

## BUSINESS &amp; TECHNOLOGY

## A large popcorn and a martini, please

Coming soon to an upscale theater near you



The new Loews luxury theater near Pittsburgh has 22 screens, a restaurant, and a bar.

● "Right now the premium concept works . . . But it's not going to save the business."

BY BETSY STREISAND

The valet takes your car. You head past the crowds to an elevator that whisks you to a private floor, where your table awaits. As the masses below jockey for position at the concession stand, you work your way through a lemon pepper martini and grilled tuna. Then, just as the curtain is about to rise, you slip into your reserved French leather love seat, set your wine glass on the side table, and settle in for the big event: a movie.

The nation's theater owners are in deep financial trouble and, in characteristic Hollywood fashion, instead of scaling back they're scaling up. Frenzied building has created more megaplexes than moviegoers can possibly fill, and new developments in seating and sound have quickly rendered even new theater complexes obsolete. So despite near-record box office receipts, the four largest movie chains, including Loews Cineplex Entertainment

and AMC Entertainment, lost a combined \$340 million or so in the past two years. Stock prices are down more than 40 percent industrywide, and another round of big losses looms. Just last week, Carmike Cinemas, the nation's third-largest chain, filed for bankruptcy protection.

**The Big Empty.** But just as film industry cost cutting has delivered the most expensive movies ever made, so, too, is the theater industry trying to spend its way out of trouble. It is building the most lavish and exclusive theaters yet, complete with bars, restaurants, reserved stadium-style seating, valet parking, even baby-sitting. "For years you've been able to fly first class or sit in a skybox at a sports arena," says Brian Callaghan, a spokesman for General Cinema, which has built four "premium" megaplexes in the past two years and has plans for several more. "The time is right." Loews recently opened its first Loews Club, featuring a private restaurant, bar, and other amenities in a

megaplex near Pittsburgh, and plans an additional six to 10 theaters with first-class sections within the next year. Muvico Theaters, a smaller, Florida-based chain that specializes in "full-service" entertainment, is offering filmgoers lavish theaters designed to look like Egyptian palaces. Although Muvico is privately held, CEO Hamid Hashemi says attendance at his theaters, located in affluent areas like Boca Raton, Fla., averages 15 to 25 percent higher than that at the typical megaplex.

Most premium tickets cost between \$12 and \$15, compared with roughly \$8 for regular admission. For the extra few dollars, moviegoers get a reserved seat (eliminating fees for buying tickets by phone or on the Internet), free popcorn, free valet parking, and a reservation in the restaurant, as well as "gourmet" snacks and alcoholic drinks to take into the show. At some movie houses, the free popcorn and parking more than make up the difference in ticket prices. Weekend seats are snapped up by Wednesday, and the restaurants tend to be full on Friday and Saturday nights. But that still leaves Monday through Thursday, when you could stage a chase scene in most theaters and not disturb a soul. So some theater owners are adding private rooms adjacent to theaters that can be used for weekday

business meetings and dinner, followed by a movie in the luxury zone. "Right now the premium concept works to generate incremental revenues," says Larry Ruisi, CEO of Loews. "But it's not going to save the business."

In fact, it could hurt it. For theater owners struggling to survive in a 37,000-screen universe (when 25,000 would do) and awash in debt, the added expense and risk of running bars and restaurants, where margins are already razor thin, could mean more financial trouble. A new theater with stadium seating and a top sound system costs roughly \$1 million per screen, compared with \$200,000 for a state-of-the-art theater a decade ago. Exhibitors also face the cost of going digital, which could mean an additional \$100,000 per screen.

That's a tall enough order for some. AMC, one of the country's biggest chains, for instance, plans to focus on better seats and sound systems for all moviegoers—and leave the cooking to someone else. ●