TICKET PRICE AND ADMISSIONS: THE SITUATION IN EUROPE

The sharp drop in admissions recorded in 2005 on all the main markets in Western Europe – which, according to MEDIA Salles' figures, reached -18.8% compared to 2004 in Germany, -11.3% in Spain, -10.8% in France, -9.3% in Italy and -3.3% in the United Kingdom – has revived interest in the analysis of average ticket prices as one of the marketing variables capable of exerting most influence on demand in the cinema industry.

From an analysis of the historical trend of *current prices* (in euro), it can be seen that the average ticket price for cinemas tends to rise over the years on all the main markets, reaching its highest value in 2004 on the British market (6.38), followed by France (5.82), Italy (5.72), Germany (5.70) and lastly Spain (4.81). According to initial estimates, in 2005 the average ticket price continues to reach its highest in the United Kingdom (6.89) and its lowest in Spain (4.97). In Germany, after two years of stability, it has started to rise again, reaching a value of 5.85 euro, similarly to the price in France (5.88) and slightly higher than that recorded in Italy (5.75).

It is interesting to note that, as well as proving the lowest in Western Europe after Portugal, the average ticket price in Spain registers a slighter gap between the average value in multiplexes and that in cinemas with fewer than 8 screens (table 1).

The highest average price for multiplexes is to be found in Italy and France, where it comes to around 70 cents higher than the average price in other types of cinemas.

Table 1 – Average ticket price (euro – current prices) according to type of exhibiting theatre

Average ticket price	2001	2002	2003	2004
France				
Multiplexes	5.75	5.85	6.08	6.16
Cinemas from 1 to 7 screens	5.22	5.32	5.41	5.46
Total cinemas	5.46	5.57	5.74	5.82
Germany				
Multiplexes	5.90	6.29	6.01	5.99
Cinemas from 1 to 7 screens	5.32	5.57	5.49	5.49
Total cinemas	5.55	5.86	5.70	5.70
Italy				
Multiplexes	6.02	6.19	6.31	6.18
Cinemas from 1 to 7 screens	5.18	5.43	5.27	5.47
Total cinemas	5.32	5.62	5.60	5.72
Spain				
Multiplexes	-	4.58	4.78	4.92
Cinemas from 1 to 7 screens	-	4.25	4.42	4.57
Total cinemas	4.20	4.45	4.65	4.81

Source: MEDIA Salles.

Moving on to an analysis of price indices (1995=100), 2005 registers the highest increases compared to 1995 on the Spanish market (+56.2%), followed by the United Kingdom (+51.7%, considering prices in sterling), Italy (+34.4%), Germany (+15.6%) and France (+8.8%) (table 2).
With specific regard to Italy, the price increase found in the cinema sector is far greater than that in the sector of leisure, entertainment and culture[1], in which it is included (table 3), being more comparable to the trend of prices in the sector of homes, water, electricity and fuel and in the sector of hotels, restaurants and public services.

Table 2 – Indices of ticket price (1995=100)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
D	100	100.9	102.6	108.4	107.2	106.8	109.7	115.8	112.7	112.6	*115.6*
E	100	102.1	105.1	112.1	118.6	124.4	131.9	139.7	146.1	150.9	*156.2*
F	100	98.1	97.2	99.2	99.3	99.7	101.1	103.2	106.4	107.8	*108.8*
I	100	112.4	114.5	117.7	122.3	123.2	124.4	131.4	130.9	133.7	*134.4*
UK	100	106.0	113.6	120.1	129.7	130.4	134.1	139.1	143.8	145.8	*151.7*

Source: MEDIA Salles. 2005 data: estimates.
The values of the United Kingdom refer to average ticket prices in sterling

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[1]In Italy prices in the leisure sector grew by only 2% in 2004 and by around 1% in 2005, compared, however, to a situation in the Euro zone that registered a 0.1% drop in 2004 and a 1% increase in 2005.
The ratio between the trend in ticket prices in cinemas and that in the leisure and culture sector in Italy has been specifically analysed in a thesis by Cinzia Olivetti at the Catholic University of Cremona.

Table 3 – Indices of consumer prices by category (1995=100) – Italy

	Food products and non-alcoholic drinks	Alcoholic drinks and tobacco	Clothes and shoes	Home, water, electricity and fuel	Furniture, articles and services for the home	Health services and healthcare	Transport	Communications	Leisure, entertainment and culture	Cinema	Education	Hotels, restaurants and public services	Other good and services
2001	111.9	122.6	117.4	122.6	113.7	119.4	116.1	93.7	110.9	124.4	116.1	121.3	118.2
2002	116.0	125.2	120.8	123.0	115.9	121.3	118.4	92.4	114.2	131.4	119.5	126.8	122.0
2003	119.6	133.8	124.4	127.1	118.3	121.7	121.4	90.8	115.9	130.9	122.9	131.8	126.4
2004	122.2	144.5	127.2	129.6	120.6	123.2	125.2	85.0	117.9	133.7	125.7	136.0	129.9
2005	122.2	154.4	129.2	136.0	122.7	122.1	130.8	81.1	119.0	134.4	130.1	139.2	133.5
2006*	123.1	160.0	130.1	140.9	124.0	123.0	133.0	80.0	119.6	-	132.9	140.4	135.7

* February.

Sources: Istat, MEDIA Salles.

Considering, last of all, the indices of *prices adjusted according to purchasing power parity*, between 1995 and 2004, it can be seen that on the five main European markets, whether they belong to the area of the Euro or not, prices underwent high increases from 1999 to 2001, subsequently dropping significantly over the last few years. Compared to 1995, it is the market that did not adopt the euro, Britain, that experienced the highest increases (+74% in 2004). Following at a distance come Spain (+57.5%), Germany (+39.4%), Italy and France (both +27%). Italy in particular, which seemed to have recorded higher rises in average ticket prices than Germany and France compared to 1995, adjusting prices according to purchasing power, reveals increases that are slighter than Germany's and equal to France's.

Table 4 – Indices of ticket price adjusted according to purchasing power parity (1995=100)

	2000	**2001**	**2002**	**2003**	**2004**
D	176.3	188.3	184.9	147.7	139.4
E	177.5	196.9	191.3	164.4	157.5
F	148.3	164.6	155.9	136.6	127.3
I	197.7	200.0	170.5	134.7	127.7
UK	231.3	252.9	211.8	186.7	174.0

Source: MEDIA Salles.

Note: The adjustment has been made by applying the conversion rates *Purchasing Power Parities*-PPP supplied by the OECD, which eliminate the differences between countries in terms of price levels, by referring to the same package of goods and services.

Comparing the indices of admissions, taking 1995 as the basis, with price indices adjusted according to purchasing power parity having the same basis, no statistically significant link is to be seen between demand and price.

On the most important Western European markets there are thus varying situations (graph 1).

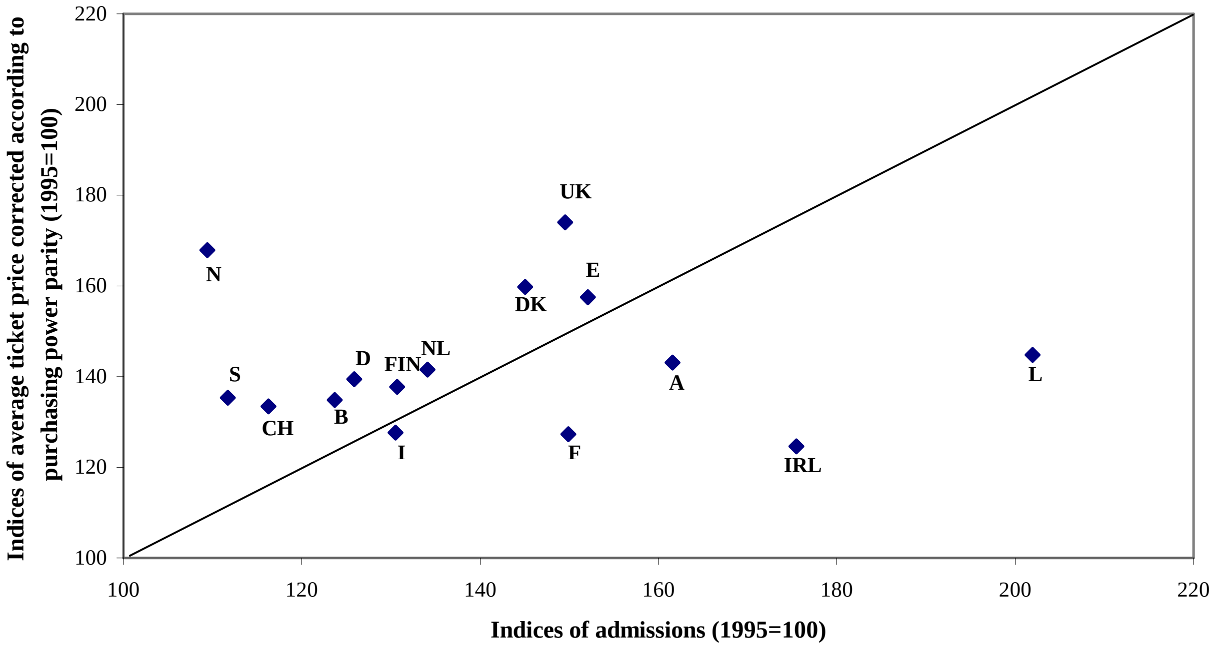
1. In the United Kingdom, Spain and Denmark, the high increase in admissions recorded over the past ten years is joined by an even steeper increase in average ticket prices adjusted according to purchasing power; in the United Kingdom in particular a high incidence is recorded of family consumer buying on GDP, equal to 62.3% in 2004, as well as a high incidence of consumer spending for leisure and cultural activities, amounting to 12.03% on overall family spending (table 5).

2. In Luxembourg, Ireland, Austria, France and Italy the average ticket price has grown less than admissions although with significant differences from country to country, as emerges clearly from an analysis of the two largest markets. In France, for instance, with a rise in prices of 27.3% in 2004 compared to 1995, admissions increased by 49.9% and spending on cinema-going registers one of

the highest incidences in Europe on leisure spending. In Italy, with the same rise in prices, admissions rose far less in ten years (30.5%), not so much due to a drop in the number of spectators who visit the cinema at least once a year – which, according to the Istat data, shows a slight increase to the detriment of more culturally demanding forms of entertainment such as exhibitions, museums and concerts of classical music (table 6) –, but more because of reduced per-capita frequency, which remains around 1.9 times a year as against 3.25 in France. The lower rate of cinema-going does not seem to depend on there being less spending power in Italy, since in 2004 in Italy, despite modest economic growth and a pro-capita GDP that was not particularly high, bettering only Spain's, family spending increased by 3.5% compared to the previous year, reaching an incidence on GDP (59.77%) second only to that of the UK (62.35%) and decidedly higher than that of Spain (56.83%), Germany (about 56.67%) and France (54.67%). Nonetheless, spending on cinema-going affected GDP and total consumer less than that in Spain, France and the United Kingdom, assuming values similar to those in Germany.

3. In The Netherlands, Finland, Germany, Belgium, Switzerland, Sweden and above all Norway, the average ticket price grew more than admissions, which suffer from a very low per-capita frequency, particularly in Finland (1.33), The Netherlands (1.42), Sweden (1.85) and in Germany (1.90).

Graph 1 - Comparison of indices of admissions and average ticket prices adjusted according to purchasing power parity (2004)



Source: MEDIA Salles.

Table 5 – Spending on cinema-going in 2004 (millions of euro – current prices)

	GDP	Final consumer spending of families		Spending on recreational and cultural activities		Spending on cinema-going			
		Value	% of GDP	Value	% of total consumer spending	Value	Incidence on GDP	Incidence on total consumer spending	Incidence on recreational spending
D	2,178,000	1,234,270	56.7%	114,150	9.2%	892,925	0.041%	0.072%	0.78%
E	837,557	475,987	56.8%	n.a.	n.a.	691,608	0.083%	0.145%	n.a.
F	1,648,400	901,200	54.7%	85,000	9.4%	1,134,179	0.069%	0.126%	1.33%
I[1]	1,349,370	806,576	59.8%	60,529	7.5%	638,312	0.047%	0.079%	1.05%
UK	1,651,569	1,029,747	62.3%	124,010	12.0%	1,130,416	0.068%	0.110%	0.91%

Sources: MEDIA Salles, national Institutes of statistics.

1. Spending on the cinema refers to screens in operation for at least 60 days a year.

Table 6 – Trend in choice of different entertainment types in Italy (per one hundred individuals from a population of at least 6 years old)

Years	Theatre	Cinema	Museums, exhibitions	Concerts of classical music	Other types of music concerts	Sports events	Discothèques, dance halls and other dance venues
1999	16.7	45.0	26.8	8.9	17.4	26.9	25.0
2000	17.2	44.7	28,6	8.5	18.3	27.8	25.9
2001	18.7	49.5	28,0	9.1	19.0	28.2	26.4
2002	18.7	50.0	28,1	9.0	19.4	27.3	25.2
2003	17.9	48.1	28,5	8.8	20.5	29.0	26.3
…							
2005	19.9	50.7	27,6	8.9	19.6	28.0	25.3

Source: Istat. The resident population of Italy aged 6 and above is calculated at 54 million.

In conclusion, it can clearly be seen that the price increase is not the only variable to determine the different responses of spectators to the offer of cinema in Europe.

Without doubt the variables that most influence demand, with significant differences between the various markets, are the degree to which cinema-going is concentrated in big cities, the degree to which demand is concentrated during the year, the appreciation of American star features and how far demand is concentrated on a limited number of films, the degree of sensitivity towards alternative forms of entertainment and, last but not least, the amount of competition that exists from products acting as substitutes and which increasingly concentrate on promotional factors to attract those consumers who are most sensitive to the price factor.

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