

Wall Street Journal

Hollywood Seems to Show Vulnerability to Recession

By LAUREN A.E. SCHUKER

August 7, 2008

The film industry may not be as recession-proof as Hollywood likes to boast, according to a new study by Interpret LLC, a global media- and market-research firm based in Los Angeles.

Conventional wisdom in Hollywood has long dictated that the movie business performs well during economic slowdowns because consumers are more likely to spend on less expensive forms of entertainment like movie tickets rather than pricier activities such as sporting events or concerts.

But Interpret's recent study suggests that in the face of financial turbulence, a night at the movies might be one of the first leisure activities consumers give up. Surveying about 1,000 U.S. consumers, ages 18-54, Interpret found that 52% of respondents said they were seeing fewer movies at the multiplex, significantly more than the 35% of respondents who said they were attending fewer live sports events.

Those consumer behaviors are reflected in part at the box office, where any increases in ticket revenue in recent years have been largely attributable to higher ticket prices. Actual attendance has usually declined. Despite the current success of the Batman film "The Dark Knight," which has sold more than \$400 million worth of tickets domestically, film admissions to date in 2008 are down 3.27% from last year, and movie-theater attendance of 1.4 billion last year came in well below figures in the 1990s and 2000s.

About 68% of those surveyed said that they had recently decreased the amount of money they spend on entertainment. Consumers seem to save by staying home; only 5% of respondents said they are seeing more movies at the theater, though half of the respondents said they are watching more television at home. The only leisure activity that respondents said they were doing less of besides going to the movies was dining out (63%). And when asked if they had decided not to buy one of seven specific items in the last six months because of "concern over the economy," more respondents chose movie ticket than a range of options, including a car, DVD, videogame system and house.

Activities that seemed to increase most in "the current economic climate" center on the home; watching television, reading books or magazines, watching videos on Web sites like YouTube.com and playing online videogames ranked highest.

Hal Vogel, a longtime media analyst, says the availability of those alternative forms of entertainment means that today's economic slowdown could have more of a negative impact on the film business than previous times of economic turbulence.

"You can't compare how this slowdown might affect the movie industry to previous recessions," says Mr. Vogel. "The industry still has a degree of recession resistance, but this time around there is all this new technology and all these new distractions for moviegoers -- you didn't have Web episodes and cable television and computer games coming out of your ears in the past."