

Movie prices - Log Cabin Democrat (Conway, AR) - January 12, 2020 - page 1

January 12, 2020 | Log Cabin Democrat (Conway, AR) | Joe McGarrity - Economics professor

When I was a kid, tickets to Major League Baseball games cost only \$5 a ticket, so going to a game was an affordable option for family entertainment. Since then, player salaries have skyrocketed. For example, the New York Yankees just signed a contract to pay one pitcher \$324 million. In order to pay these high salaries, the teams have increased ticket prices.

I recently went to a major league game in Washington D.C. and the tickets were \$80 each – a price so high that I realized that going to a game is no longer an affordable option for family entertainment.

I wonder, are tickets to the movie theater also on their way to becoming too expensive for most families? There are several forces at work that are pulling ticket prices in opposite directions, so this is an unresolved question.

A whole family can watch a movie at home for only a few dollars. Big screen televisions have made home viewing enjoyable and streaming movies, Netflix, and Redbox have all given consumers the ability to watch movies from their own home. Further, there is very good video content available that goes right to streaming availability and that was never in the theaters. My wife and I have been watching The Marvelous Mrs. Maisel show that streams for free to those who have Amazon Prime. These shows are as good as many movies. I enjoyed these streaming episodes more than I enjoyed the latest Star Wars movie but less than I liked Knives Out. The cheap home viewing option may keep movie prices low. If theaters try to increase their prices too much, people will just become more likely to view their entertainment from home. The fear of losing too many customers may keep theaters from raising prices.

The second dynamic keeping movie prices low is not so obvious. Theaters have taken to showing advertisements before the shows. A few years ago, they only showed movie previews before a feature presentation. Now, ads are mixed in with the previews. The ads give theaters an additional revenue stream, which allows them to keep ticket prices low to attract customers as they compete with other movie theaters to attract audiences.

Despite the two forces acting to keep movie ticket prices from rising, there is a good possibility that these prices may drastically increase anyway. Movie theaters may seek to offer a product that is much different than the options available on a family's big screen television. You have probably already noticed that some theaters offer movies in 3D and in super high definition. These options are not available for those watching their movies at home. The theaters may hope that by providing a unique product, they will not have to directly compete with the low-priced home entertainment option. Without direct competition, the theaters will be able to get away with raising their ticket prices without the fear of losing too much of their audience.

I have to admit that I like going to the movies and the enhanced options do not provide any extra value to me. I consider 3D glasses a nuisance and I would rather see a 2D movie than a 3D movie anytime. Ultimately, the theaters will provide the product that people value the most. I find myself rooting for the low-tech affordable option, but we will see.

Joe McGarrity is a professor of economics at UCA. He can be reached at joem@uca.edu.