Theater Owners Fired Up Over Iger’s Comments

By Claudia Eller, Times Staff Writer

Already faced with dwindling summer ticket sales, the nation’s theater owners took a swipe at Walt Disney Co.’s incoming chief executive Thursday for suggesting that the health of the film industry may require the simultaneous release of movies in theaters and on DVDs.

John Fithian, president of the National Assn. of Theatre Owners, said this scenario — raised by new Disney Chief Executive Robert Iger during a call with analysts last week — would only further damage theater owners, who have been confronting one of their toughest summers in years.

"Mr. Iger knows better than to tell consumers — or Wall Street analysts — that they can have it all, everywhere, at the same time," Fithian said. "He knows there would be no viable movie theater industry in that new world."

Although the issue of when to release DVDs has been brewing in recent years, Iger is the first CEO of a major media company to publicly raise the prospect of closing the gap, or window, between a movie’s release in theaters and its sale on DVD.

Fithian said that although he had not read a transcript of Iger's comments before releasing his statement Thursday, he said he received no fewer than 10 phone calls and e-mails from members “demanding that we respond” to the remarks they'd heard or read about.

In his earnings call with analysts, Iger said: "I don't think it's out of the question that a DVD could be released in fact in the same window as a theatrical release, although I'm sure we'll get a fair amount of push back there from the industry…. I think that all the old rules should be called into question because the rules in terms of consumption have changed so dramatically."

Fithian’s strong response illustrates the brewing tensions between the theaters and studios as they scramble to confront shrinking box-office revenue and the changing expectations and habits of audiences.

Theater owners insist that they need first crack at showing a film to thrive. Studios, meanwhile, say they must figure out new ways to capture as much money as they can from consumers who have invested in technology that allows them to watch DVDs on high-quality TVs without the high cost of tickets and concessions. What’s more, video on demand is emerging quickly.

Although no studio movie has yet been released simultaneously in theaters and DVD, the window between the two has narrowed during the last decade. In 1994, the average window was six months and 12 days. In 2004 — the most current numbers available from the theater association — the time period was four months and 16 days.

Fithian said that in recent years he had talked often with studio executives about compressing the DVD window and that he was particularly irked with Iger’s strong statements last week.

Fithian said that as a courtesy, on Wednesday he sent Disney an advance copy of his news statement. "They are our partner, and we want to invite a dialogue and figure out the best strategy for the movie industry as a whole."

He said late Thursday that he had not heard back from Iger,

Disney spokeswoman Zenia Mucha said that the company had no comment and that Iger was declining interviews.

But media analyst Lowell Singer of SG Cowen & Co. came to his defense.

"I give Bob a lot of credit for thinking out of the box," Singer said. "But do I think Disney is going to release ‘Pirates of the Caribbean 2' the same day in theaters and on home video?"
Absolutely not. I think what he's suggesting is that studios need to maximize the profitability of their films.”

Fithian also said the real problem facing Hollywood came down to one thing: the movies themselves.

Responding to Iger's remarks that the current woes should be a "wake-up call for the industry," Fithian said: "I'm not sure who was asleep, but it wasn't the exhibition industry. Here's what we know about 2005: The movies are not as good. They're not terrible. They're just not as good…. It's a product-driven industry. When the movies are really good, the industry does really well. And vice versa."

As of last weekend, year-to-date box-office revenue was down 7.35% and attendance was off 10%, said Paul Dergarabedian, president of box-office tracking firm Exhibitor Relations Co. Last year was Hollywood's biggest box-office year, with domestic ticket sales of $9.4 billion.

Dergarabedian and others say the current slump cannot be blamed solely on the quality of movies. The theaters shoulder some responsibility because of the high cost of moviegoing and the avalanche of advertisements.

"The movies," he said, "have to appeal to the audience and the in-theater moviegoing experience has to be an enjoyable one."

Fithian has heard the complaints and is sensitive to them. But he still believes that the primary blame rests with Hollywood.

"We appreciate and need to address any criticism of the moviegoing experience," Fithian said.

"But all those issues — ticket prices, ads in cinemas and moviegoers who make noise or talk on cellphones — were all present in 2004, a year in which we had record box office."

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