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## Managing a Megaplex Takes Mega-Effort

By CONSTANCE L. HAYS

SOUTHFIELD, Mich. -- If there is ever a film version of Phil Urrutia's going about his job, it might come out as a cross between "Caddyshack" and one of any of the World War I epics, maybe "Paths of Glory."

Urrutia, a broad-shouldered, dark-eyed 32-year-old, is the vice president and manager of the Star Southfield Theater, a 6-month old, 20-screen movie megaplex perched like an art-deco peacock amid the bland office-park architecture of this Detroit suburb.

With a dozen different movies and 101 separate show times, his day is a series of supervisory decisions, from spilled-soda cleanup to employee relations, all part of an uphill battle to manage the microeconomics of the megaplex. Even during what he says is a slow period, his eyes flick north, south, east and west, like a farmer on the lookout for changes of weather. "I'm always looking to see what the theater is doing," he said.

During the five weeks between Thanksgiving and New Year's Day, Hollywood pours out an immense proportion of its finished wares. Urrutia's theater, part of the chain of theaters run by a joint venture of a Sony Corp. subsidiary, is essentially the retail storefront of the \$6 billion movie business, one of thousands scattered across the United States at the bottom of a huge industrial food chain.

At the end of last year, there were 29,731 screens showing movies, most of them in multiplexes. Operating theaters is a business that analysts call moderately attractive: one with steady, if unspectacular, cash flow -- but lately with a tendency to build seats faster than it fills them.

That tendency worries some financial analysts. "The average 19-year-old sees eight movies a year," said Christopher Dixon, an entertainment analyst with Paine Webber. "The numbers suggest they will need to see 11 or 12 movies a year in order to maintain continued growth across the industry."

That dark view is reflected in the Standard & Poor's small-capitalization entertainment-stock index, which tracks the companies that own Urrutia's competitors, including Carmike Cinemas (about 2,500 screens), Cineplex Odeon (about 1,600) and Regal Cinemas (about 2,300). The index is up 21.68 percent over all in the last year, but it dropped 6.35 percent in the last quarter as film after film failed to catch on.

For theater owners, actual ticket revenue is less important than the power to draw crowds. Urrutia's complex, which is considered highly successful and had its millionth customer in November, collects about 40 percent of its revenue from concession sales, and much of the profit from his \$2.18, 16-ounce Cokes flows to his own bottom line.

The same is not true of the revenue from each \$7.50 ticket sold: The deals studios negotiate with theaters strongly favor the studios in the early, best-earning weeks of a film's release.

The effort to pull in audiences for the films in Urrutia's multiplex means he acts as a mechanic

one minute and an accountant the next. But at the front of his mind is the larger struggle: filling the 6,000 seats of the megaplex, where, these days, sure-fire hits open to great fanfare and then get pushed aside by the next wave of sure-fire hits.

Most of the big choices -- like what movies will play when -- are made at corporate headquarters in New York.

But for Urrutia, delivering the movies to the public is also a matter of many small decisions made on the run. What people want to see, when they want to see it, what kinds of snacks and soft drinks they want to consume with it, and what niceties will bring them back -- maybe the \$3-a-car valet parking? -- are key questions for the megaplex, which is part of a chain formed as a joint venture between Loews Theater Exhibition Group, owned by Sony, and Jim and Barrie Lawson Loeks, who are co-chairmen of Loews.

Whether Urrutia makes the right decisions along the way, so that people do not end up disappointed or consigned to long lines, a situation known within the theater as a "Code Blue," will have a major effect on whether people see movies at his theater, maybe even outweighing the draw of stars like Robin Williams.

### The Art of Attraction: Multiplexes Need More Than Films

Customer service is the principle Phil Urrutia tries to live by. It's a current buzzword in the movie-theater business, which has long been intensely competitive and is going through a fresh wave of consolidation.

Kohlberg Kravis Roberts, the New York-based investment firm, has announced plans to buy Act III Cinemas in Portland, Ore., for an estimated \$323 million, plus \$338 million in debt. The Dallas buyout firm Hicks, Muse, Tate & Furst, acquired United Artists Theater Group in a \$300 million deal announced last month.

And Sony is merging with Cineplex Odeon in a deal set to close next April. "While there has been a lot of consolidation, it continues to be a very competitive business," said Alan Ginsberg, a managing director at Smith Barney. "In most of the United States, you have a choice of several different theater operators."

But some argue that just keeping customers coming back may turn out to be a theater's biggest challenge. The number of screens has grown rapidly, to 29,731 last year from 22,365 in 1986, according to the National Association of Theater Owners. Ticket sales have inched past the billion mark, from 957,100 in 1976 to 1.3 billion last year -- still far below the 4 billion sold in 1946, before television came along.

The growth has some analysts worrying that the number of theaters will eventually outstrip the demand from moviegoers.

"The problem with the megaplex is, you've got to fill an awful lot of seats," Dixon of Paine Webber said.

The first half of 1998 -- with people staying home to watch the winter Olympics, few new movies opening, weather factors and the need to pay heating bills -- will be a major test for some of the bigger megaplexes, he said.

With that in mind, many theater chains have moved to include other forms of entertainment under their roofs, like roller rinks and miniature golf, to capitalize on the time people spend there. Carmike Cinemas, based in Columbus, Ga., the industry leader, recently opened its second joint venture with Wal-Mart, a concept called Hollywood Connection, in Goshen, Ind.

“The notion is, if people are going to be spending time at the movies, you try to capture more of that,” said Stewart Halpern, an entertainment analyst at Furman Selz. “It becomes a four-hour experience, instead of a two-hour experience.”

At the Star, where the attractions include coin-operated video games and General Motors cars on display (part of a marketing deal General Motors Corp. made with the theater), the full measure of that four-hour experience has yet to materialize. Plans for restaurants on either side of the grand lobby have been stalled by various glitches; the first restaurant, a branch of the California Pizza Kitchen chain, is supposed to open next year.

For Urrutia, who has spent half his life in one aspect of the movie-theater business or another, maintaining an edge over the competition means a lot of different efforts all at once.

One minute he will be telling a maintenance man to grease up the sluggish pistons of the giant faux popcorn bucket that hangs above the lobby; soon afterward, he is climbing a flight of stairs to inspect the hangarlike projection room towering over the 20 individual theaters.

Finding people to work the hourly-wage slots at the Star has been one of management’s biggest headaches. A lot of people were hired in time for the theater’s big opening on June 20; but then, after moviegoers flooded the place (“Batman and Robin” was playing that weekend), a lot of the workers headed for the exits.

“At the beginning we didn’t have our act together,” said Krystal Bylund, the theater’s advertising director, “and it was really intense for these kids. They quit slowly and surely. It was too hard.”

### The Balancing Act: Selecting the Theater That Fits the Film

Since Thanksgiving, 21 movies have opened at the Star Southfield, from “Flubber” to “Titanic.” While Urrutia has little control over what films will be shown, he does chat with Shauna King, Loews’ senior vice president for film, at least once a week by telephone.

And Urrutia said he had authority on what goes where. “I can make a decision on where to play a movie,” he said.

Last month, “Eve’s Bayou,” starring Samuel Jackson, proved a case in point. Urrutia was not sure how well it would do, and to play things safe, he opened it in a 300-seat theater on Nov. 13. Long lines formed. “We bumped it up the next day, to a 500,” he said. “Now it’s in a 300, and it sold out all last weekend.”

Then there was “The Ice Storm,” starring Kevin Kline and Sigourney Weaver. Star Southfield was the only place in the Detroit area where it was playing. “It was not a feel-good movie,” Urrutia said. “Sigourney Weaver, Kevin Kline, cheating on your wife. This was tough subject matter.”

Still, it had promise as what the Star considers “an art film,” and to get the ball rolling, the Star negotiated a deal for a Detroit-area exclusive on “The Ice Storm,” meaning if anyone wanted to

see it, they had to see it there.

The movie opened Nov. 1 in a 700-seat auditorium and a 500-seat auditorium. Ruth Daniels, the theater's public-relations director, organized a discussion series, piggybacked onto a local branch of a Borders bookstore. "I found during the discussions, people didn't like it," she said. "The dysfunction was very real."

By the following Friday, Nov. 7, "The Ice Storm" was showing in a 500-seat theater and one that seats 300 people. On Nov. 14, it was showing in the 300-seat theater and a nearby 200-seat theater. By the next week, Urrutia had returned one of the two prints to the distributor. The movie showed for a week in theater 5, with 200 seats; then on Nov. 28 it was moved to theater 2, with 100 seats. It closed two weeks later.

### The Weekly Puzzle: Find an Opening for Each Opening

The relationship between film distributors and theater operators is one of wary co-dependence. "Each looks at the other as a necessary evil," said Dixon, the Paine Webber analyst. "Many of the studios recognize that it's very important for them to have quality screening facilities. For the theater owners, it's basically a real-estate business. You're renting seats."

But recently, the dynamics seem to have forced a fresh set of artificial conditions on the business.

A film opens, sells a lot of tickets, and inevitably drops off. Urrutia transfers it from a 700-seat auditorium to something smaller. With "Alien Resurrection," "Flubber" and "Anastasia" only a week old, he was already planning how to make room for the three-hour "Titanic." "I'm predicting 'Titanic' is going to be huge," he said.

The longer a film plays, however, the better the take can be for the theater owner.

The first two weeks of a star-filled sequel to a big hit film, for example, often are negotiated so that the distributor receives 90 percent of the box-office receipts, and the theater owner gets just 10 percent, Ginsberg said.

"After another two weeks, it will slide to 70-30 and then 50-50," he said. Negotiations include requests for flexibility from theater owners, and those with more screens often have greater bargaining power, he added. "The theater owners have the option to try and get out of it under specified terms if it completely fails."

Officials at another national theater chain, who insisted on not being identified, said it was an open secret in the industry that promises made when a film was booked were not always kept. "We may promise four weeks on a big screen," one said, "but if it's not doing well, we'll take it out and put it somewhere else."

How rapidly movies cycle through the Star Southfield is not really within Urrutia's control, despite the profit motive.

"The more films that are being released," said Ms. King, the Loews senior vice president, "the less screens we have to show films for a long time."

There can be bad nights: On Friday, Dec. 4, at the height of Christmas shopping, just 4,200 peo-

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ple had been to the movies there between 10 a.m. and 11 p.m., not enough to fill the whole theater even once.

But there are also the big movies and the big nights, that produce the numbers to make the system seem logical.

Last Friday, 26,594 people came to the Star Southfield to see movies.