

The Vehicle, Not the Destination: Why the Future of Cinema Is an Experience Business

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In the grand narrative of cinema, the story has always been simple: a great movie draws a crowd. For a century, this assumption was the bedrock of the exhibition industry. Theaters were built, leases were signed, and entire business models were architected around a consistent pipeline of films from Hollywood. But that era is over. The fundamental business of cinema has changed, and to survive and thrive, exhibitors must now recognize a new truth: **the movie is the vehicle, not the destination.**

This is not a story of decline, but one of profound transformation. The challenge for theater owners is no longer about weathering a storm and waiting for a return to a pre-pandemic normal. It is about adapting to a new economic and cultural reality — one in which the old rules no longer apply, and the exhibitors who cling to them are at serious risk of obsolescence. The box office did not stall. It broke. And the pieces are being reassembled into a completely different machine.

The Broken Bedrock

The foundation of the old exhibition model — a high volume of tickets sold for a steady stream of studio films — has fractured. In 2019, US theaters sold 1.23 billion tickets. By 2025, that number had plummeted by nearly 40% to just 764 million ¹. While headline box office figures of approximately \$8.9 billion in 2025 might suggest a partial recovery, this number is dangerously misleading. It is a mirage created by significant ticket price inflation, which rose from an average of \$9.16 in 2019 to \$11.31 by 2025 ¹. The industry is not serving more customers; it is charging a shrinking base more per visit. That is not a strategy for growth. It is the monetization of decline.

This collapse in attendance is the direct consequence of two structural shifts that have permanently altered the relationship between studios and exhibitors. First, the theatrical exclusivity window, once a 90-day industry standard, has shrunk to as little as 30 days ². Audiences have been expertly trained to wait, knowing a film will arrive on a home streaming service in a matter of weeks at no incremental cost. Theatrical exclusivity still exists contractually, but psychologically it has been gutted. When audiences believe that waiting carries no meaningful penalty, attendance erodes — and it has. Second, the major studios, now driven by the economics of their streaming platforms, are releasing fewer

films into the theatrical market — a drop of approximately 20% from pre-pandemic levels ²

For exhibitors, this has created a structural dependency that I have described elsewhere as a "hostage situation." A business with high fixed costs — real estate, utilities, staffing, and equipment — cannot function sustainably on an unpredictable and thinning supply chain. The studios, for their part, are not villains in this story; they are rational actors responding to their own economic incentives. The problem is that exhibitors built their entire business model around a pipeline that studios no longer need to prioritize. The Netflix–Warner Bros. discussions are the most visible signal of this shift: theatrical is becoming a tool for marketing and talent relations, not the foundation of the business ⁵.

To believe that this pipeline will be restored to its former reliability is to repeat the mistake of the railroad barons. They thought they were in the train business. They were not. They were in the transportation business. When automobiles and airlines emerged, transportation demand did not disappear — but the railroads' relevance did, because they had confused their vehicle with their destination.

Why People Leave Home

Before articulating a path forward, it is worth understanding the competitive landscape with clear eyes. The home entertainment environment has never been more formidable. Large-format screens are now affordable. Soundbars and home audio systems use the same premium buzzwords that cinemas do. Streaming services offer vast libraries of content at a fixed monthly cost. There is a pause button, full control, no parking, no babysitter, and no dress code.

You cannot beat home on convenience. That battle is already lost, and exhibitors who continue to fight it are wasting resources. The strategic question is not "How do we make the cinema more convenient?" but rather "Why should someone choose to leave their home in the first place?"

The answer, when examined honestly, has nothing to do with convenience and everything to do with experience. People leave home to be taken care of. They leave for an atmosphere they cannot create themselves. They leave for the feeling that the evening was worth the effort — that they were part of something, that they were treated well, that they have a story to tell. This is the domain of hospitality, and it is the territory that the cinema industry must now claim as its own.

This insight aligns with what economists B. Joseph Pine II and James H. Gilmore identified as the "Experience Economy" — the recognition that experiences represent a distinct and higher-order economic offering, as different from services as services are from goods ³. In a world saturated with content, the scarce and valuable commodity is not the film itself, but

the *context* in which it is consumed. The memory of an exceptional evening out — the food, the atmosphere, the service, the company — is something a streaming subscription can never replicate.

The Revenue Reality

The financial data reinforces this strategic imperative. For most traditional exhibitors, admissions revenue has historically been the dominant income stream, with food and beverage playing a supporting role. But this structure is increasingly untenable. Large theater chains now derive more than 40% of their total revenue from food and beverage ⁶, and for premium dine-in operators, that proportion is significantly higher. The implication is clear: the more an exhibitor invests in the quality and breadth of its food and beverage offering, the less dependent it becomes on the volatility of the studio pipeline.

This is not a new insight. A 1952 internal memo between Warner Bros. co-founders Harry and Jack Warner revealed that their theaters' concessions were already generating more annual revenue than their admissions — \$2.75 million versus \$2.5 million ⁴. What is new is the *strategic urgency* of this reality. In the 1950s, concessions were a welcome supplement to a thriving admissions business. Today, for many operators, they are the business.

The following table illustrates the revenue shift that is underway across the industry:

Revenue Stream	Traditional Model	Experiential/Dine-In Model
Admissions	~55% of total revenue	~35-40% of total revenue
Food & Beverage	~35% of total revenue	~50-60% of total revenue
Other (Events, Memberships, Rentals)	~10% of total revenue	~10-15% of total revenue
Hollywood Dependency	Very High	Moderate to Low

The shift in revenue composition is not merely financial; it is strategic. An exhibitor whose primary revenue comes from food, beverage, events, and memberships is fundamentally more resilient than one whose fortunes rise and fall with the studio release calendar.

Masters of the New Model

Across the globe, a new class of exhibitor is already proving the success of this model. They are not defined by their size, but by the clarity of their identity and the quality of their

execution. Each has built a compelling answer to the question: "Why leave home tonight?"

Alamo Drafthouse, now owned by Sony Pictures Entertainment in a landmark 2024 acquisition that marked the first time a major studio had owned a theater chain in over half a century ⁵, built its entire brand around the concept of curation and community. Its strict no-talking, no-phone policy is not a restriction — it is a promise. A promise to film lovers that their experience will be protected. The programming — from cult classics to director Q&As to themed events — creates a destination that has nothing to do with which films Hollywood happens to be releasing that week.

Everyman Cinemas in the United Kingdom sells evenings, not screenings. Its boutique venues, designed with sofas and table service, are as much a restaurant and bar as they are a cinema. The brand's identity is built around the idea that a night at Everyman is a complete, curated social experience — one that happens to include a film.

VOX Cinemas, operated by Majid Al Futtaim in the Middle East, has perhaps pushed this concept furthest with its ultra-premium "THEATRE" concept. Housed within a 36-seat auditorium at the Mall of the Emirates in Dubai, THEATRE offers menus developed in partnership with Michelin-starred chef Akira Back, bespoke leather seats with heated blankets and built-in wireless charging, and an exclusive lounge inspired by the commissaries of Hollywood's Golden Age ⁴. The results are measurable: following the THEATRE renovation, VOX's Net Promoter Score increased by 11.9 points ⁴. As Ignace Lahoud, CEO of Majid Al Futtaim Entertainment, articulated it:

"We didn't want this to be just a lounge you go to before a movie. We wanted this to feel like home, a place where you are comfortable and you come to chat... To us, this is part of what the future of cinema is about. It is about creating social hubs right where you have a cinema." ⁴

The common thread across all of these operators is not the specific format or price point. It is the clarity of their identity. Each has defined what they are — not just what they screen — and built every element of the guest experience around that definition.

Technology as Accelerator, Not Savior

No discussion of the future of cinema is complete without addressing the role of technology. The cinema operations AI market is projected to represent \$2.84 billion in opportunities ⁷, spanning everything from automated scheduling and predictive box office algorithms to personalized marketing and dynamic menu optimization. These are powerful tools. But they are only powerful in the hands of an operator who already knows what they are trying to accomplish.

Technology does not create a strategy; it accelerates one. An exhibitor without a clear identity cannot be saved by a loyalty app. But an exhibitor with a strong brand and a deep understanding of its customers can use AI and data analytics to extraordinary effect. Loyalty data can drive programming decisions, revealing which genres, formats, and event types resonate most with specific customer segments. Predictive algorithms can optimize staffing and inventory for food and beverage operations. Personalized marketing — informed by actual purchase behavior — can dramatically improve the efficiency of customer acquisition and retention.

Bain & Company's research found that algorithm-enabled marketing campaigns on social platforms boosted showtime lookups by 58% and ticket sales by 10% ². This is not a trivial uplift. But it is an uplift that compounds on top of a compelling underlying experience. Technology amplifies what is already there. It cannot manufacture what is not.

There is also a broader point about discoverability. The way audiences find things to do has fundamentally changed. People no longer browse a newspaper listings page or a marquee. They ask a question — to a search engine, to an AI assistant, to a social platform — and they expect a compelling answer. If a cinema cannot articulate, in clear and specific terms, why it is worth visiting tonight, it will not appear in those answers. The exhibitors who will win in this environment are those who have built a strong enough identity that it can be communicated in a sentence.

The Implications for the Industry

The thesis that "movies are the vehicle, not the destination" carries several specific implications for how the exhibition industry must evolve.

Programming must diversify. A cinema that only opens when a major studio delivers a blockbuster is not a business; it is a vending machine. Successful exhibitors are building programming calendars that include live events, sports screenings, concerts, community gatherings, private rentals, and curated retrospectives. These events fill seats on nights that would otherwise be dark, and they build a relationship with the community that goes far beyond any individual film.

The physical space must be reimaged. The traditional cinema layout — a lobby, a concession stand, and a row of auditoriums — was designed to process volume. The new model requires spaces designed for *lingering*. Bars, lounges, restaurants, and social areas that invite guests to arrive early and stay late are not amenities; they are revenue centers and brand builders. The cinema must become a place people want to be, not just a place they pass through on the way to a seat.

Staff culture is a competitive advantage. You cannot automate hospitality, and you cannot franchise pride. The difference between a good experience and a great one is almost

always the quality of the human interaction. Exhibitors who invest in training, culture, and staff retention will consistently outperform those who treat front-of-house labor as a commodity. This is perhaps the most underappreciated source of competitive differentiation in the industry.

Independence from Hollywood must be a strategic goal. This does not mean abandoning Hollywood films — they remain a powerful draw and a cultural touchstone. It means building a business that is viable and profitable regardless of what any single studio chooses to release in any given month. The future belongs to exhibitors who build cinemas that work with or without Hollywood's blessing.

Conclusion: The Destination Redefined

The cinema industry is at an inflection point. The old model — built on volume, studio dependency, and the assumption that a good movie was sufficient reason to leave home — is no longer viable as a standalone strategy. The new model is built on hospitality, identity, community, and the creation of experiences that are genuinely irreplaceable.

The movie remains essential. It is the anchor, the shared cultural moment, the reason the evening has a shape. But it is not the whole story. The destination is the experience — the feeling of being welcomed, of being taken care of, of spending an evening in a place that has been thoughtfully designed to make you feel that leaving home was absolutely worth it.

The exhibitors who understand this distinction are already thriving. The ones who do not are running out of time to learn it.

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