



## Why Netflix Inc. Will Destroy Movie Theaters

### Description

On Wednesday, fellow Fool Joseph Solitro wrote an article about [whether to own IMAX Corporation](#) (TSX: IMX)([NYSE: IMAX](#)) or **Cineplex Inc.** ([TSX: CGX](#)). And it had me a little apprehensive because I believe the movie theater business is going to drop in profitability over the next five to 10 years.

The most recent nail in that business' coffin was the announcement that **Netflix Inc.** ([NASDAQ: NFLX](#)) would be co-producing a sequel to the Oscar-winning *Crouching Tiger, Hidden Dragon*, to be released next summer. When the movie comes out, it will be shown in theaters, but also through the Netflix platform at the same time.

Add to the fact that Adam Sandler is going to be making four movies exclusively for Netflix and, suddenly, there are a lot of high-quality movies completely bypassing the big screen.

### The *Snowpiercer* effect

Over the summer, the Weinstein Company (also producing *Crouching Tiger* with Netflix) released the science fiction movie *Snowpiercer*. While it was released in theaters, users could also watch it on video on demand on the same release day.

Why spend over \$10 to go to a theater to watch a movie when people already have large televisions at home?

For a family of four to see that movie, it would have cost at least \$40 in tickets, and then you'd need to buy the requisite popcorn, soda, and candy. Going to the movies has turned into a \$60 excursion. With *Snowpiercer*, you could rent it at home, make your own bowl of popcorn, and spend a fraction of that. Needless to say, *Snowpiercer* made millions from video on demand.

### Big movies will be watched on IMAX

Now, I agree that seeing a movie on the big screen, especially a big action flick, is awesome and often unequalled. Sometimes you just need that big screen, loud noise, and a whole lot of enjoyment.

But a movie that's worth spending \$60 on is also the kind of movie that I'd want to watch on IMAX. The screen is bigger, the sound is greater, and that's the best experience for watching 3D movies.

Going to see a movie in a standard auditorium and watching on a standard screen isn't worth that much money. People are going to opt for the \$20 night on their 60" television. You get more movies for your buck.

### **Theaters can still survive**

Don't get me wrong: Movie theaters are not going to disappear overnight. And in many ways, they can still thrive. As companies like Hulu, Netflix, and **Amazon.com** create new content and release it straight on their site, the need to go to the theaters will drop. This will require a reversal to the multiplex strategy where theaters that once had 20 screens might revert back to having a smaller number of screens. Or they could convert two small screens into a big one.

There will always be that loyal audience of moviegoers. If you believe in the movie theater business, hold on to your stock. But I am not bullish on them as a viable sector going into the future.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:NFLX (Netflix, Inc.)
2. NYSE:IMAX (IMAX)
3. TSX:CGX (Cineplex Inc.)

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