

Overview

Welcome to *The Arbitron Cinema Advertising Study*—an examination of Americans' use of and attitudes about the American moviegoing experience. Based on recent inquiries about cinema audiences from our advertiser and agency clients, and in consultation with the National Association of Theater Owners and the Cinema Advertising Council, we initiated this study. As one of America's most respected media information services companies, Arbitron is excited to present this study on Americans' exposure to advertising in the cinema. We will profile American moviegoers' entire cinema experience and examine how they are exposed to advertising in the cinema. We will look at moviegoers' use of traditional media as well—including television, radio, newspaper, Outdoor and the Internet.



First and foremost, these data reveal the significant reach of advertising at the cinema. A very high percentage of Americans go to the cinema on a regular basis, and they go frequently. With an estimated worldwide advertising expenditure of \$800 million, and only a small fraction of that spent in the U.S.¹, cinema advertising in the U.S. is poised for growth.

Cinema advertising is unique in that it reaches an attentive, captive audience. Consumers aren't subject to the distractions they face at home such as the telephone, remote-control devices or simply performing household activities away from broadcast media during commercial breaks.

This research shows that cinema audiences do not mind the advertising that is part of their cinema experience. In fact, Americans feel movie advertising is more acceptable than advertising on the Internet. Cinema advertising delivers traditionally hard-to-reach but highly desirable demographic groups. We will show how cinema can play a critical role in a media plan by reaching these consumers, who tend to be younger, wealthier and better educated.

This study is Arbitron's gift to the cinema industry, provided free of charge and available on Arbitron's Web site at www.arbitron.com. We hope the study proves to be both interesting and useful to advertisers, agencies and cinema companies alike. Arbitron has a long tradition of providing insightful and valuable industry studies to advertisers and media, covering a myriad of topics including Internet use, radio listening, Outdoor media use and now use of advertising in the cinema.

Arbitron has taken a leadership role in the media industry with the creation of the first electronic multimedia measurement system. Arbitron has introduced the Portable People Meter (PPM), an important new technology that measures audiences to television, radio, cable television and other forms of media. The PPM can be used to measure cinema audiences as well, helping advertisers evaluate cinema advertising as part of an integrated media plan. Arbitron looks forward to including cinema advertising in future PPM research.

The most actionable research database available now for cinema media sellers and advertisers is Scarborough Research. Scarborough has the most respected and

¹ ZenithOptimedia, www.zenithoptimedia.com, Advertising Expenditure Forecasts December 2002

utilized database of consumer shopping behavior in America today. Scarborough provides data on what people buy and where they shop in 75 top U.S. markets. In addition, Scarborough provides a huge national database. With an annual sample size of over 200,000 consumers, Scarborough offers the most comprehensive consumer measures for the cinema industry.

This report begins with a summary of highlights from the study, follows with key findings detailed in a point-by-point manner, and concludes by offering recommendations. Several appendices provide detailed profiles of the cinema advertising audience.

How the Study Was Conducted

Four national research studies were conducted by Arbitron to probe America's cinema advertising exposure and cinema habits. Arbitron began its cinema research by conducting initial telephone research of 2,511 persons aged 12 and older, in July 2002. The study established a baseline for summer movie audiences, typically a peak moviegoing season. Survey respondents were chosen at random from a national sample of Arbitron Spring 2002 radio survey participants.

The second study was designed to take an in-depth look at time spent in the theater and time spent using cinema advertising in theaters. One thousand and seven randomly selected adults aged 18 and older were surveyed via a national telephone study in December 2002.

This study was followed by a third national telephone interview study of 2,005 persons aged 12 and older conducted in January 2003. During this phase, we focused on understanding cinema audiences during the peak Holiday moviegoing season. We investigated demographics of moviegoers and included Teens 12-17 in the study. We looked at how often consumers go to the movies, their recall of advertising opportunities, how moviegoers use other media, and consumer attitudes toward cinema advertising. Survey respondents were chosen at random from a national sample of Arbitron Fall 2002 radio survey participants.

In order to probe the relationship between Outdoor advertising and cinema advertising exposure and to establish a baseline during a nonpeak movie season, a fourth study was conducted in April 2003. A national telephone survey of 1,001 randomly selected adults aged 18 and older was conducted in April 2003.

This research report also includes information from Scarborough Research, the leading provider of consumer shopping and media information in the U.S.

The State of Cinema Today

The U.S. cinema industry has experienced steady growth in the past 10 years, growing from a \$4.9 billion industry in 1992 to a \$9.5 billion industry in 2002.² Admissions have grown from 1.2 billion to 1.6 billion annually.³ Consumers have seen dramatic changes in the cinema industry, from an expansion of the number of theaters to the creation of multiplexes and megaplexes, which provide more screens. More movies are released than ever before, giving consumers more choices at the movies and more reasons to go more frequently.



Changes are happening within the movie theaters as well. No longer simply a place to sit and see a movie, theaters are increasingly becoming entertainment centers for consumers. Theaters have introduced audio programming, video programming and information via kiosks to keep moviegoers informed and entertained at the theater. Short-form programming, movie previews and compelling advertising are all part of the movie experience today.

Cinema is used worldwide as an advertising medium, with growth expected in the United States. ZenithOptimedia estimates that in 2002 over \$800 million⁴ was spent worldwide on cinema advertising, with only a small fraction of that spent in the United States. The U.S. cinema industry is poised for growth as advertisers begin to understand the reach and unique value of cinema advertising.

Cinema offers a unique opportunity to reach consumers. Going to the movies is a happy, transforming experience with family and friends—an environment where consumers are in a frame of mind to be entertained and receptive to advertising messages. Moviegoers sit comfortably in their seats. There is no remote control to zap through the channels and miss the advertising. Theaters are a destination of choice and advertisers have the full attention of the moviegoer.

The study found that in January 2003, 95 million Americans—40% of U.S. persons aged 12 and older—went to the movies in the “past month,” the Holiday season in our study. Movies are particularly important to teens and young adults, who go in larger numbers and go more often. Moviegoers are active, well-educated, and have higher-than-average household incomes.

² Motion Picture Association, www.mpa.org, U.S. Entertainment Industry: 2002 MPA Market Statistics

³ Motion Picture Association

⁴ ZenithOptimedia, www.zenithoptimedia.com, Advertising Expenditure Forecasts December 2002



Significant Highlights

The total number of Americans who went to the movies in a month reached 95 million people. The study clearly documents the significant reach of Cinema advertising. In January 2003, an estimated 95 million Americans (40%) over the age of 12 indicated that they went to the movies during the “past month,” which covered the 2002 Holiday movie season. Cinema reaches even more consumers during the summer movie season. In July 2002, 107 million Americans (45%) reported going to the movies in the past month.

Moviegoers are a younger, affluent, active consumer group representing an extremely attractive advertising target. By virtually any dimension, moviegoers make an attractive advertising target. Moviegoers are much more likely to be younger than 35 years of age. They are much more likely to have high household incomes. They go outside the home for entertainment and participate in sports and other active lifestyle activities. They are more likely to spend more on advertising categories such as automotive, telecommunications, travel, financial services and entertainment technology. The desirable demographic profile of moviegoers, combined with the significant reach, represents a tremendous opportunity for advertisers.

Consumers notice their enriched cinema environment...and they don't mind the advertising. Over two-thirds of adults and seven out of every 10 teens said that they did not mind the advertising that played before the movie began. Americans feel movie advertising is more acceptable than advertising on the Internet. Consumers were quick to notice the new media opportunities in the theater, including posters, music programming, kiosks, video screens and on-screen advertising. For all attitudinal measures used in this study, consumers were positive about their enriched cinema experience.

Cinema advertising can play a vital role in the media mix by reaching consumers who spend less time with television and radio, and enhancing the reach of media such as Outdoor and the Internet. Moviegoers use less television than people who do not regularly go to the cinema. Moviegoers are more likely to be light television and radio users, heavy users of Outdoor advertising and heavy Internet users. Arbitron found in the July 2002 study that watching movie trailers was a top choice for consumers who watched video programming on the Internet.

“Dinner and a movie” is now “shopping, dinner and a movie” for many moviegoers. Forty-three percent of moviegoers reported eating at a sit-down or fast-food restaurant immediately before or after the movie. Fourteen percent visited a retail store immediately before or after the movie. Another 6% reported going to a bar or drinking establishment. Shopping combined with movies was particularly strong for women, with 17% of women reporting visiting a retail store before or after going to the movie.

Consumers spend “quality time” at the theater. Moviegoing is important to consumers and is a destination medium. On average, consumers arrive at the theater 19 minutes ahead of time, well ahead of the movie start time. They are spending time in ticket lines, at the concession stand, in the lobby and in the auditorium before the movie begins.

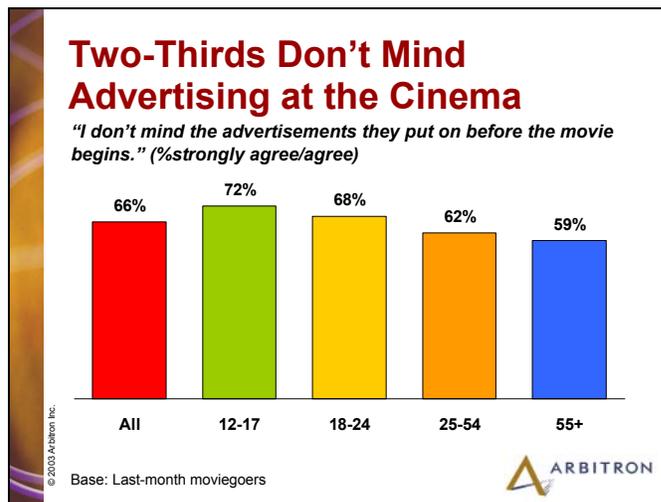


Key Findings

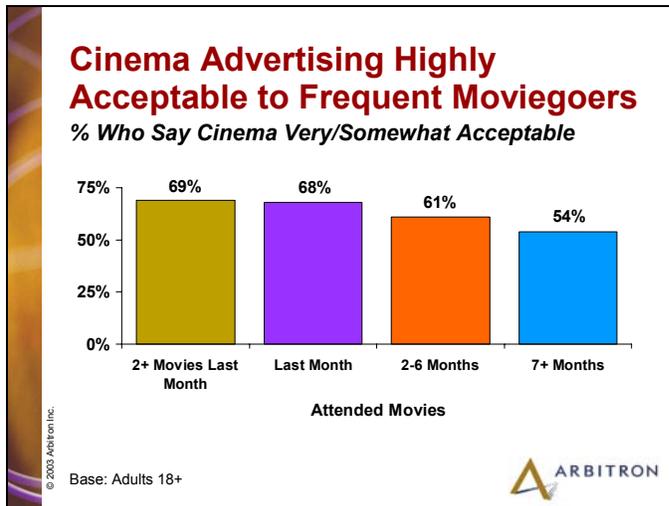
A. American Attitudes Toward Cinema Advertising

1. **Cinema audiences don't mind advertising at the movies.** The study showed a readiness for an advertising-enriched cinema environment. Two-thirds of American moviegoers agreed with the statement "I don't mind the advertisements they put on before the movie begins." Among Teens 12-17 and young Adults 12-24, the agree rate was even higher at 71%. Even for older demographic segments, the agree rate for advertising was 62% for Adults 25-54 and 59% for Adults 55+.

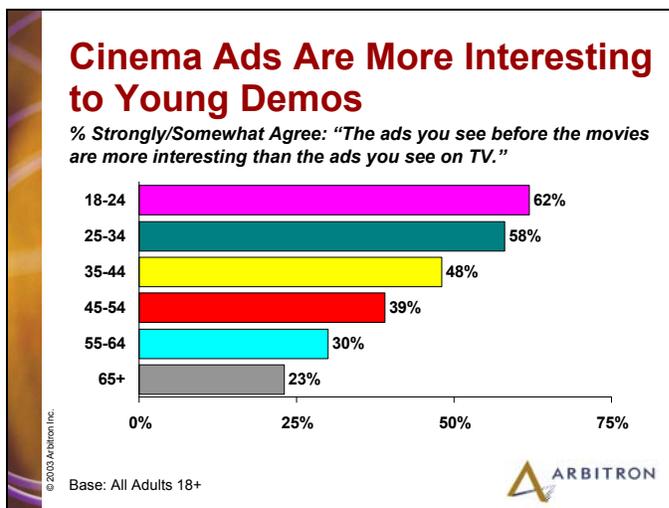
Contrary to what the popular press may be reporting, the study found that cinema audiences do not mind cinema advertising. Cinema audiences appear to be willing to make the same transition that cable television made in the 1980s: from fee-based commercial-free programming to fee-based programming that includes commercials.



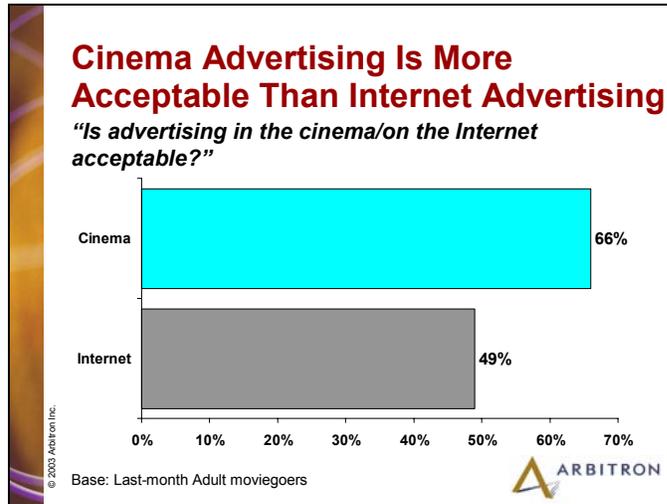
2. **The acceptance of cinema advertising increases among frequent moviegoers.** The more often people go to the movies, the higher the acceptance of cinema advertising. Sixty-nine percent of Americans 18+ who have seen two movies in the month say cinema advertising is acceptable. Sixty-eight percent of last-month moviegoers say cinema ads are acceptable. Among those who have seen a movie two to six months ago, 61% say cinema ads are acceptable. Fifty-four percent of those who saw a movie seven or more months ago say cinema advertising is acceptable. Those who rarely or never attend movies are less likely to find movie advertising acceptable, while the frequent moviegoers find cinema advertising very acceptable.



3. Half of moviegoers feel cinema advertising is more interesting than the ads they see on TV. This finding is startling, considering that video ads or “rolling stock” advertising prior to films is such a new and recent phenomenon in American movie theaters. (Worldwide, video advertising before the movies has been a common practice for decades.) Among all Americans aged 18 and older, the younger the demographic group, the greater the number who feel that movie advertising is more interesting than ads on TV. Sixty-two percent of young adults 18-24 feel that cinema advertising is more interesting than ads on TV. For advertisers targeting younger demographics, cinema as a medium is an advertising environment providing more compelling messages than television.

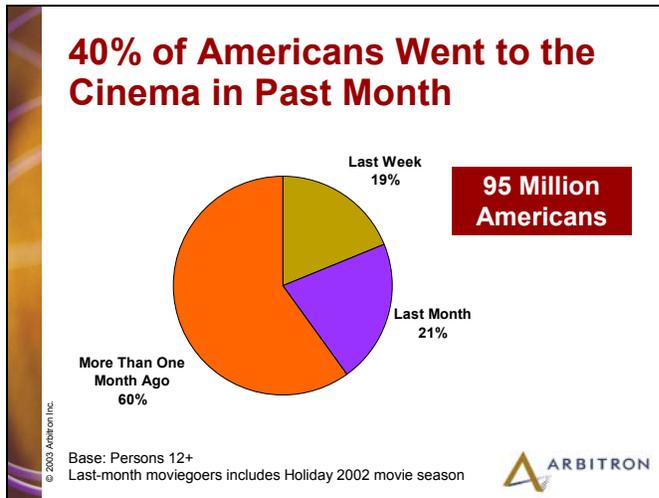


4. **Americans say advertising at the movies is more acceptable than advertising on the Internet.** For two relatively new advertising vehicles, it's interesting that consumers feel ads at the movies are more acceptable than ads online. Among consumers who have attended movies in the last three months, 67% say ads before movies are acceptable, compared to 49% who say advertising on the Internet is acceptable.

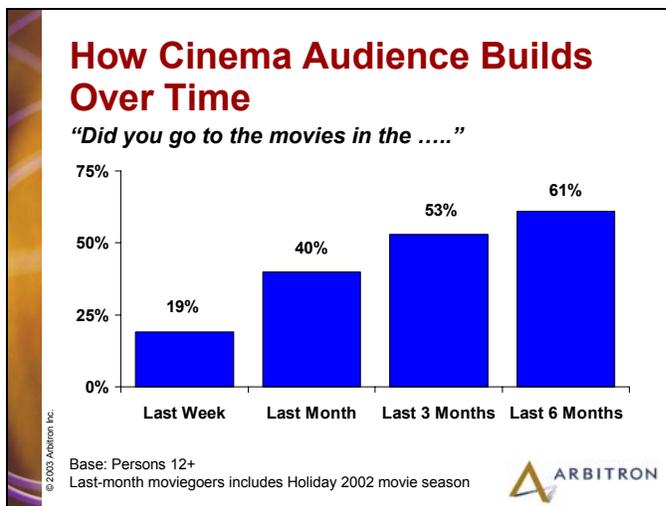


B. The Profile and the Size of the Cinema Advertising Audience

5. **Over 40% of all Americans aged 12 and older went to the cinema in the “past month” Holiday movie season.** Ninety-five million Americans reported going to the movies in the past month in this study. Among adults aged 18 and older, 37% reported going to the cinema during the Holiday movie season.



6. **Cinema is an engaging destination during the Holiday season and builds reach throughout the year.** Reach built quickly over the Holiday movie season, with 19% of 12+ Americans reporting going to the movies in the “last week,” rising to 40% going in the “last month.” Over a three- to six-month period, cinema advertising builds even more audience, reaching 53% of consumers in the “last three months,” peaking at 61% of consumers in the “last six months.”



- 7. Cinema reaches large audiences during the peak moviegoing seasons and year-round as well.** Although moviegoing shows signs of some seasonality, cinema audiences are large throughout the year. In July 2002, during the peak summer movie season, 42% of adults aged 18 and older went to the movies in the past month. The December 2002 study, capturing cinema habits just before the peak Holiday moviegoing season and over Thanksgiving weekend, showed last-month moviegoing was 32%. The January 2003 study, capturing the peak Holiday moviegoing season, showed that adults reported last-month moviegoing at 37%. In the April 2003 study, last-month moviegoing was 27%. This is impressive, considering that this is the period when the second war in Iraq was being waged with heavy media coverage.

Looking at a longer, three-month timeframe for moviegoing audiences, greater consistency in the size of cinema audiences begins to take shape. Scarborough's national consumer research about consumer shopping and entertainment behavior includes an annual average estimate of adults who went to the movies in the past three months. Scarborough reports that across the year, 49% of adults 18 and older went to the movies in the past three months⁵ compared to 55% in July 2002, 50% in the January 2003 study and 44% in April 2003.

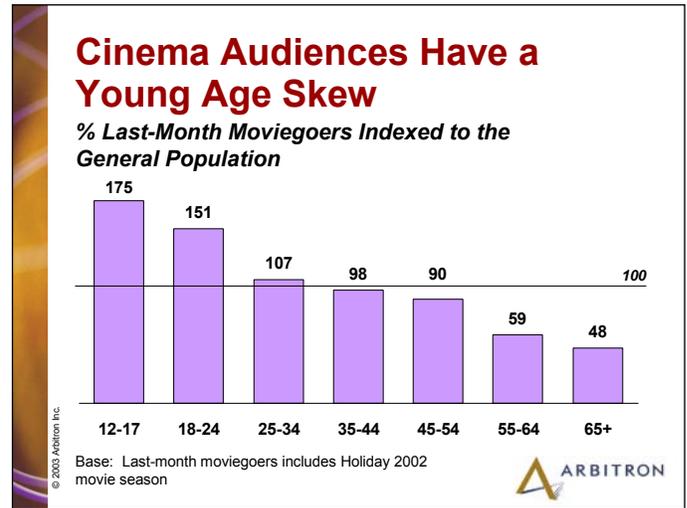
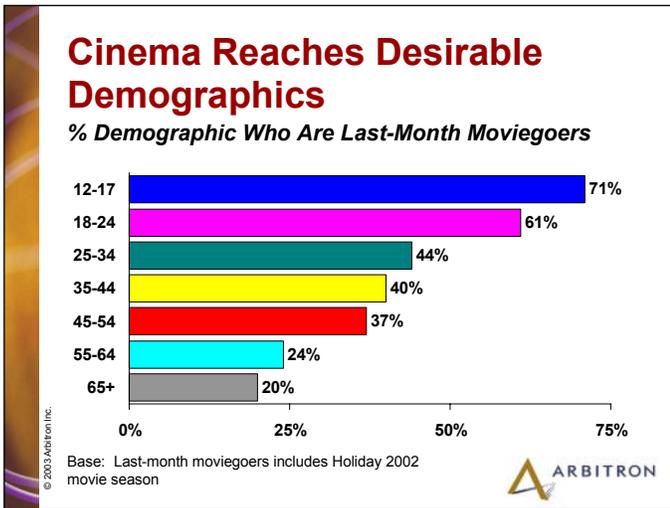
Cinema Audience Trends					
<i>Adults 18+</i>					
	April 2003*	January 2003	December 2002	July 2002	Scarborough Research Annual Average⁶
Last week	10%	17%	14%	18%	-
Last month	27%	37%	32%	42%	-
Last three months	44%	50%	-	55%	49%

*(In April 2003, last-month and last-three-month cinema attendance occurred during the second war with Iraq.)

⁵ Scarborough Research, Release 1, 2002, Scarborough USA+

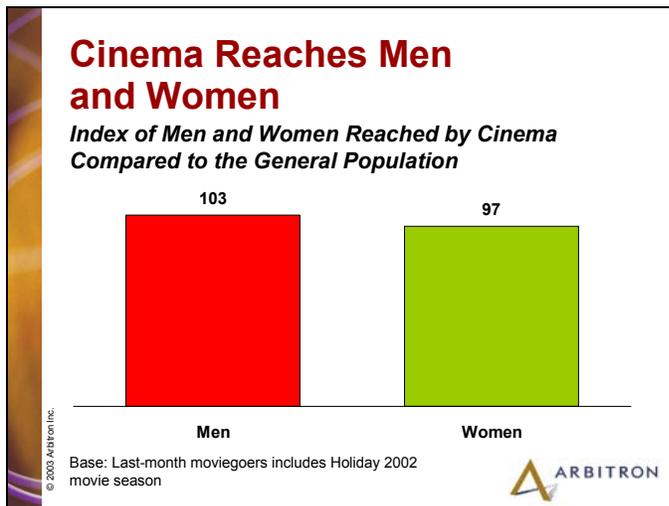
⁶ Scarborough Research

8. Cinema advertising is an essential tool to reach younger demographic groups, especially Teens 12-17 and young Adults 18-24. The movie theater is a popular destination for all consumer groups, but in particular among young demographics. In January 2003, 71% of Teens 12-17 and 61% of Adults 18-24 reported last-month moviegoing. Although more young demographics go to the movies compared with older demographic targets, cinema shows strong penetration among traditional advertiser target demographics as well, reaching an average 53% of Adults 18-34 and 40% of Adults 25-54.



Compared with the U.S. population, cinema audiences are 75% more likely to be Teens 12-17, and 51% are more likely to be young Adults 18-24. Cinema reaches Adults 25-54 in proportion to the population.

9. Cinema advertising reaches both men and women. Men and women frequent the cinema in approximately the same proportions, with men being reached slightly more than women. Cinema’s ability to reach men indexes at 103, compared to 97 for women.



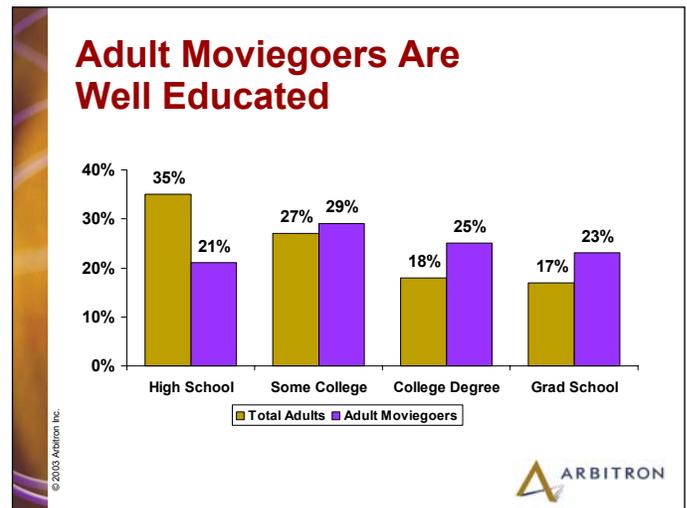
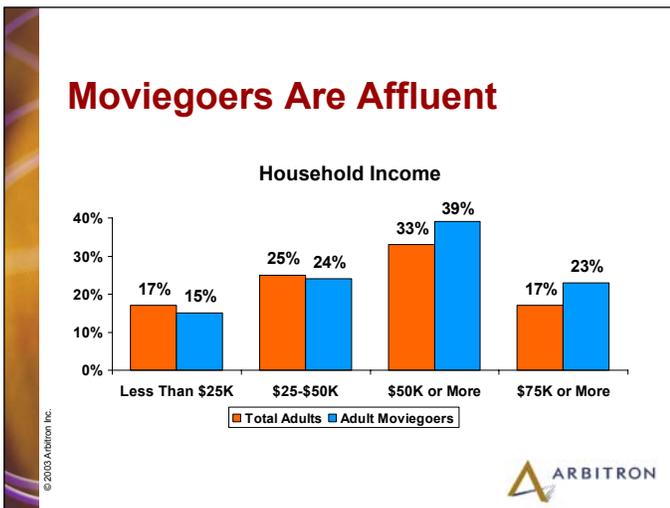
10. Cinema delivers advertising frequency, reaching an attentive, core audience that goes to the theater two or more times per month. Almost half (46%) of last-month moviegoers reported going to the movies more than two times per month. These heavy moviegoers tend to be younger, but are represented in all demographic segments. Teens and young Adults 18-24 reported seeing 2.2 movies on average every month. Adults 25-54 reported seeing 1.7 movies on average, and Adults 55+ reported a slightly higher number of movies at 2.0 movies per month.

Cinema Advertising
Reach and Frequency by Demographic
January 2003

	Reach <i>(% of Demo Reached in Past Month)</i>	Frequency <i>(Number of Times Reached in Past Month)</i>
12-17	71%	2.2
18-24	61%	2.2
25-34	44%	1.7
35-44	40%	1.7
45-54	37%	1.7
55-64	24%	2.0
65+	20%	2.0

11. Past-month moviegoers are more upscale, more technically savvy and better educated than the general population, and are a valuable target for advertisers seeking specific and hard-to-reach consumer groups.

Moviegoers are a well-educated and more affluent group. Adult moviegoers are 35% more likely to have attended graduate school or attained a graduate degree than the average American. Adult moviegoers are 35% more likely to have household incomes of \$75,000 or greater. Past-month moviegoers are more likely to be employed either full time or part time.



Moviegoers are much more likely to have other characteristics of affluent households, such as residential broadband and more than two computers in the home.

Cinema Audience Profile

	Cinema Audiences (Past Month)	Total Population
\$75,000+ annual household income	23%	17%
Graduate degree or higher level of education	23%	18%
Employed full time or part time	73%	62%
Have residential broadband Internet access	23%	17%
More than two computers in the home	41%	30%

12. Cinema audiences' affluence translates into more spending on automotive, financial services, entertainment technology and telecommunications.

Scarborough Research shows cinema audiences are strong advertising prospects for automobile manufacturers and dealers, as moviegoers are more likely to buy or lease new cars and trucks, and they are more likely to spend more. Cinema audiences are more likely to use financial services such as home computer banking. Cinema audiences are much more likely to seek out and purchase entertainment technology, such as DVDs, CDs and digital cameras. Moviegoers spend more than the general population on their monthly cellular telephone bill and are more likely to plan new cell phone purchases for themselves and their household members. Cinema audiences are much more likely to travel by air and purchase airline tickets over the Internet.

Scarborough Research Consumer Profile

Key Cinema Advertising Targets⁷

(% of Cinema Audience Indexed to the General Population)

	Cinema Audience* Index
Automotive	
Household plans to pay \$35,000 or more on a new vehicle	185
Household plans to buy/lease a new luxury vehicle	170
Household plans to buy/lease a new sports utility vehicle	155
Financial Services	
Household has Keogh plan	149
Household has home computer banking	136
Household has debit card	125
Entertainment Technology	
Personally purchased DVD movies	173
Personally purchased video game cartridges/disks	152
Household plans to buy digital camera	144
Telecommunications	
Household spent \$150+ on cellular phone bill	150
Household plans to buy wireless/cellular phone	141
Travel/Airlines	
Took 3+ personal air trips (yr)	185
Took 3+ business air trips (yr)	152
Bought airline ticket on the Internet	151

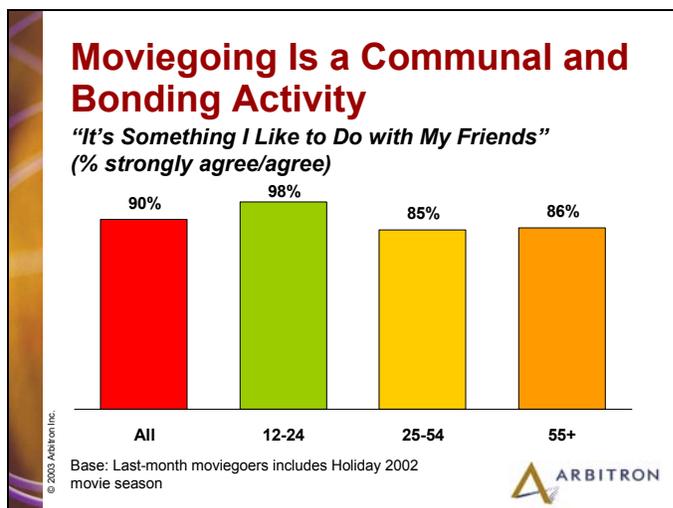
*Scarborough USA+, Persons 18+ who visited the cinema three or more times in the past three months.

How to Read: Index compares purchase behavior of moviegoers to the total U.S. population. An index of 100 means the attributes of the moviegoing segment are identical to the profile of the entire U.S. An index over 100 means moviegoers are more likely to have that attribute or purchase inclination. An index below 100 means moviegoers are less likely to have an attribute or purchase a product or service.

For example: Moviegoers have a 173 index for purchasing DVDs. This means those who have attended three or more movies in the past three months are 73% more likely than the U.S. national average to have purchased DVDs.

13. Cinema is a communal, bonding activity. Like broadcast TV of yesteryear, cinema is a medium that people like to do together, further reinforcing the experience. When asked if “Going to the movies is something I like to do with my friends,” 90% of last-month moviegoers agreed or strongly agreed. Ninety-eight percent of Persons 12-24 agreed. Young demographics are heavy moviegoers; the cinema creates an event they look forward to enjoying with their friends.

⁷ Scarborough Research USA+, Release 1, 2002



14. Affluent cinema audiences translate into active lifestyles. Advertising in the cinema is synergistic with companies that cater to high-end, active lifestyles. Cinema audiences have much more active lifestyles than the general population. They are more likely to be involved in activities and hobbies outside of work.

Scarborough Research Consumer Profile

Cinema Audiences and the Active Lifestyle⁸

(% of Cinema Audience Indexed to the General Population)

	Cinema Audience* Index
Participated in tennis	188
Personally attended/visited dance or ballet performance	170
Personally attended rock concert	169
Participated in snow skiing	167
Participated in team sports (softball, soccer, etc.)	166
Belong to health or exercise club	166
Participated in free weights/circuit training	165
Personally attended/visited Busch Gardens, Disney World, Sea World, Six Flags, Universal Studios	160

*Scarborough USA+, Persons 18+ who visited the cinema three or more times in the past three months.

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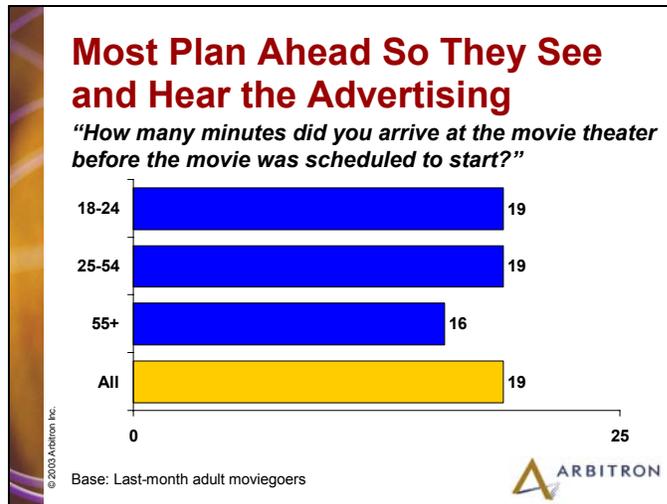
For example: Moviegoers have a 166 index for belonging to a health club. This means those who have attended three or more movies in the past three months are 66% more likely than the U.S. national average to belong to a health club.

⁸ Scarborough Research USA+, Release 1, 2002



C. Cinema Audiences Spend “Quality Time” at the Theater

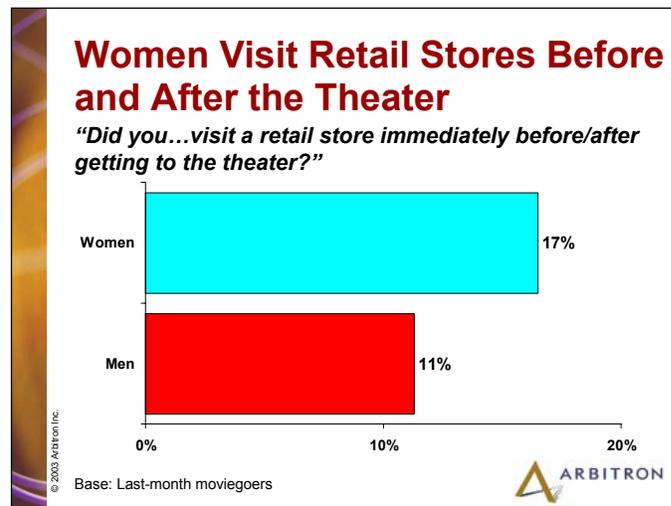
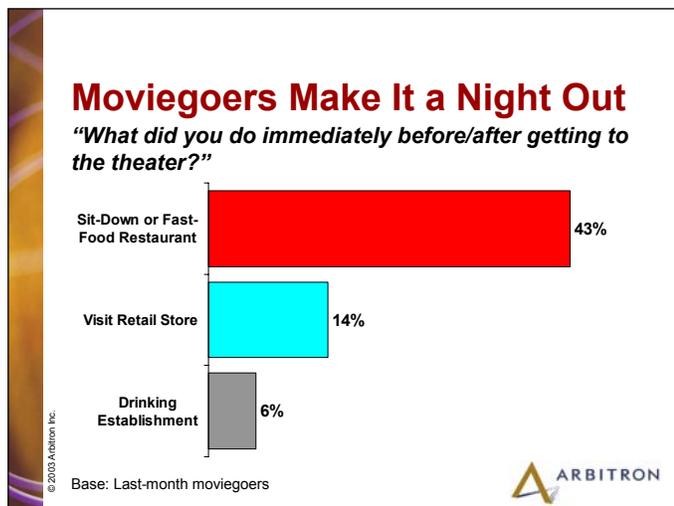
- 15. Cinema audiences get there ahead of time.** Advertisements reach people before the movie starts because moviegoers allow ample time in the lobby and in their seats. Last-month moviegoers get to the theater an average of 19 minutes ahead of time⁹. Almost three-quarters of Americans who went to the movies in the last month arrived at the theater at least 10 minutes before the film’s start time, with young Adults 18-24 and Adults 25-54 arriving 19 minutes ahead, on average.



- 16. Cinema audiences spend time in the ticket line, in the lobby, at the concession stand and in the auditorium, ample time to be exposed to numerous forms of cinema advertising.** Moviegoers spend time in the theater before the movie begins, whether in the ticket line, in the lobby or in the auditorium. Moviegoers reported spending an average of four minutes in the ticket line and eight minutes in the lobby. When asked how much time they spent in their seat before the movie actually began, moviegoers reported spending 13 minutes in the auditorium, on average. Moviegoers who buy refreshments are spending five minutes, on average, at the concession stand. Moviegoers are spending about three minutes in the lobby after the movie is over.
- 17. Shopping and restaurant visits often accompany theater visits and offer cross-promotional and advertising opportunities.** The adage “Dinner and a Movie” holds true among last-month moviegoers and is expanding rapidly to “Dinner, Shopping and a Movie.” When asked what they did immediately before or after getting to the theater, 43% reported going to a sit-down or fast-food restaurant and 14% reported visiting a retail store. Another 6% reported going to a drinking establishment or bar.

⁹ All estimates of time spent in the theater are based on Adults 18+.

Including shopping in the mix appeared to be particularly salient for women, 17% of whom reported visiting a retail store immediately before or after the movie. For almost two-thirds of last-month moviegoers, restaurants and retail are vital parts of their cinema experience, suggesting cross-promotional opportunities with local restaurant and retail chains.



Cinema audiences are much more likely to frequent all types of sit-down restaurants. Scarborough Research reports that adults who went to the cinema at least three times in the last three months are much more likely to frequently use almost every type of sit-down restaurant, compared to the general population.

Scarborough Research Consumer Profile

Cinema Audiences and Restaurant Visits¹⁰

(% of Cinema Audience Indexed to the General Population)

	Cinema Audience* Index
Ate at coffeehouse/coffee bar	175
Ate at "upscale" restaurant	157
Ate at Italian restaurant	156
Ate at Mexican restaurant	145
Ate at seafood restaurant	132
Ate at Chinese/Asian restaurant	132

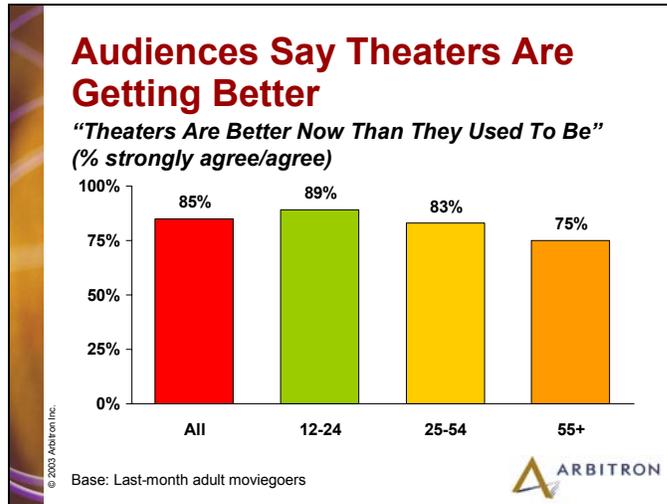
*Scarborough USA+, Persons 18+ who visited the cinema three or more times in the past three months.

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For example: Moviegoers have a 157 index for eating at an upscale restaurant. This means those who have attended three or more movies in the past three months are 57% more likely than the U.S. national average to eat at an upscale restaurant.

¹⁰ Scarborough Research USA+, Release 1, 2002

18. Audiences say theaters are “Getting Better.” The American cinema experience is improving and this is recognized by cinema audiences. When asked whether they “agreed” or “strongly agreed” with the statement “Theaters are better now than they used to be,” 85% agreed or strongly agreed. Cinema audiences love going to the movies, and they like the changes that are happening at their local cinema.

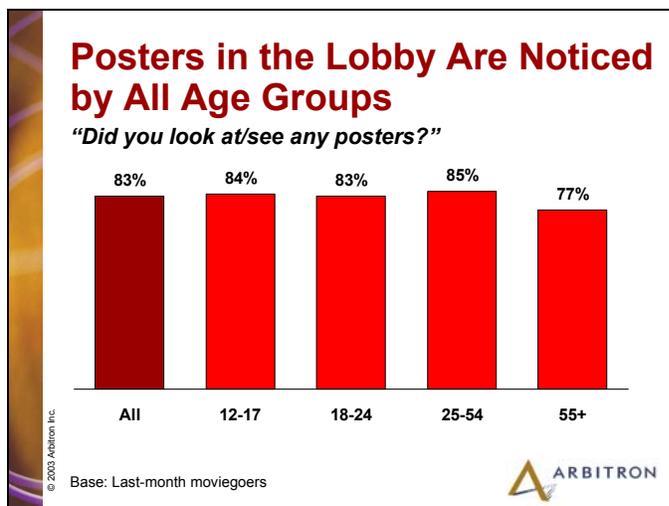


D. Cinema Advertising in the Lobby

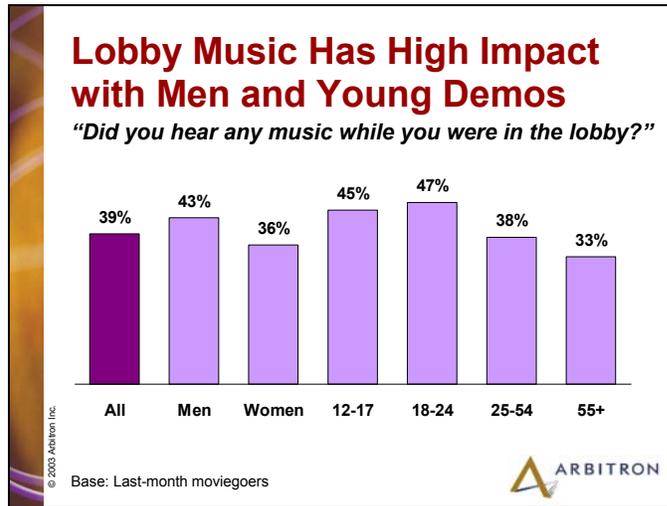
19. Cinema advertising provides multiple touch-points where advertisers can reach their customers with a variety of messaging. Whether in the ticket line, the lobby or the auditorium, cinema advertising reaches consumers in the theater. Theater lobbies are increasingly a rich environment for posters, music programming, video programming and interactive kiosks. Moviegoers have high recall rates for these new entertainment media in the theater lobby. Consumers use concessions at a high rate and are consuming advertising in the concession line and on the cups and packaging as well. Moviegoers have very high awareness of on-screen advertising, movie trailers and music programming in the auditorium.



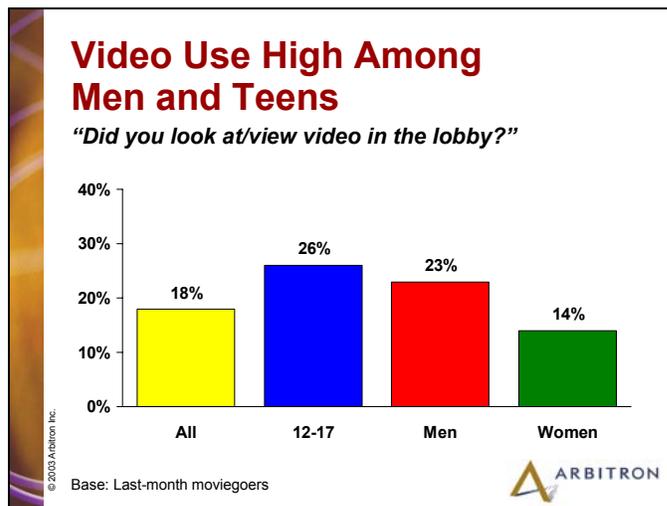
20. Posters are noticed by cinema audiences and have high impact. The study found very high awareness rates for posters by last-month moviegoers: Eighty-three percent remembered looking at posters in the lobby. Posters had an impact on all age groups. Eighty-four percent of Teens 12-17, 83% of young Adults 18-24 and 85% of Adults 25-54 remembered seeing or looking at posters. More than three out of every four Americans aged 55 and older was aware of posters in the lobby.



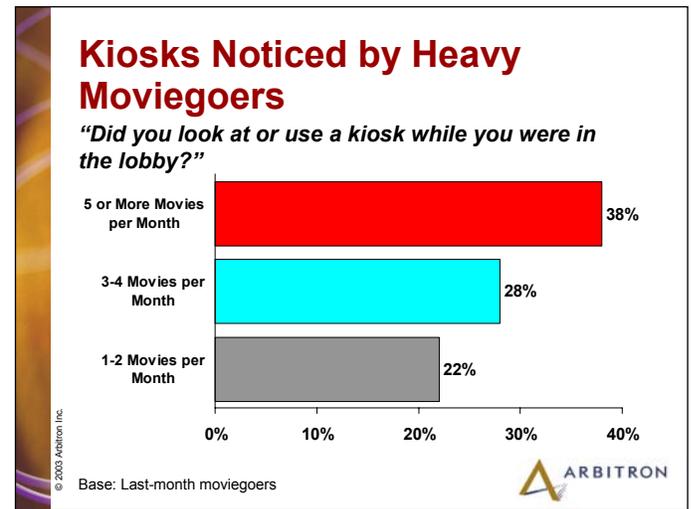
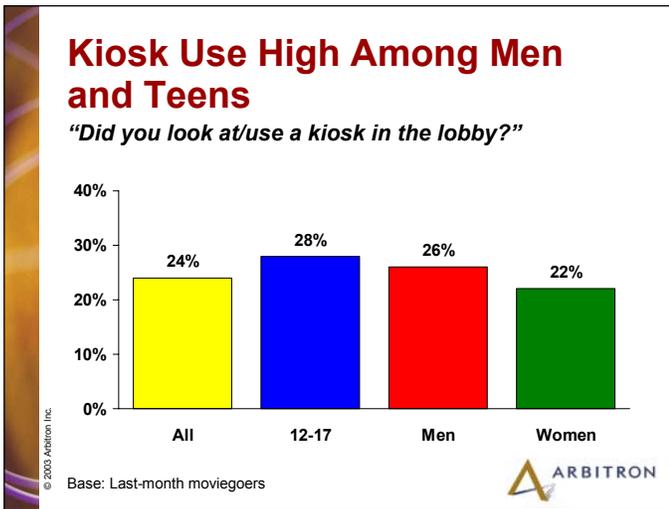
21. Music programming in the lobby makes an impact. Music enhances the entertainment experience of the theater and is noticed by moviegoers. Thirty-nine percent of respondents remembered hearing music programming in the lobby. Music programming is noticed more by men (43%) and teens (45%). Music programming is noticed by almost half of young Adults 18-24 (47%). Increasingly, theaters are using music programming, but not all theaters have it. If the percentage of theaters that have music programming were used as the base, the awareness rate for music programming would jump substantially.



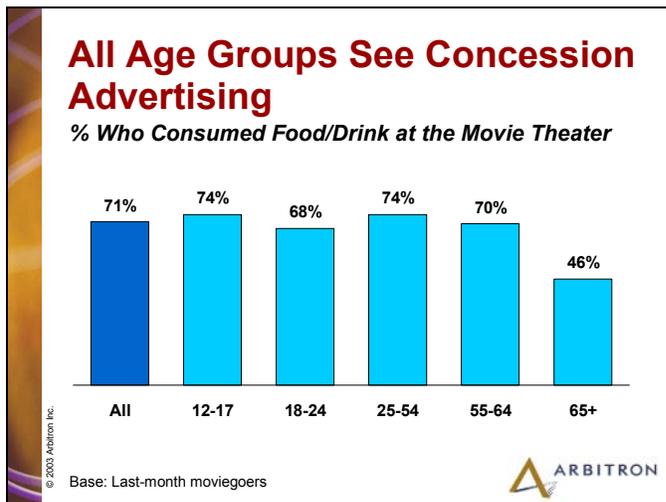
22. Video programming creates multifaceted entertainment in the theater and appeals to a core cinema audience. Video programming and kiosks are increasingly found in theaters. More than one out of four teens and almost one out of four men remembered video programming in the lobby of the theater. Keeping in mind that not all theaters have video in the lobby, if the actual percentage of theaters with video in the lobby could be used as a base, the awareness rate would be substantially higher.



23. Kiosks are used by men, teens and the heaviest moviegoers. Kiosks offer information, convenience and new advertising in the cinema. Twenty-eight percent of Teens 12-17 and 26% of men remembered seeing or using kiosks at the cinema. The added convenience of using kiosks for researching movies or purchasing tickets seems to resonate highly with the heaviest moviegoers. Thirty-eight percent of persons who go to the movies five or more times per month reported using or seeing a kiosk at the theater.

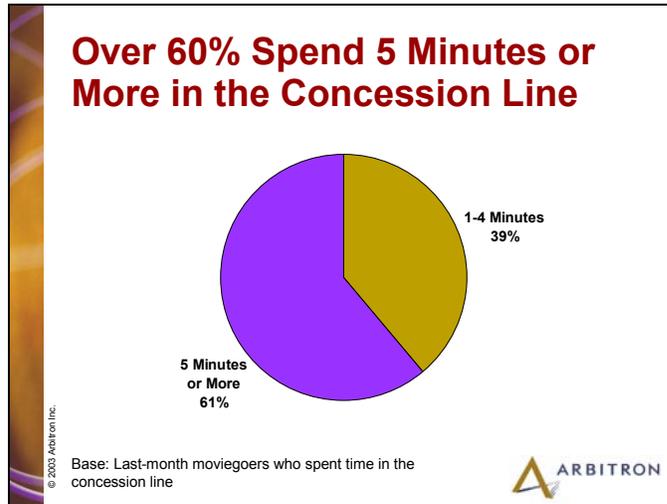


24. Refreshments are an integral part of the cinema experience. More than 70% of last-month moviegoers reported consuming refreshments—whether or not they themselves bought the refreshments. Concession use peaked at 74% by Teens 12-17 and Adults 25-54—the latter being a group that may be going to the movies with children or wanting a complete entertainment experience that includes food and drinks. Concession use was lowest among Adults 65+, reaching only 46% of this demographic group.



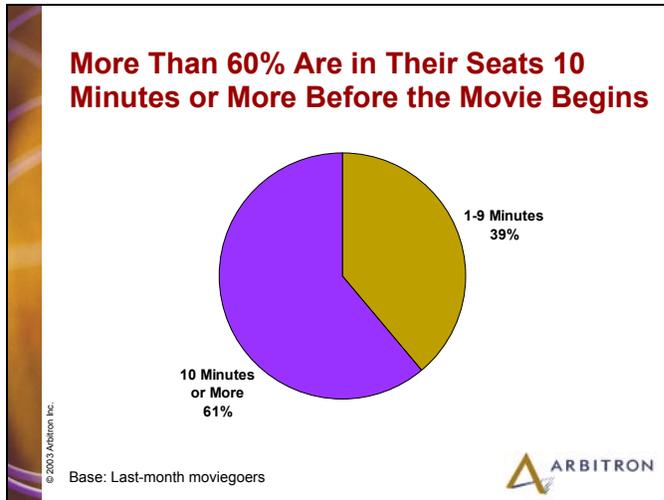


25. Consumers are exposed to advertising in the concession line. Sixty-three percent of last-month moviegoers reported buying refreshments and over 60% of these buyers spent more than five minutes in the concession line. Twenty-one percent spent over 10 minutes in the concession line, making advertising impressions at the concession counter an effective way to promote products and services.

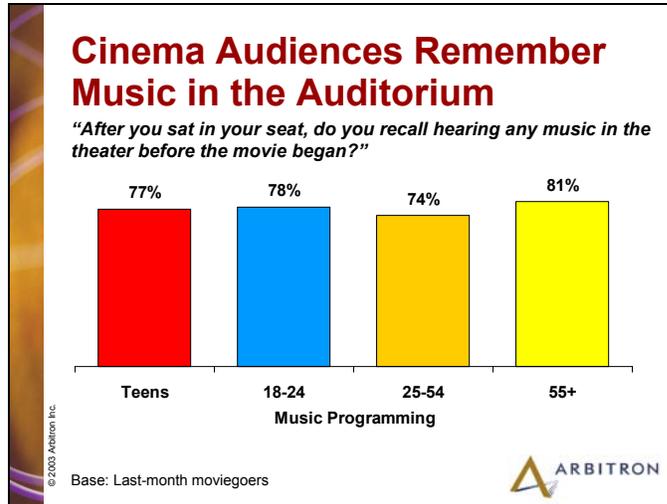


E. Cinema Advertising in the Auditorium

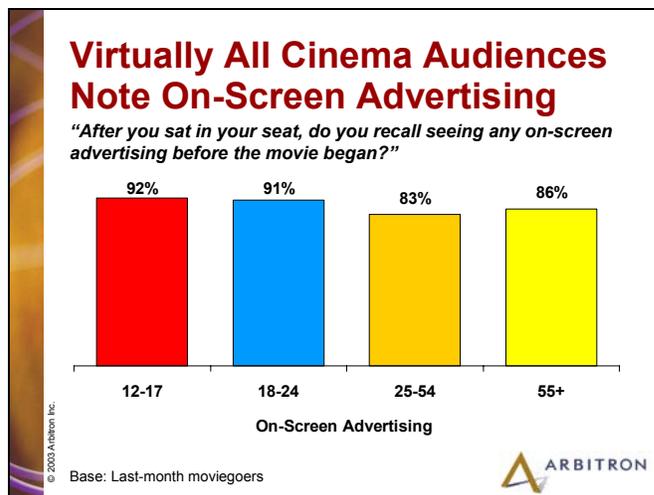
26. Enhancements to the cinema experience extend to the auditorium, where consumers are exposed to audio and video programming. Throughout the study, we saw high awareness for the many forms of in-auditorium advertising. The cinema is no longer a place “just to see movies.” Cinemas provide high-quality audio programming, movie previews and “rolling stock” or video advertising. Some cinemas have introduced short-form programming to fully capture the attention of cinema audiences. More than 60% of last-month moviegoers were in their seats more than 10 minutes before the movie began.



27. Three out of four last-month moviegoers notice the music while in their seats. Cinema audiences are aware of and listen to music programming while in the auditorium. Like music in the lobby, music in the auditorium showed high awareness rates among last-month moviegoers. Seventy-six percent of last-month moviegoers reported remembering the music programming before the movie started. Awareness was high across all demographic segments, from teens to young adults and among core advertising targets, including Adults 25-54. Waiting attentively for the movie to begin, music programming creates an impactful advertising medium in the auditorium.

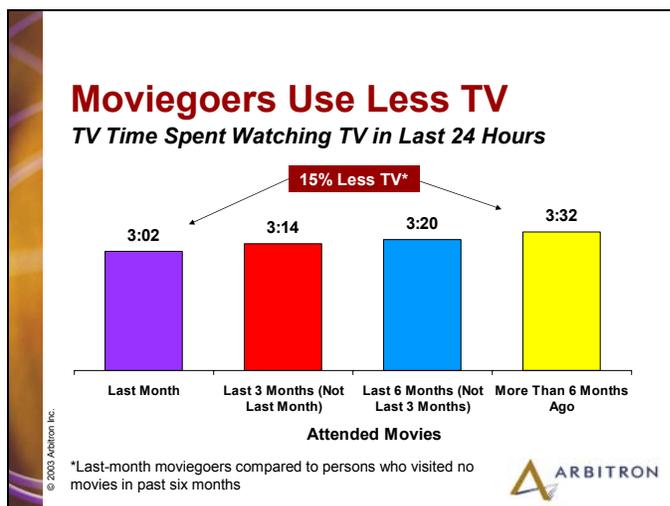


28. Cinema audiences remember on-screen advertising. The study explored consumer awareness of on-screen advertising, separate and apart from movie trailers that preview upcoming movies. Eighty-six percent of last-month moviegoers remembered seeing on-screen advertising before the movie started. The awareness rates crossed all demographic groups, from Teens 12-17 to Adults 18-24 to older Americans. Moviegoers reported sitting in their seats an average of 13 minutes before the movie began. On-screen advertising reaches an available and attentive audience.



F. Television, Radio, Newspaper, Outdoor and Internet Use by Cinema Audiences

29. Last-month moviegoers spend less time watching television. Compared with Americans who did not go to the movies, or did not go in the past six months, last-month moviegoers reported watching 15% less television. Time spent with radio was less for last-month moviegoers, and newspaper use was consistent across moviegoers and nonmoviegoers.



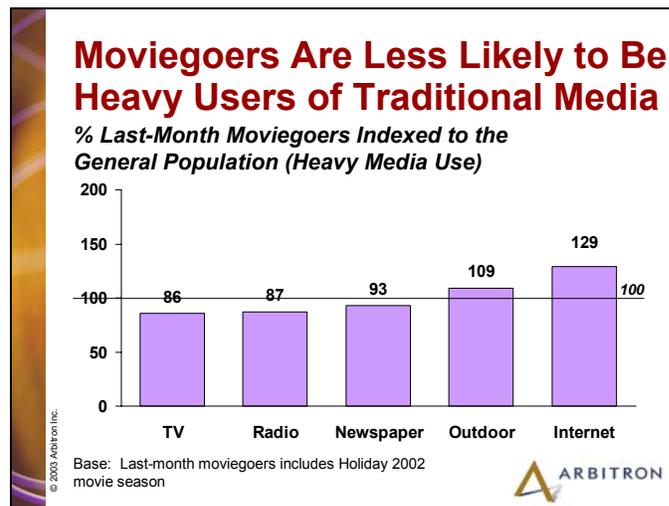
30. Moviegoers are harder to reach using traditional media. The table below shows how the last-month cinema audience compares to the general population in terms of heavy, medium and light media use. Last-month moviegoers tend to be light and medium users of traditional media, including television, radio and newspaper. Cinema advertising can supplement a television, radio or newspaper advertising schedule. Last-month moviegoers use a lot more Internet and Outdoor media. Moviegoers are 29% more likely to be heavy Internet users and 9% more likely to be heavy users of Outdoor media. A cinema advertising schedule will complement Internet and Outdoor advertising plans.

Media Mix Profile						
Last-Month Cinema Audience						
	U.S. Total	TV	Radio	Newspaper	Outdoor	Internet
Heavy	100	86	87	93	109	129
Medium	100	102	102	105	107	127
Light	100	108	108	102	83	101
Do Not Access (Internet only)						46

TV, newspaper and Internet media usage is based on daily time spent. Outdoor media use is based on miles traveled in past seven days by Adults 18+. Radio usage is based on weekly time spent.

How to Read: Index compares media consumption of last-month moviegoers to the total U.S. population. An index of 100 means the attributes of the moviegoing segment are identical to the profile of the entire U.S. An index over 100 means moviegoers are more likely to have that attribute. An index below 100 means moviegoers are less likely to consume that medium.

For example: Last-month moviegoers have an 86 index for heavy TV viewing and a 108 index for light TV viewership. This means those who have attended movies in the past month are 14% less likely to be heavy TV viewers and 8% more likely to be light TV viewers, compared to the general population.



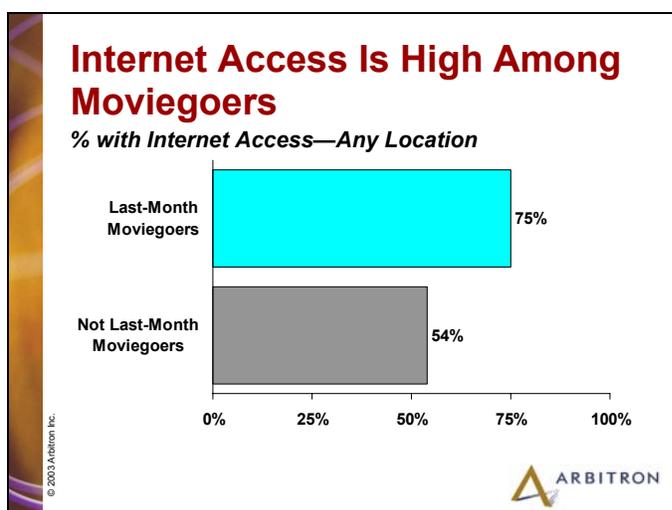
- 31. Cinema audiences spend more time with Outdoor media.** Cinema audiences travel more miles in their cars, vans or trucks than the general population, and they spend more time commuting. Compared with the general population, last-month moviegoers are more likely to be “Mega-Milers,” the group of Americans who travel the most by automobile. Last-month moviegoers report traveling by automobile more than 400 miles per week, 21% more miles than the general population. Cinema audiences are more likely to be “Super-Commuters,” consumers who spend the most time getting to and from work. Because they spend so much time traveling and commuting, cinema audiences are more likely to be reached with Outdoor advertising. Cinema advertising and Outdoor advertising can be used together to reach the young, active consumer.

Outdoor Media Profile

(Adults 18+)

Miles Traveled in the Past Week	Total U.S.	Cinema Audiences <i>(Past Month)</i>
Mega-Miler (261+ miles)	37%	40%
Medium traveler (100-260 miles)	32%	34%
Light traveler (1-99 miles)	27%	22%
Average miles traveled	337 miles	408 miles

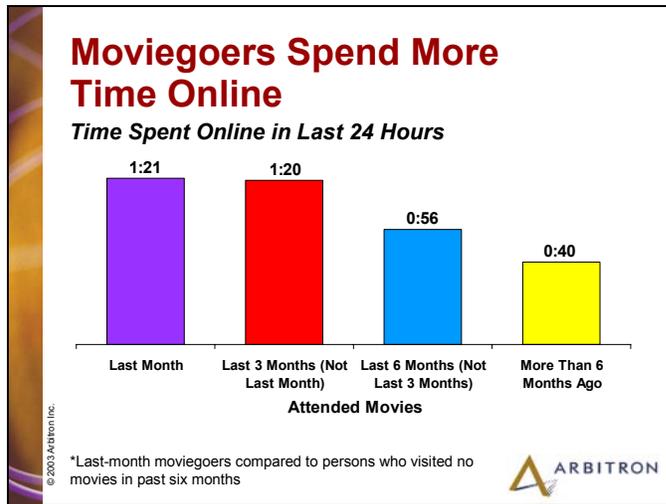
32. Cinema audiences are more likely to be Internet users. Internet access is much higher for last-month moviegoers than for Americans who don't go to the movies. Seventy-five percent of last-month moviegoers reported having access to the Internet, compared with 54% of Americans who don't go to the movies.



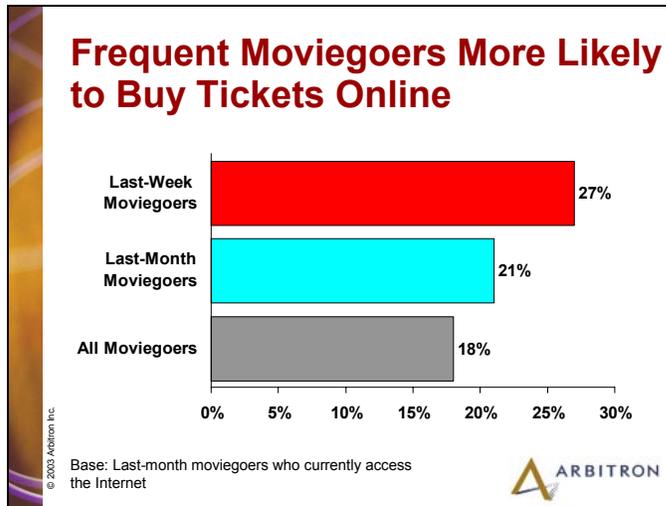
33. Time spent online is much higher for last-month moviegoers. Average time spent online per day is twice as high for last-month moviegoers (1 hour 21 minutes) compared to nonmoviegoers (only 40 minutes). Last-month moviegoers allocate a much larger share of their daily media time spent with the Internet (18%), compared to the general population (14%) and compared to nonmoviegoers (9%).

Share of Daily Media Time Spent

	U.S. Population	Cinema Audience <i>(Last Month)</i>	Not Moviegoer <i>(Past 6 Months)</i>
TV	43%	40%	46%
Radio	36%	35%	37%
Newspaper	8%	7%	8%
Internet	14%	18%	9%



34. Heavy moviegoers go online more to shop for movie tickets. More than one in five (21%) of last-month moviegoers reported ever buying a movie ticket online. Online ticket purchases are higher for very frequent moviegoers. Twenty-seven percent of last-week moviegoers reported ever buying a movie ticket online.



35. Among those who watch Internet video, movie trailers are the most watched content. When Arbitron asked people who had ever used online video what types of online video programming they used the most, 62% of Americans who used online video reported seeing movie trailers or previews, the top choice among online video opportunities. Ever since Arbitron began tracking online use of Internet video five years ago, movie trailers have always been the most watched Internet video content.

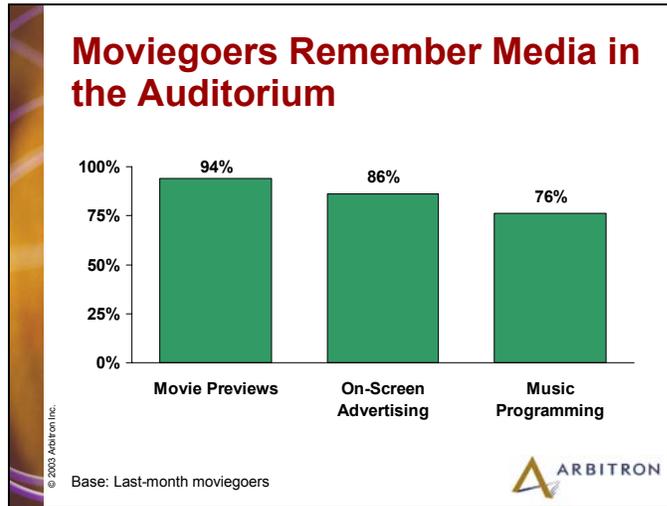
Top Five Online Video Activities

Among Users of Internet Video

	% of Consumers Who Use Online Video (July 2002)
Movie trailers or previews	62%
Music videos	52%
Online video weather forecasts	35%
Video newscasts	34%
Online video from TV stations	31%

G. Movie Previews: High-Value Marketing

36. Movie previews make an impression on cinema audiences. Ninety-four percent of last-month moviegoers remembered seeing movie previews during the Holiday movie season. Movie previews had the highest awareness rates of any of the advertising types explored in this study. The next highest, on-screen advertising, showed an 86% awareness rate.



37. Cinema audiences get there early to see the movie previews. Cinema audiences arrive at the theater an average of 19 minutes before the movie start time. The study asked a series of attitudinal questions about movie previews. Sixty-two percent of past-month moviegoers agreed or strongly agreed with the statement “I like to get there early to see the scenes for upcoming movies.” This agree rate shows the strong entertainment value of movie previews.

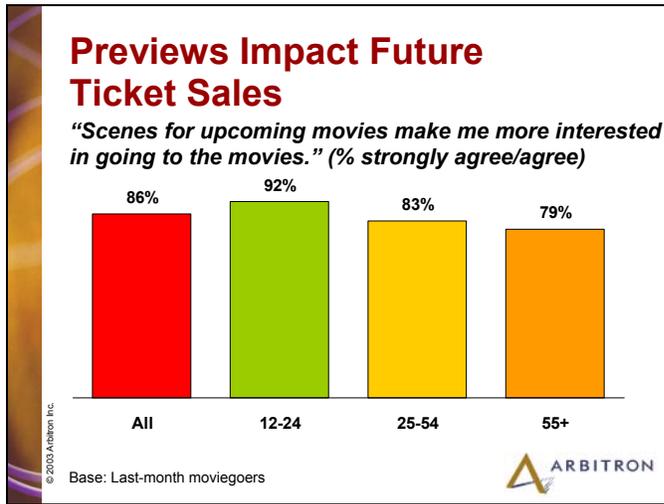
% Who Agree or Strongly Agree

(Base: Last-month moviegoers)

“I like to get there early to see the scenes for upcoming movies.”	62%
“Scenes for upcoming movies make me more interested in going to the movies.”	86%

All demographic groups agreed that they like to get there early to see the movie previews—from teens to young adults to Persons 25-54 and among older demographic groups 55+.

38. Movie previews drive future cinema admissions. Movie previews have great entertainment value, and they are designed to drive future admissions. The vast majority of cinema audiences agrees that movie previews make them more likely to go to the movie when it is released. When asked whether they agreed with the statement “Scenes for upcoming movies make me more interested in going to the movies,” 86% of last-month moviegoers agreed. The agree rate jumped to 92% for the younger demographic group 12-24, then leveled off at 83% for Persons 25-54 and 79% for Persons 55+.





Recommendations

1. **Advertisers who target younger, affluent, active consumers should consider cinema advertising as part of their media mix.** Cinema audiences tend to use less television and radio and use more Internet. Cinema audiences travel more in their automobiles and spend more time commuting, increasing their exposure to Outdoor advertising. Cinema advertising can supplement television and radio advertising schedules and complement Outdoor and Internet advertising.

Cinema audiences have an active lifestyle with interests and activities outside the home and workplace. Cinema audiences are affluent, and this translates into more interest and more spending on key advertising categories such as automobiles, telecommunications, financial services, entertainment technology and air travel. Since cinema advertising is still new, advertisers have the ability to “own the medium” and build frequency for their target consumer in an environment where there is an attentive, captive audience.

2. **Cinema companies should ramp up their ad sales efforts.** ZenithOptimedia estimates that worldwide cinema advertising is over \$800 million, with only a small fraction being spent in the U.S. Cinema advertising is positioned for growth and is on the cusp of becoming a major medium in the U.S. Cinema has strong reach among young, affluent audiences—40% of Americans went to the cinema in the past month during the Holiday season, with over 50% going in the past three months. Cinema audiences are wealthier and better educated than the general population, making them an attractive advertising target.
3. **Cinema advertising media and business plans should be based on the assumption that consumers are open to cinema advertising.** Two-thirds of moviegoers say they don’t mind advertising at the movies. Among younger demographics, cinema advertising is even more positively received. Americans say cinema advertising is more acceptable than Internet advertising. Contrary to the opinion of the popular press, most Americans don’t mind the advertising that they are exposed to at the cinema. Cinema audiences perceive movie theaters as getting better, and they give movie theaters high marks for creating an environment where they like to get there early and enjoy with their friends.
4. **Cinema companies pursuing advertising sales should emphasize attractive demographics and their unique captive environment as their primary value.** Moviegoers are a captive, attentive audience who are more available to advertising messages due to the unique media environment. Without remote controls and other devices that interrupt the viewing and listening experience, cinema audiences are some of the most available to advertising in the world.

The attentiveness of the cinema audience is illustrated in the high awareness rates of advertising content at the theater. From posters, music programming, video programming and kiosks in the lobby to advertising at the concession stand and ticket lines, to music and video programming in the auditorium itself, the cinema is becoming a rich advertising environment with multiple points of contact.

5. Cinema companies should offer advertisers a complete package of cinema advertising in order to have the greatest impact on cinema audiences.

Theater owners and cinema advertising executives should work together to ensure that buying cinema advertising is as easy as possible for advertisers and advertising agencies and has the biggest possible impact on cinema audiences. Advertisers would benefit from advertising packages that include cinema advertising bundled together as a single package and “one-stop shopping.” For the biggest impact on cinema audiences, and to simplify the buying process, an advertising package could include comprehensive coverage of cinema advertising opportunities, including advertising on tickets and at concessions; audio, video and kiosk advertising in the lobby; audio and video advertising in the auditorium; as well as on-site promotions, product sampling and contesting.

6. Theater owners should consider the ideal mix of advertising and entertainment for their audiences. The multiple points of contact offered to advertisers in the theater can be orchestrated to ensure maximum exposure and enjoyment by cinema audiences. Theater owners and providers of cinema advertising should consider the programming implications of the different media content and how to put them together so that audiences are entertained and informed. New ways of presenting advertising content, such as interspersing movie previews and commercials or repeating programming that is on before the movie via video consoles in the lobby, can enhance consumer impact and enjoyment.

7. The right creative execution for cinema advertising requires further study and industry discussion. Around the world, cinema advertising tends to be highly creative and entertaining. Thus, advertisers are not running their 10- or 30-second typical television spots. Rather, they tend to run longer ads (60 seconds and longer), which are more entertaining, more dramatic and imaginative. The concept for cinema creative seems to be similar to “Super Bowl style” advertising: longer than the norm, crowd pleasing, imaginative and hugely entertaining. Also, Super Bowl ads tend to be the premiered, or first shown, a notion that could be considered for cinema advertising. The idea would be to use the cinema to introduce a new creative execution in its full length.

About Arbitron

Arbitron Inc. (NYSE: ARB) is an international media and marketing research firm serving radio broadcasters, cable companies, advertisers, advertising agencies and outdoor advertising companies in the United States, Mexico and Europe. Arbitron's core businesses are measuring network and local market radio audiences across the United States; surveying the retail, media and product patterns of local market consumers; and providing application software used for analyzing media audience and marketing information data. Arbitron Internet Broadcast Services measures the audiences of audio and video content on the Internet, commonly known as webcasts. The Company is developing the Portable People Meter, a new technology for radio, television and cable ratings.

Arbitron's marketing and business units are supported by a world-renowned research and technology organization located in Columbia, Maryland. Arbitron has approximately 825 full-time employees; its executive offices are located in New York City.

Through its Scarborough Research joint venture with SRDS, Inc., a subsidiary of VNU, Inc., Arbitron also provides media and marketing research services to the broadcast television, magazine, newspaper, Outdoor and online industries.

Arbitron's New Ventures division provides the sales training, ratings and publicity that nontraditional media need to fuel their ad sales efforts. Credible third-party measurement helps advertisers justify their investment in the medium. The company's 50+ years of audience measurement experience help sellers focus on selling the value of their advertising rather than justifying the credibility of their measurement. Arbitron research studies about cinema advertising, the Outdoor industry and traditional and nontraditional media can be found on the company's Web site at www.arbitron.com and can be downloaded free of charge.

About Scarborough Research

Scarborough Research is a leader in identifying local, regional and national shopping patterns and media usage for the American consumer. Scarborough provides data solutions and media strategies for today's complex marketing challenges, helping clients to better distinguish their media or brand. Products and services include 75 local market studies, a national database, local market Hispanic studies, customer relationship management and database integration solutions. With over 25 years of experience, Scarborough serves a broad client base of over 3,000 subscribers, including advertisers and agencies, electronic and print media, sports teams and leagues, and out-of-home companies. Surveying over 200,000 adults annually, Scarborough releases data to the marketplace twice yearly. Scarborough Research is a joint venture between Arbitron Inc. and VNU, Inc. Additional information can be found at www.scarborough.com.

Scarborough Research is the leading provider of research about consumer shopping, entertainment and media use for local markets as well as national information. If you would like more information about Scarborough Research and how it can help you understand cinema audiences, contact Paul LeFort from Arbitron at the contact information on the front cover of this report.

Appendix A

The Current State of Cinema Audiences*

January 2003

Past-Three-Month Cinema Audience—Those who have gone to the cinema at least once in the past three months

127 million Americans

53% of U.S. population 12+

3.4 cinema visits, on average, per three-month period

Past-Month Cinema Audience—Those who have gone to the cinema at least once in the past month

95 million Americans

40% of U.S. population 12+

1.9 cinema visits, on average, per month

18.8 minutes is average arrival time before the movie begins

Heavy Cinema Audience—Those who have gone to the cinema at least two times in the past month

44 million Americans

19% of U.S. population 12+

*Includes the Holiday 2002 movie season

Appendix B

Profile of the U.S. Population and Cinema Audiences*

(January 2003)

	U.S. Population	Cinema Audience Past Three Months <i>(53% of U.S. Population)</i>	Cinema Audience Past Month <i>(40% of U.S. Population)</i>	Heavy Cinema Audience 2+ Times in Past Month <i>(19% of U.S. Population)</i>
<u>Demographics</u>				
Men	46%	46%	48%	49%
Women	54%	54%	52%	51%
12-17	11%	16%	19%	21%
18-24	11%	12%	16%	17%
25-34	15%	17%	16%	13%
35-44	19%	19%	19%	19%
45-54	18%	17%	16%	14%
55-64	12%	9%	7%	8%
65+	15%	9%	7%	8%
Employed part/full time	55%	61%	61%	59%
Retired	17%	8%	8%	7%
Student	13%	20%	23%	25%
Homemaker	8%	6%	4%	5%
Unemployed	4%	4%	3%	4%
\$50K+ HH income	33%	31%	39%	43%
\$75K+ HH Income	17%	17%	23%	26%
White	77%	76%	76%	77%
African-American	9%	9%	9%	8%
Hispanic/Latino	9%	9%	9%	10%
College degree or higher	32%	38%	39%	40%
Graduate school or higher	16%	18%	19%	20%

*Includes the Holiday 2002 movie season; HH income figures based on Adults 18+.

How to Read: Eleven percent (11%) of the U.S. population age 12 and older are 12-17, vs. 21% of those who saw two or more movies in the past month.

Profile of the U.S. Population and Cinema Audiences*

(January 2003)

	U.S. Population	Cinema Audience Past Three Months (53% of U.S. Population)	Cinema Audience Past Month (40% of U.S. Population)	Heavy Cinema Audience 2+ Times in Past Month (19% of U.S. Population)
<u>Media time spent per day</u>				
TV	3:17	3:05	3:02	3:04
Radio	2:43	2:39	2:37	2:52
Newspaper	:35	:33	:31	:30
Internet	1:03	1:21	1:21	1:31
Total media time spent	7:37	7:38	7:31	7:58
<u>Share of daily media time spent</u>				
TV	43%	40%	40%	39%
Radio	36%	35%	35%	36%
Newspaper	8%	7%	7%	6%
Internet	14%	18%	18%	19%
<u>Exposure to Outdoor advertising</u>				
Miles traveled last week				
“Mega-Milers” (261+ miles)	37%	42%	40%	34%
Medium travelers (100-260 miles)	32%	31%	34%	37%
Light travelers (1-99 miles)	27%	23%	22%	34%
<u>Internet access</u>				
Internet access at home	63%	73%	75%	79%
Broadband at home	17%	22%	23%	28%
Dial-up at home	42%	47%	48%	47%
<u>Visits to cinema</u>				
1 time in past month	22%	-	54%	-
2 times in past month	10%	-	24%	-
3 or more times in past month	9%	-	22%	-
<u>Average cinema visits in past month</u>				
Last-week moviegoers	-	-	2.5	-
Last-month moviegoers	-	-	1.9	-

*Includes the Holiday 2002 movie season

Profile of the U.S. Population and Cinema Audiences*

(January 2003)

	U.S. Population	Cinema Audience Past Three Months (53% of U.S. Population)	Cinema Audience Past Month (40% of U.S. Population)	Heavy Cinema Audience 2+ Times in Past Month (19% of U.S. Population)
<u>Media use in lobby</u>				
Look at posters	-	-	83%	83%
Hear music	-	-	39%	39%
Look at or use kiosk	-	-	24%	27%
See video programming	-	-	18%	21%
<u>Concession advertising</u>				
Use concessions	-	-	71%	72%
<u>Media use in auditorium</u>				
See movie previews	-	-	94%	95%
See on-screen advertising	-	-	86%	90%
Heard music before movie began	-	-	76%	78%
<u>Activities immediately before and after movie</u>				
Eat at full-service or fast-food restaurant	-	-	43%	47%
Go to bar or drinking establishment	-	-	6%	8%
Visit retail store	-	-	14%	14%

*Includes the Holiday 2002 movie season



New York

142 West 57th Street
New York, NY 10019-3300
(212) 887-1300

Chicago

222 South Riverside Plaza
Suite 1050
Chicago, IL 60606-6101
(312) 542-1900

Atlanta

9000 Central Parkway
Suite 300
Atlanta, GA 30328-1639
(770) 668-5400

Los Angeles

10877 Wilshire Boulevard
Suite 1600
Los Angeles, CA 90024-4341
(310) 824-6600

Dallas

13355 Noel Road
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Dallas, TX 75240-6646
(972) 385-5388

Washington/Baltimore

9705 Patuxent Woods Drive
Columbia, MD 21046-1572
(410) 312-8000

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3500 Colonnade Parkway
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