cause a rise in admissions. Sometimes, however, extra screens are added to existing cinemas to cope with high demand, ostensibly reversing the direction of causality.

In our discussions regarding his conclusions, Michael also observed that the statistical relationships identified would not necessarily persist into the future. This point can be illustrated by observing that adding more screens will sooner or later cease to result in more admissions.

But with the proviso that not too much explanatory or predictive weight be loaded onto them, we think the conclusions of the study are interesting enough to deserve a wider audience. So if you would like a copy of the full report please email your request to customer.service@dodona.co.uk, and we will send you one.