ENTERTAINMENT EXPERIENCE EVOLUTION

Keynote Address

The DIGITALIZATION of Place: disruption & counter strategies

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Shopping centers, stores and entertainment venues all have in common that they need consumers to leave their homes to visit a physical *Place*.

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1993

2002

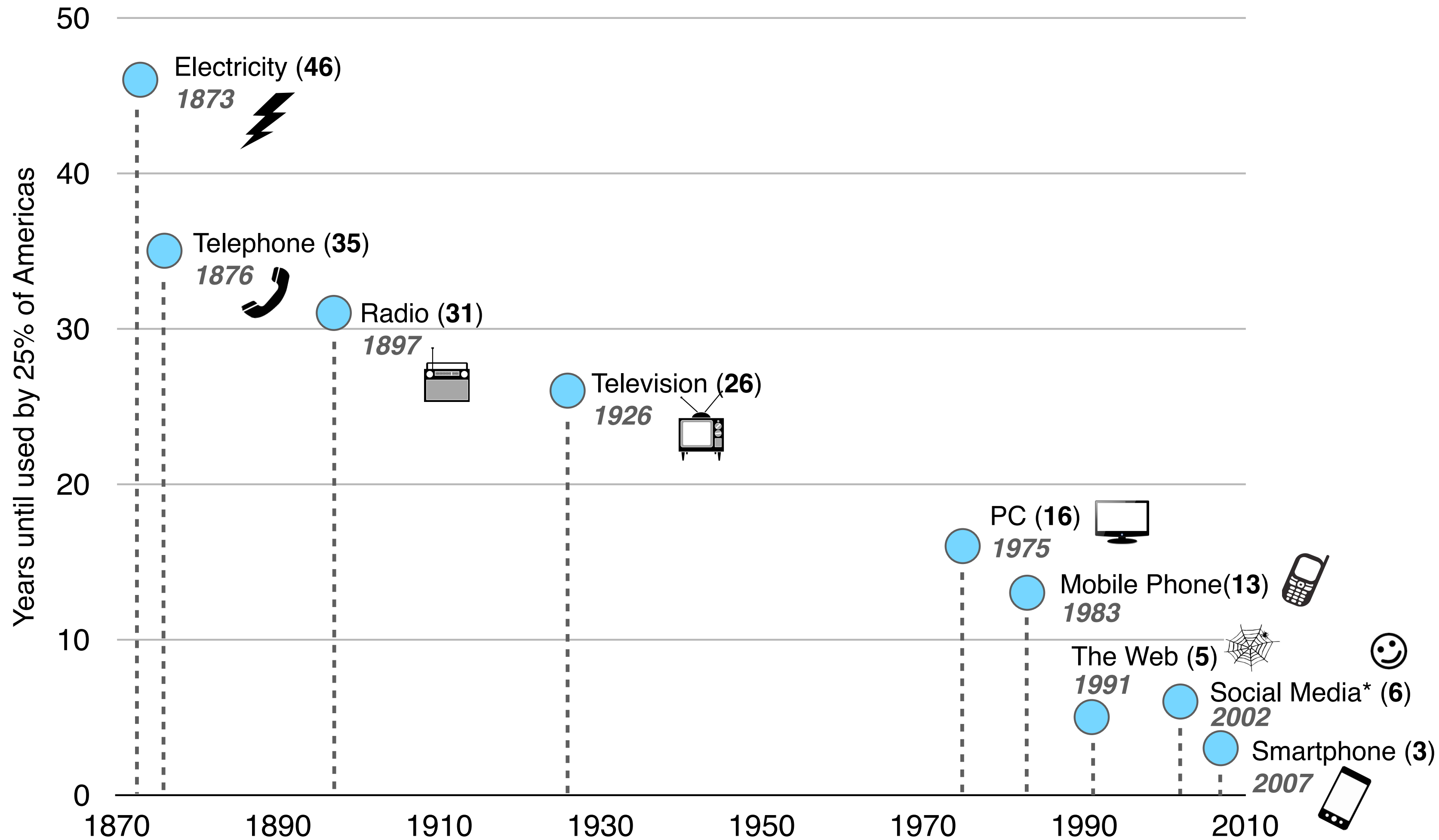
2007

Triple DIGITAL Revolution

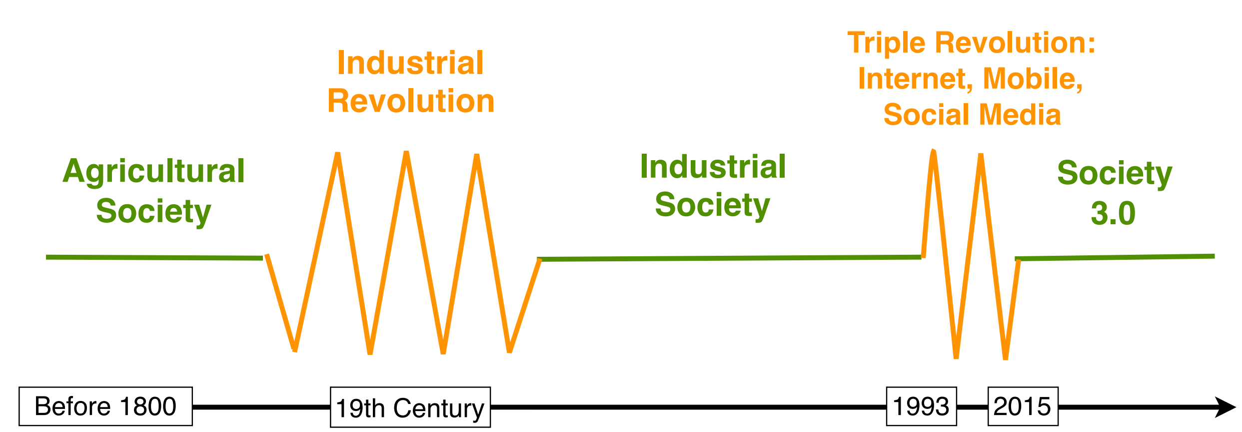
St. Peter's Basilica, Vatican, Rome, Italy

Accelerating speed of technology adoption

Years until technology is used by 25% of American Population



Source: singularity.com, Nielsen.com and White Hutchinson Leisure & Learning Group
** Friendster launched 2002, Facebook launched 2004*



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DIGITALIZATION of Place

Reasons to Leave Home	DIGITAL DISRUPTION
Entertainment & Culture	HDTV, VIDEO GAMES,
Meals	ONLINE ORDERS & DELIVERY
Socialization	SOCIAL MEDIA, TEXT, & MESSAGING APPS
Education	ONLINE EDUCATION
Recreation & Sports	E.SPORTS, HDTV
Shopping	ECOMMERCE
Banking	E.BANKING
Work	TELE-COMMUTING
Crime	CYBER CRIME

It's fast getting to the point where we hardly ever have to leave our homes.

There are three ways to track the longitudinal trend of the digitalization of *Place* - time spent, participation (percent of population or per capita participation) and spending.

ENTERTAINMENT
EXPERIENCE
EVOLUTION

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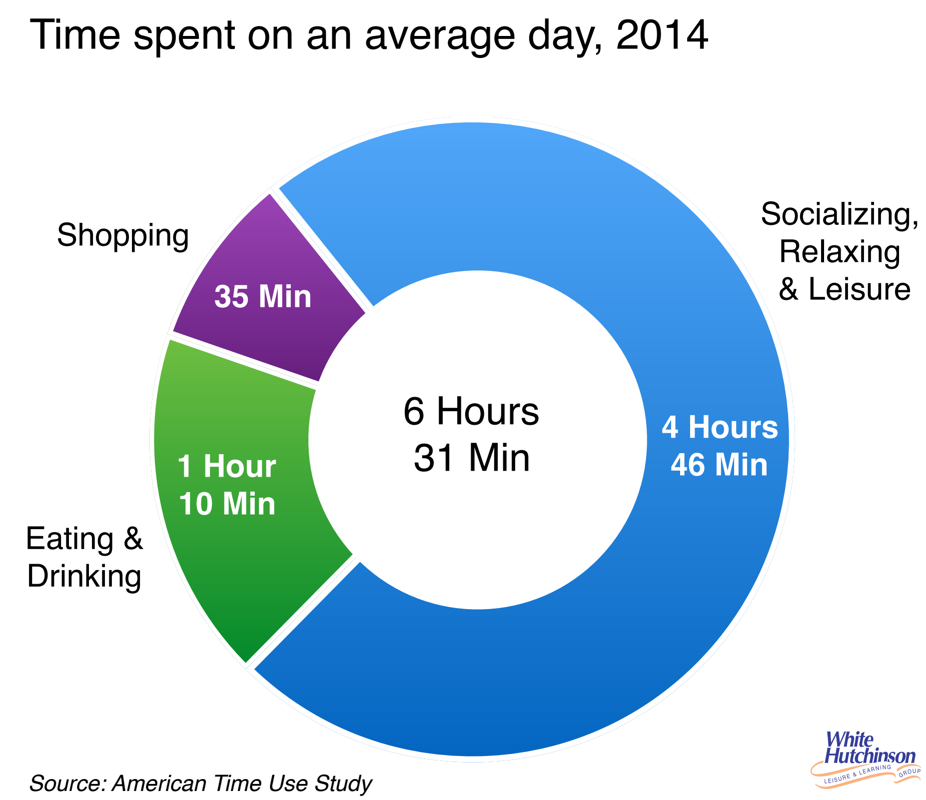
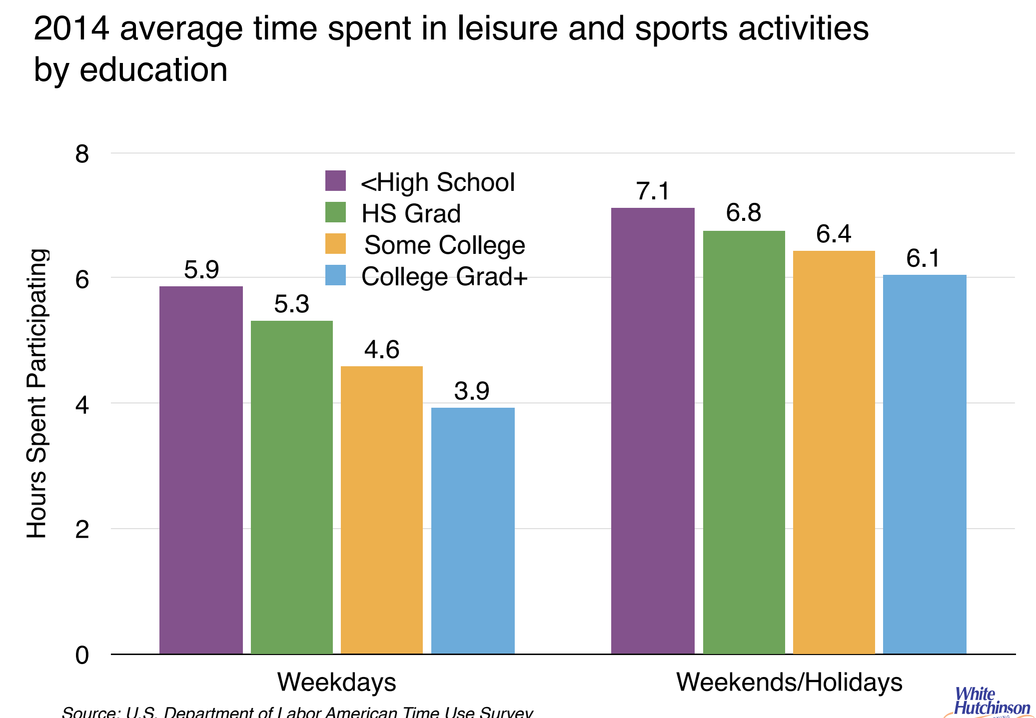
It's a zero-sum game





Higher socioeconomic adults have the least amount of time. Saving time is often more important than cost. Time is the new luxury.

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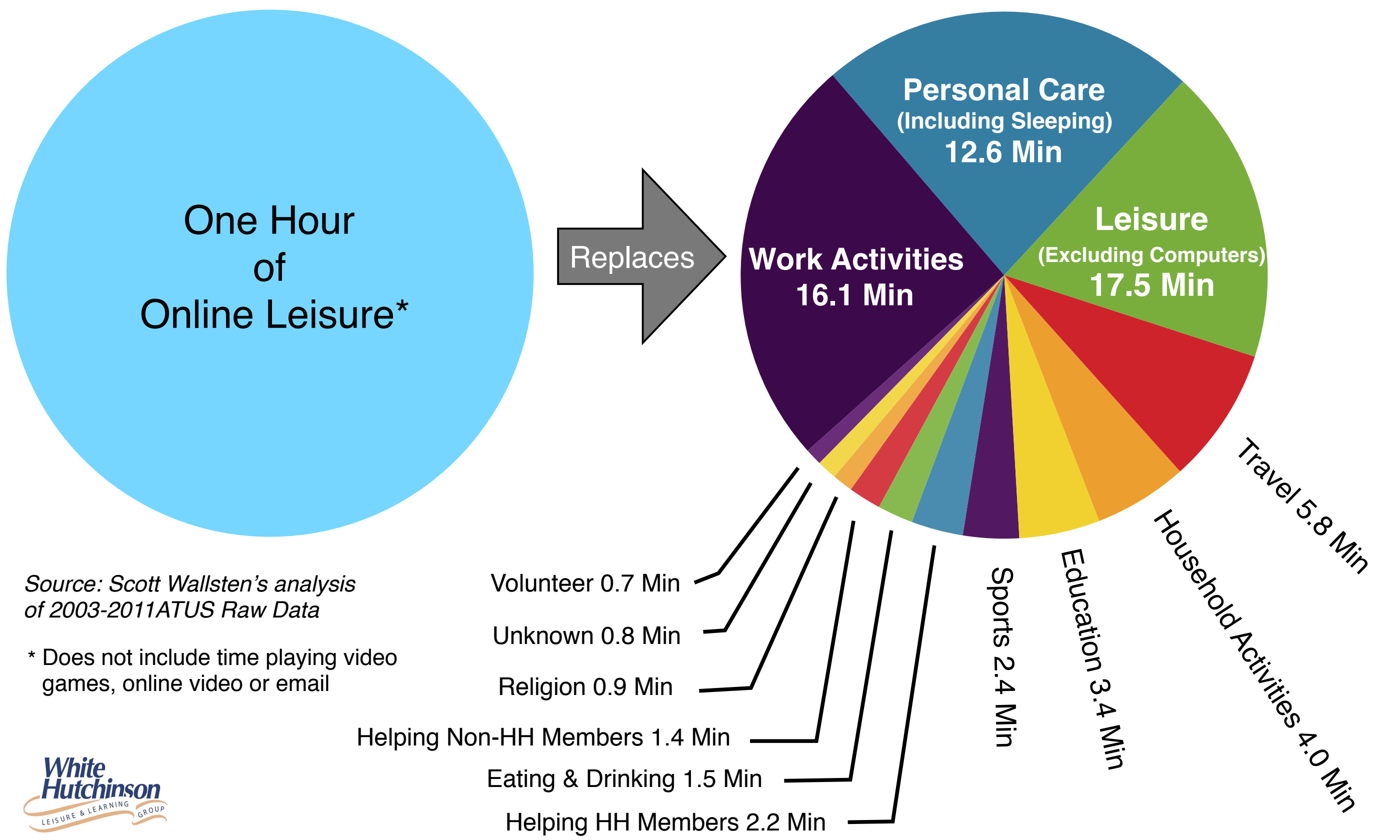
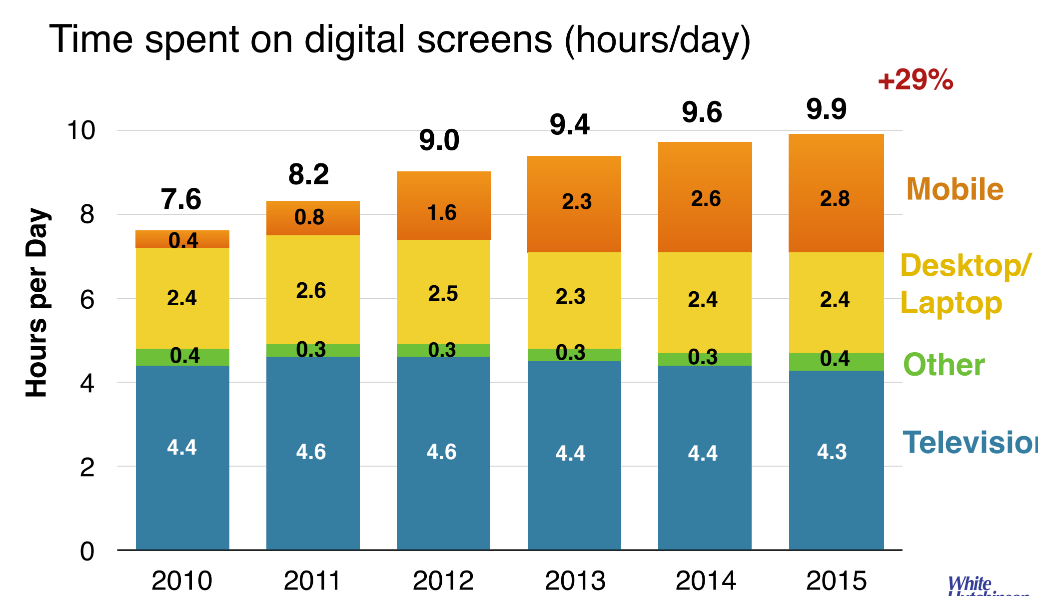
Every Hour of Online Leisure Crowds Out (Replaces) this many Minutes of Other Activities



Source: Scott Wallsten's analysis of 2003-2011ATUS Raw Data

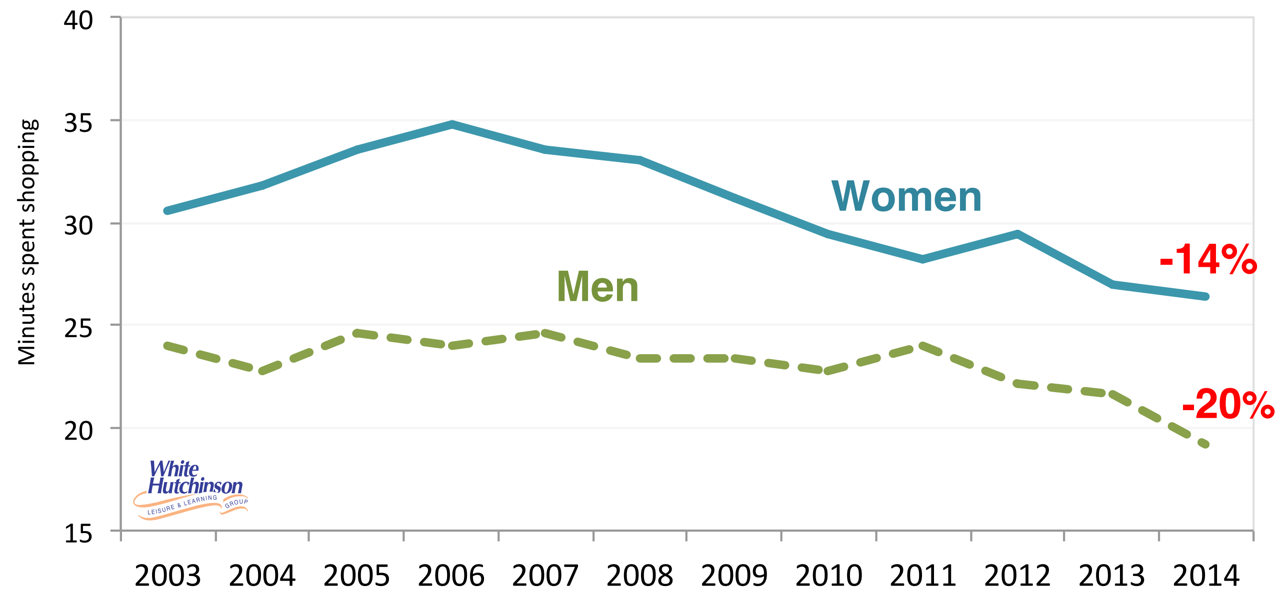
* Does not include time playing video games, online video or email



Source: eMarketer. Ages 18+ USA total time spent including multitasking

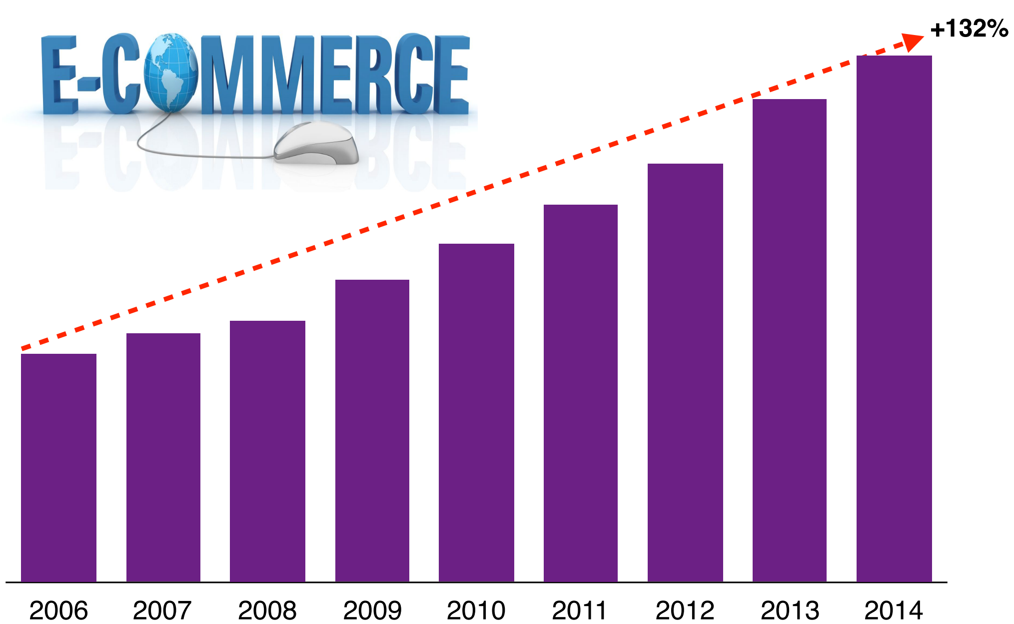
The time we spend in the digital world takes away, crowds out, the time we spend with physical activities in the physical world, including visiting physical *Places*.

Minutes spent shopping on an average day for non-grocery items (including travel)



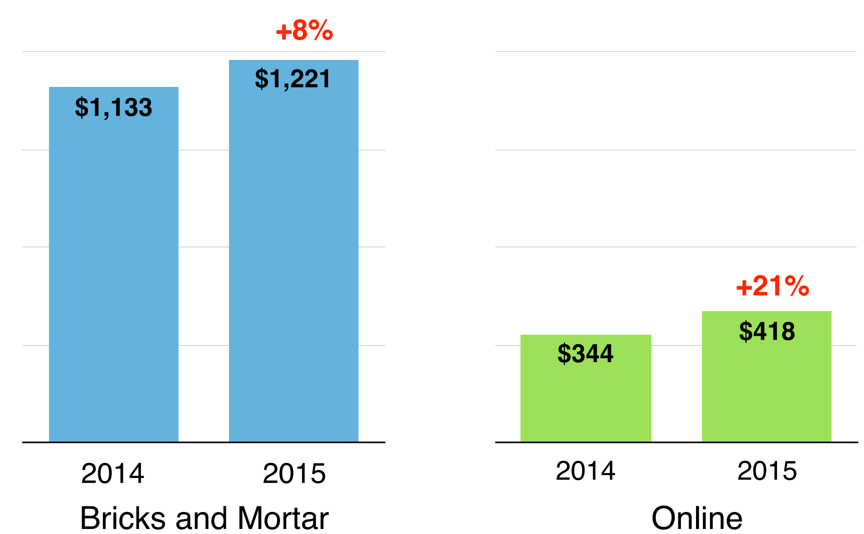
Source: American Time Use Survey, ages 15+

Percent of discretionary retail sales



*Retail Spending not including Motor Vehicles,Gas, Groceries, Health and Personal Care, and Food and Beverage
Source: U.S. Census Bureau Retail Sales Report and E-Stats

Average holiday spending per buyer



source: NPD Group/Checkout Tracking Time periods: 11/2/14-12/27/14, 11/1/15-12/26/15

We're spending less and less time shopping at bricks-and-mortar stores and an increasing amount of our spending on stuff is shifting to the digital world.

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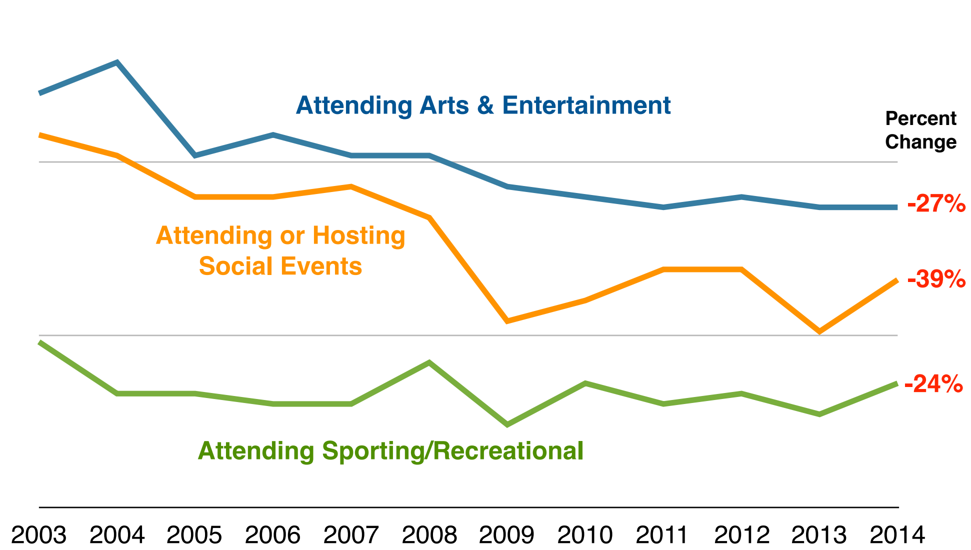
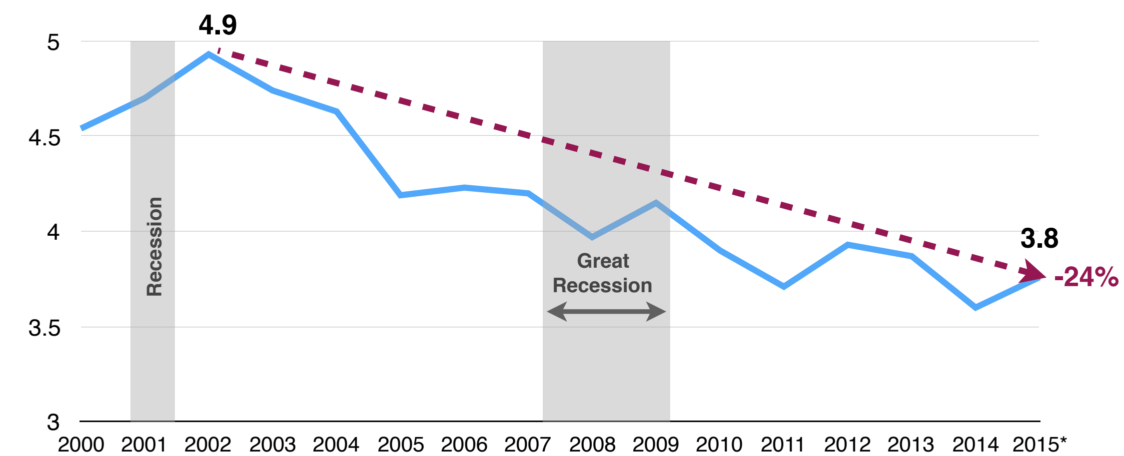
Participation

Percent of U.S. population age 15 and older participating in selected leisure activities on a typical day



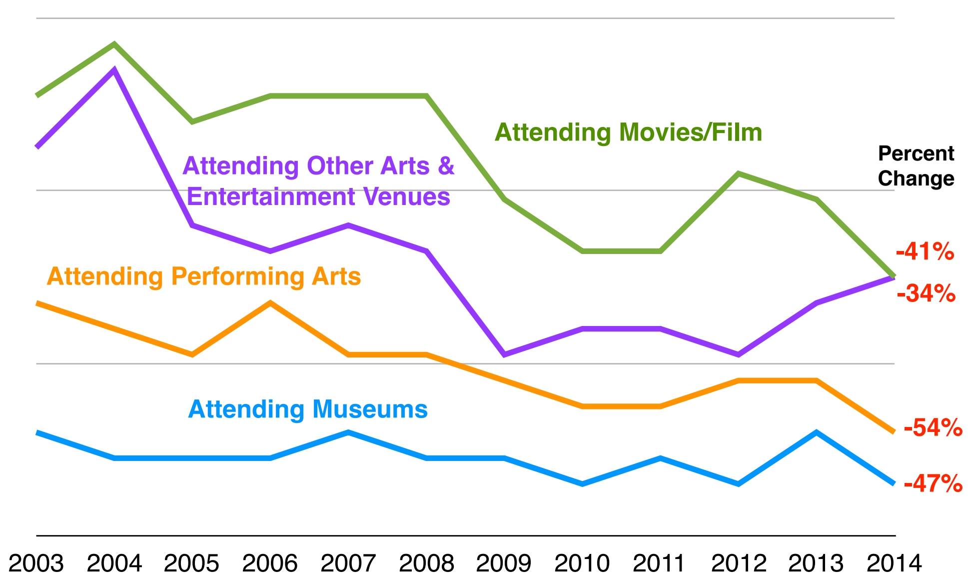
Source: U.S. Department of Labor American Time Use Survey

North America cinema annual per capita attendance



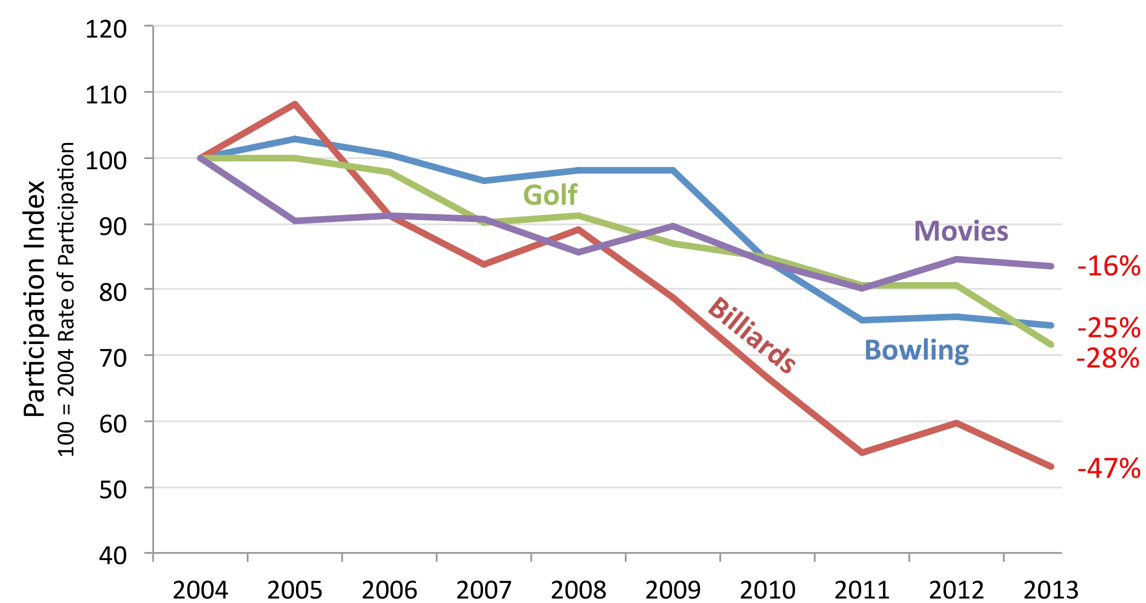
Sources: White Hutchinson Leisure & Learning Group, Box Office Mojo, MPAA Theatrical Market Statistics, U.S. Census Bureau & Statistics Canada. Note: 2015 data is preliminary

Percent of U.S. population age 15 and older participating in selected entertainment activities on a typical day



Source: U.S. Department of Labor American Time Use Survey

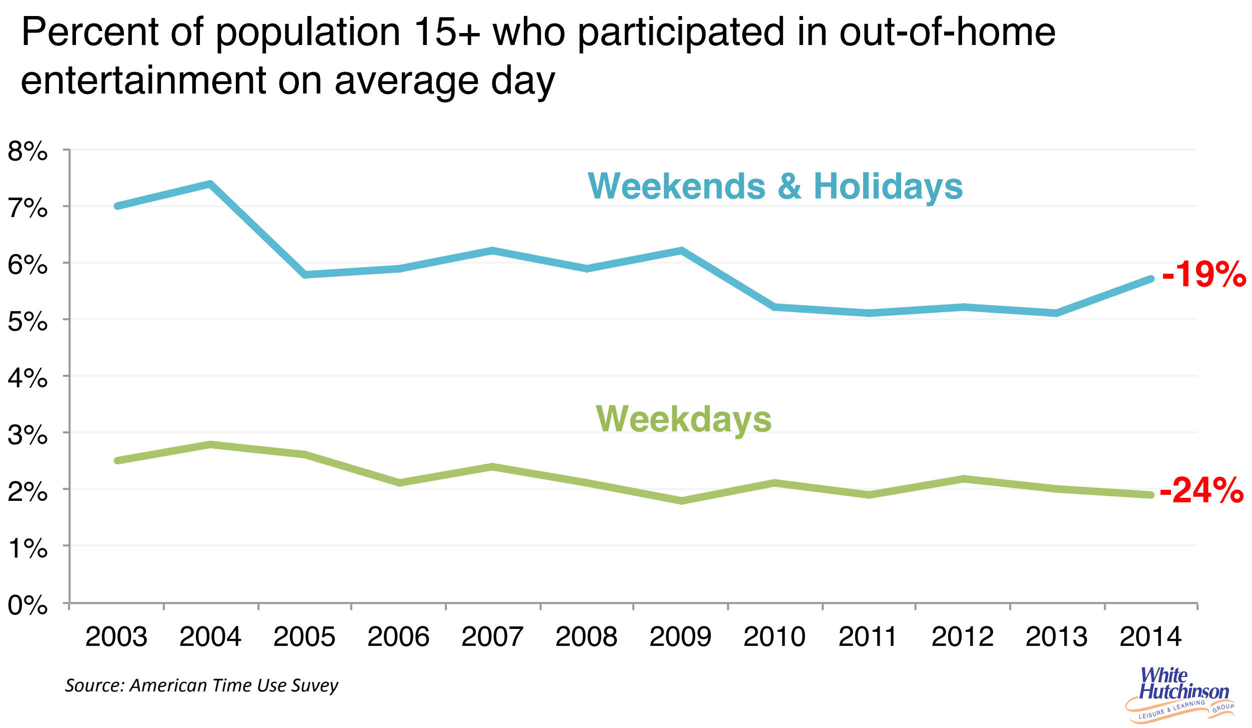
Participation Index of by U.S. Population Ages 7+*

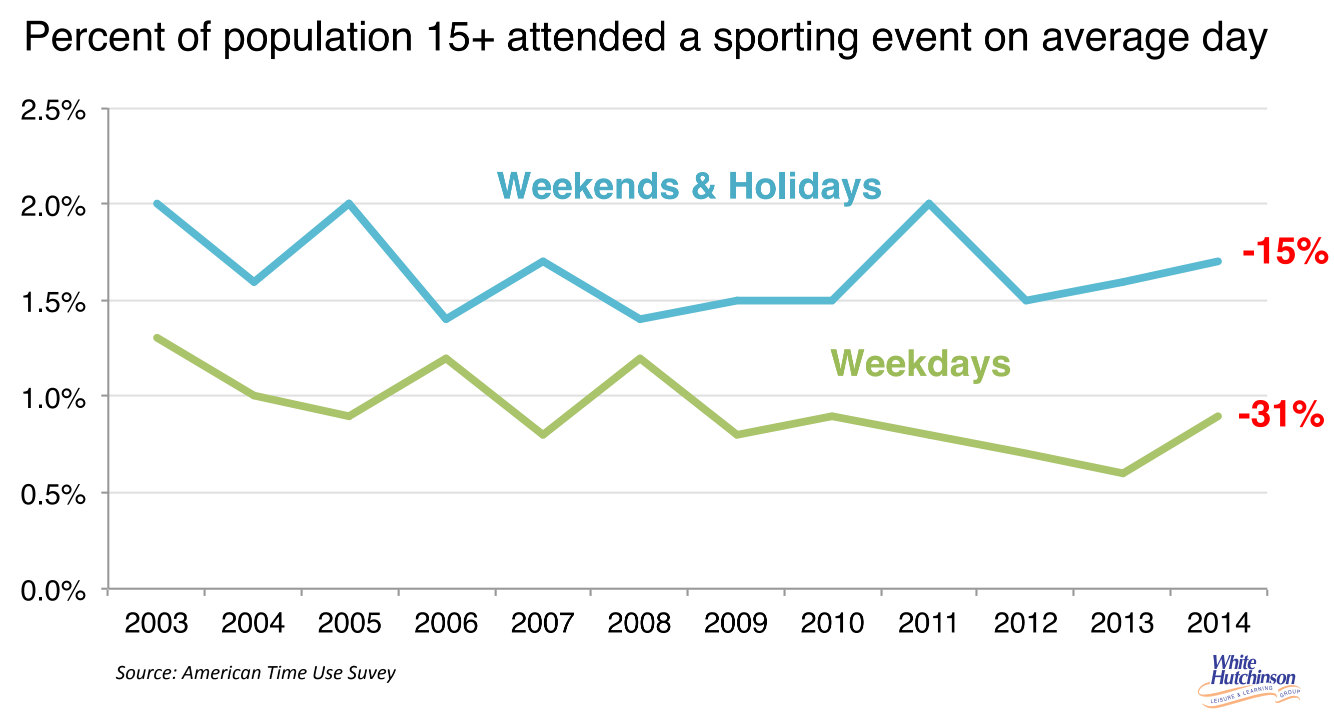


*Movie Participation is for North American Population ages 2+ attending at least once during the year.
Golf, bowling and billiards participation is for U.S. participation 2 or more times each year.
Source: NSGA Sports Participation in the United States, www.boxofficemojo.com, U.S. Census Bureau and Census of Canada

Participation in all types of location-based leisure activities is on a long term decline. At cinemas, not only is per capita attendance down since 2002, but revenues adjusted for inflation are down by 8%.

Participation





The greatest declines in participation in entertainment (includes arts & culture venues) and attending sporting events is taking place on weekdays.

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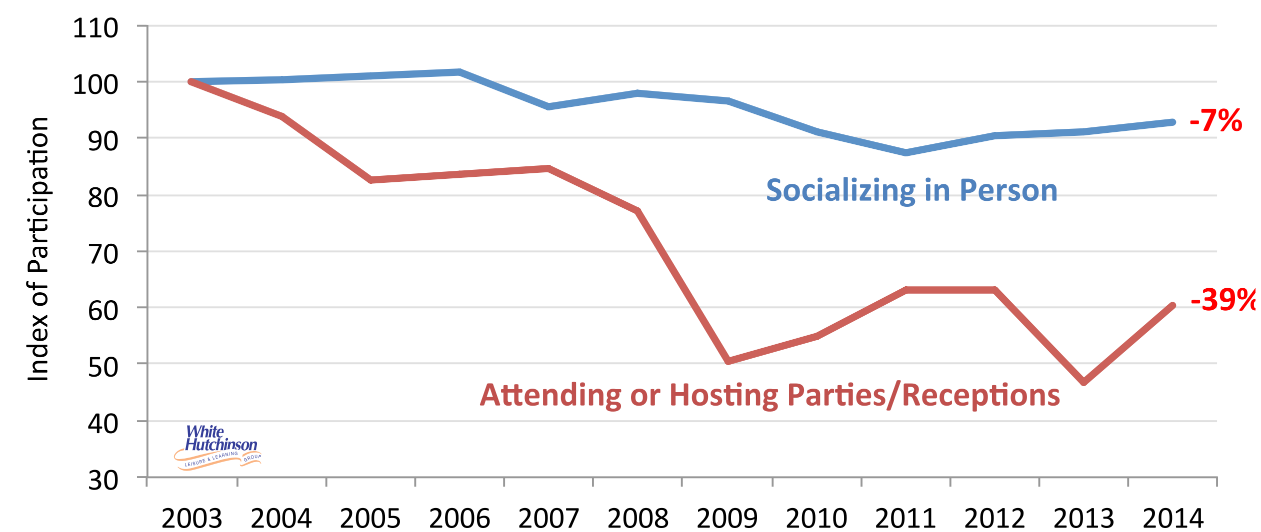
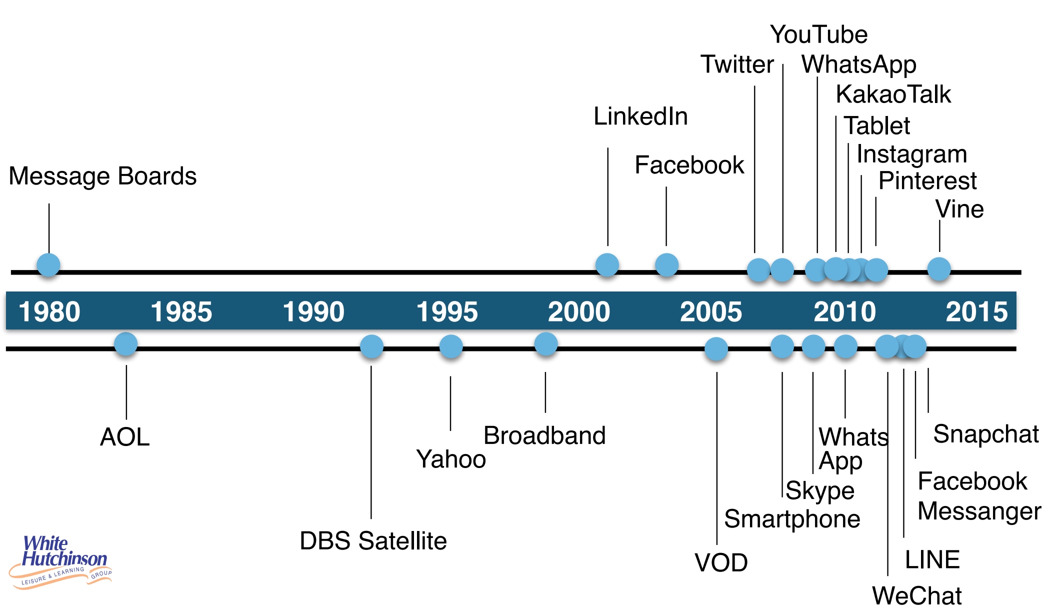
Socialization

Index for percent of US population participating on typical day (100=2003 Participation)

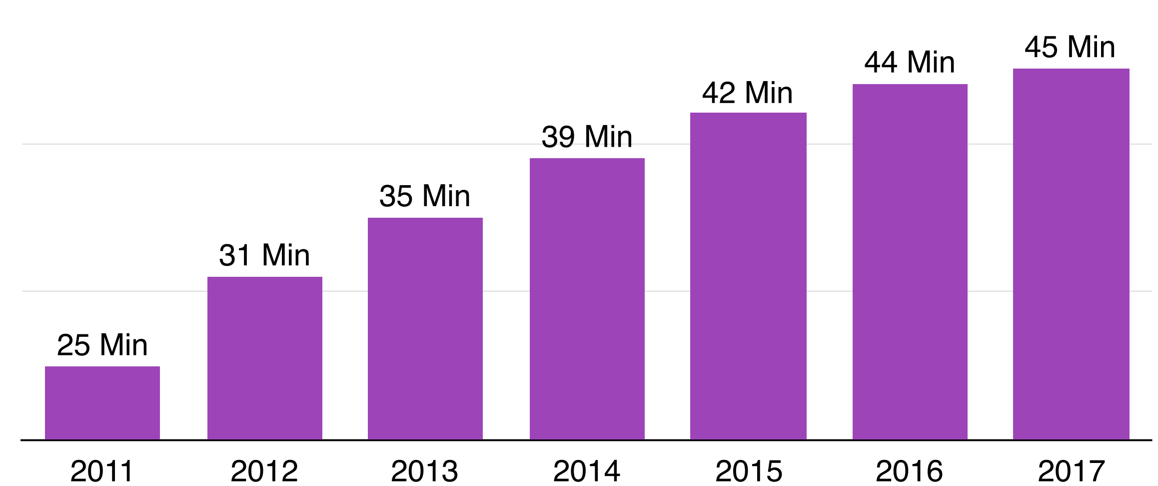


Source: U.S. Department of Labor American Time Use Survey

The growth of digital social connectedness options



Average time spent per day on social networks by US adults



Note: ages 18+: Time spent with each medium includes all time spent with medium regardless of multitasking
Source: eMarketer, Oct 2015

With so many ways to socialize on our screens, we're spending less and less time socializing in person and at physical *Places*. On average we now use our gadgets eleven hours each day including multi-tasking time.

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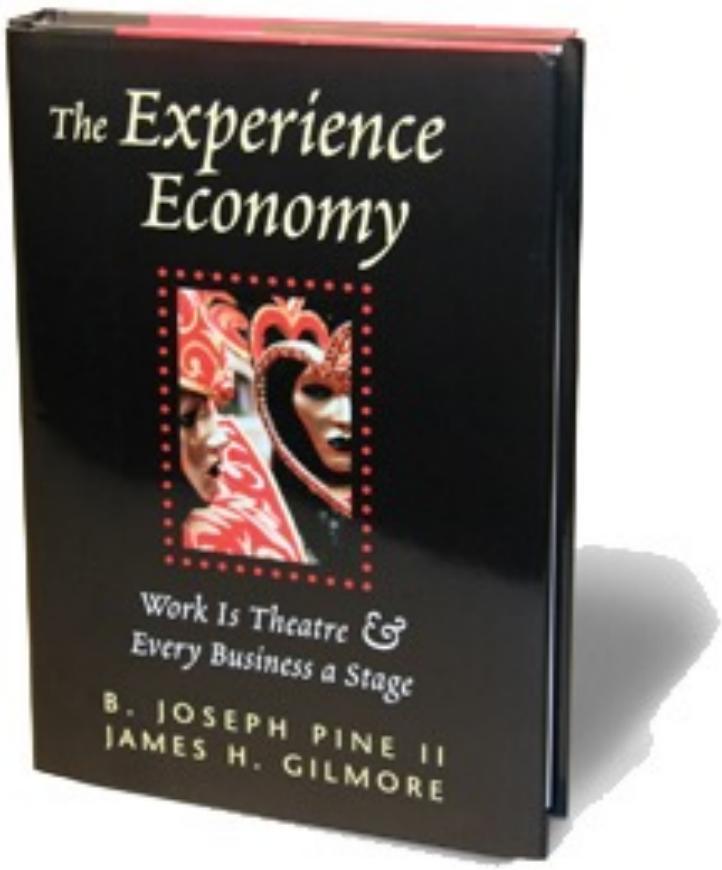

It was 17 years ago when Joe Pine and James Gilmore introduced us to the experience economy. Back then they discussed experiences at physical *Places*. They didn't anticipate that experiences would take place less and less in the physical world and more and more in the digital world.

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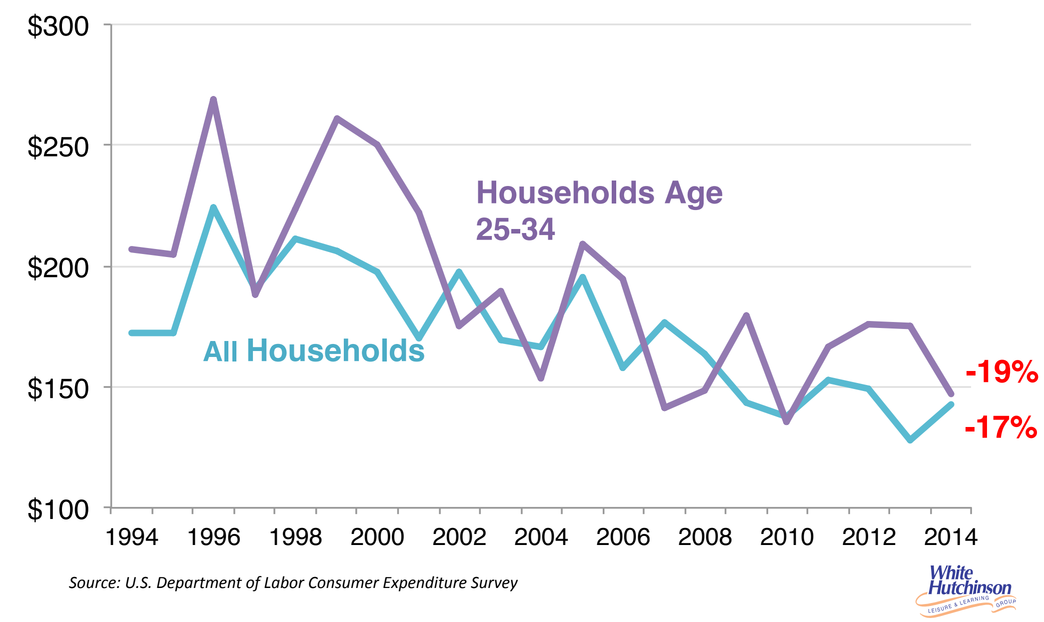
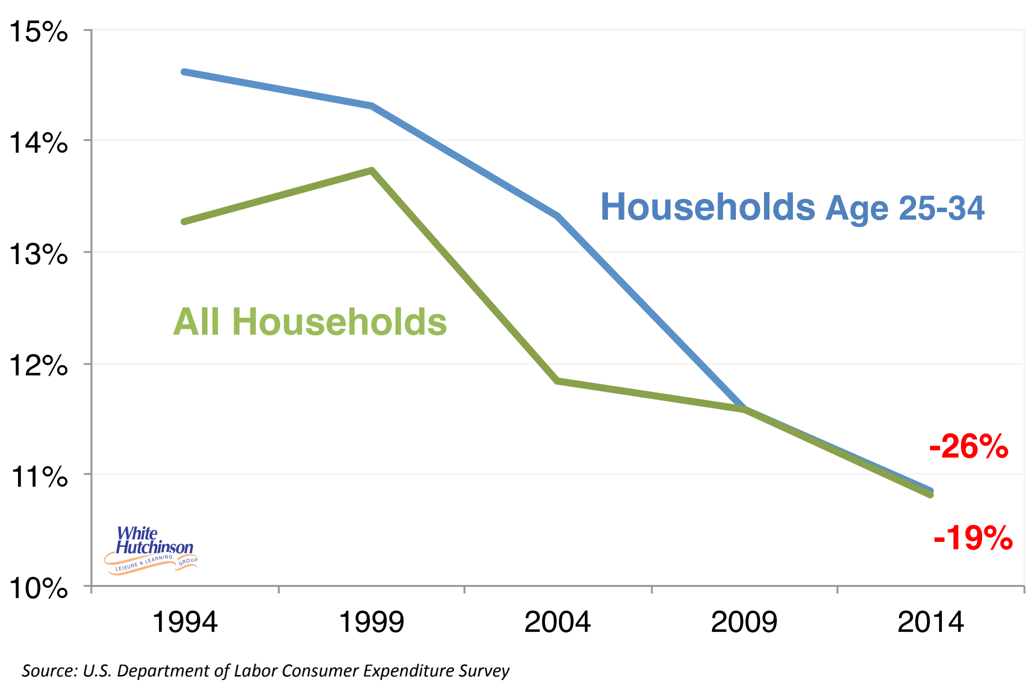
Spending

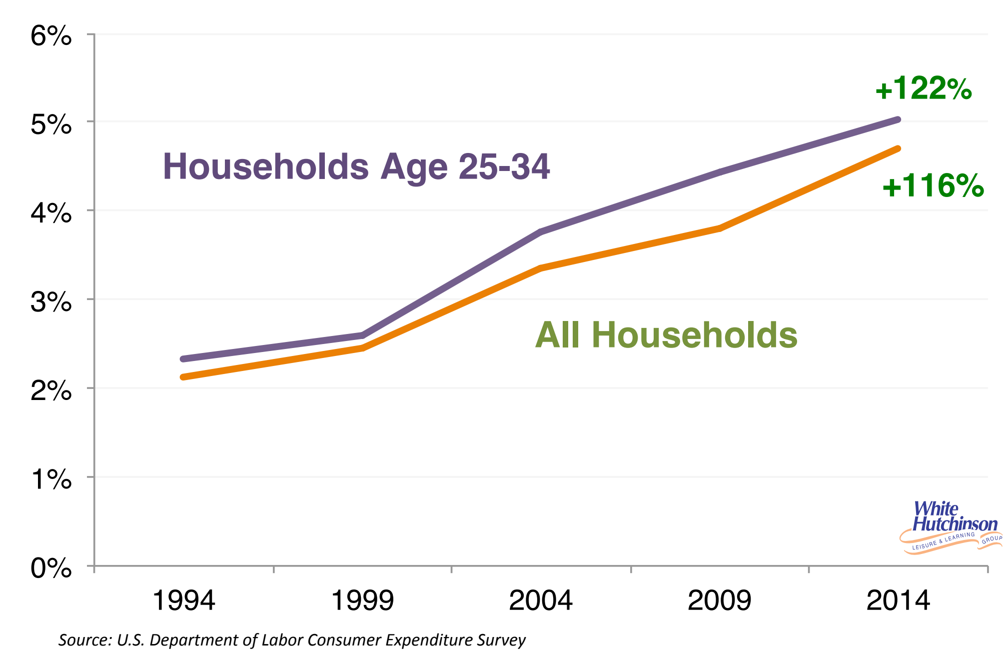
Average annual spending on sports, recreation and exercise equipment in 2014$



Spending on "stuff" as a percentage of household income

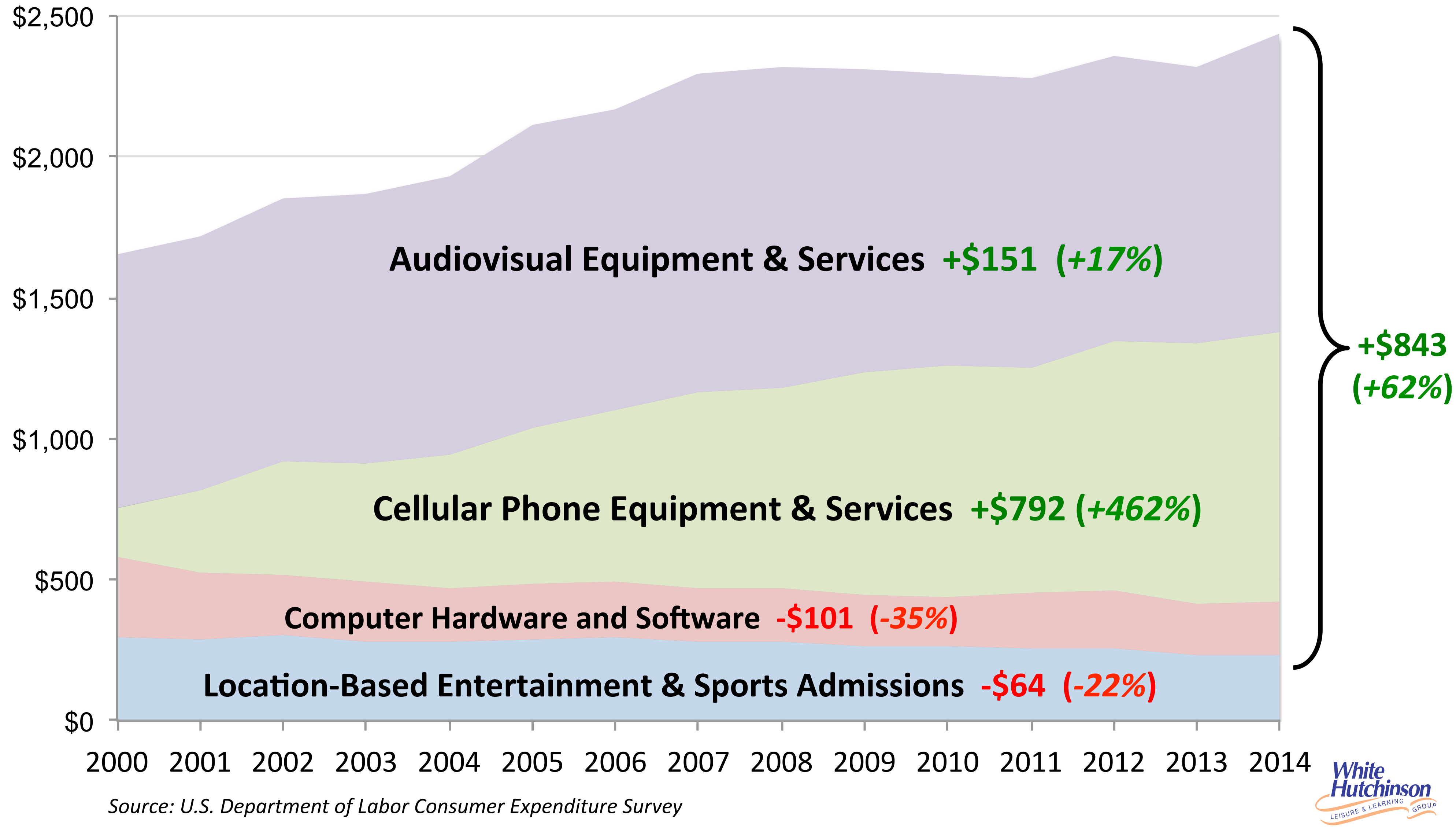


Spending on digital as a percentage of household income



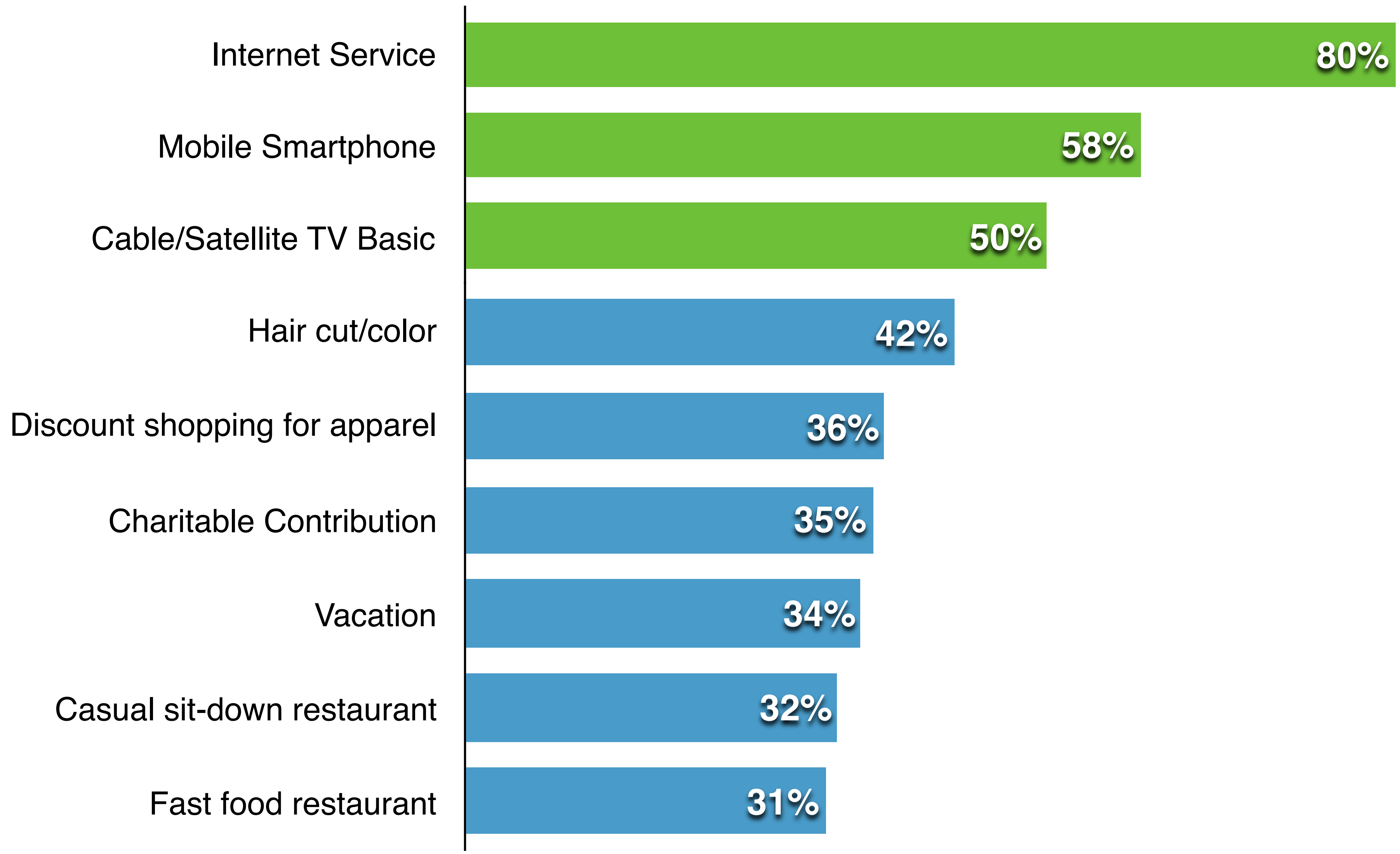
We're now spending less and less on stuff, even stuff that facilitates experiences. Our experience spending is shifting to the digital world.

Household average annual expenditures (2014$)



Out-of-home entertainment, cultural, arts and sporting *Places* are losing out to spending for experiences in the digital world.

Given the current economic situation, what can't you live without/consider to be untouchable?



Source: Prosper, Monthly Consumer Survey, December 2015

The Fidelity Trade-off

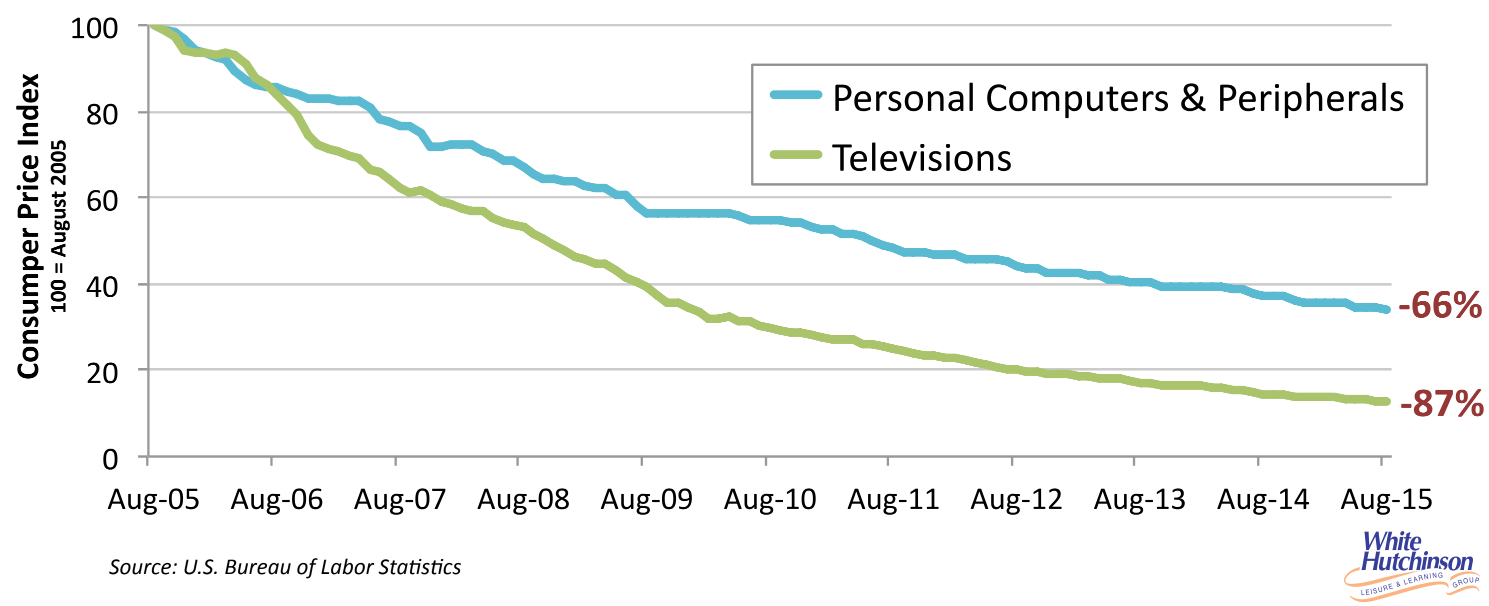
HIGH FIDELITY

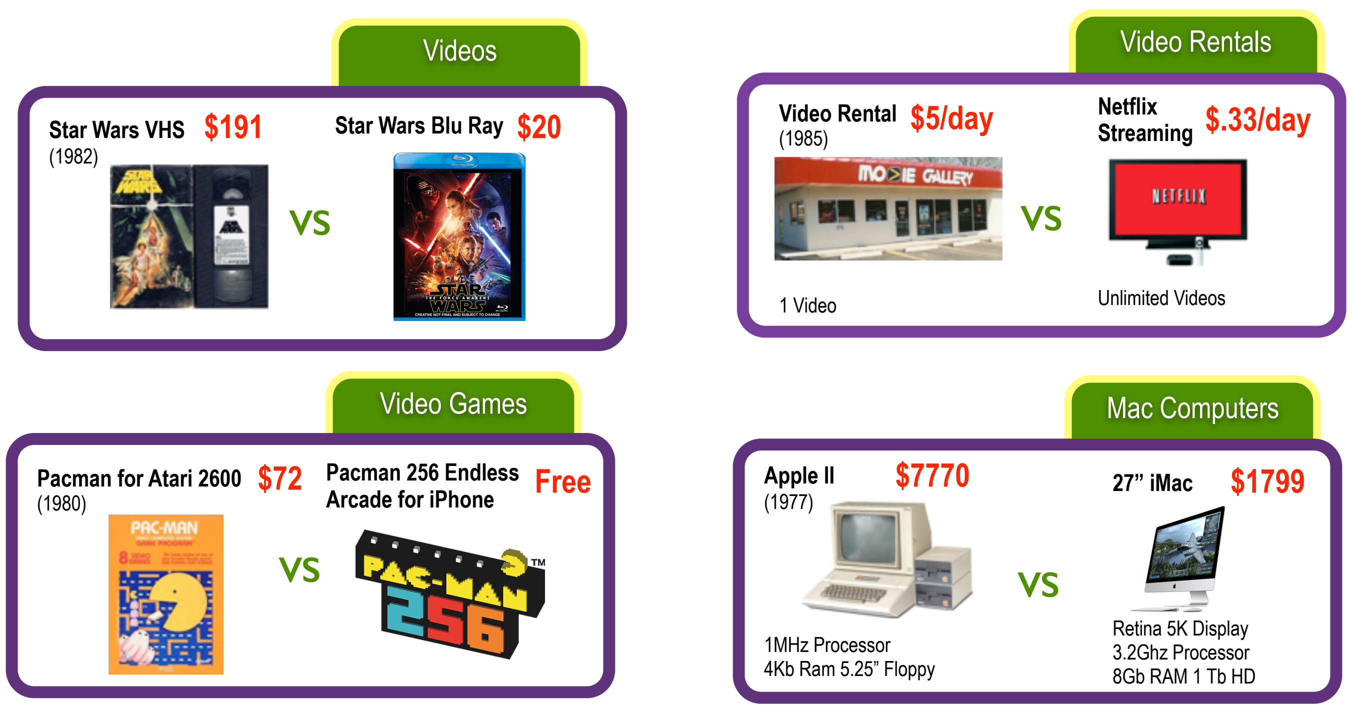
Fidelity Belly

High Convenience

This is a framework for understanding these trends and strategizing on how to compete. Consumers make decisions on two key dimensions - *Fidelity*, the quality of the experience, and *Convenience*, the ease of access in time, money and effort. As digital options improve in *Convenience,* it moves older options into the *Fidelity Belly*, the last place you want to end up. MP3 music, due to its increased *Convenience*, displaced music CDs. At the same time, at the other end of choices, we have *High Fidelity* music concerts.

Consumer price index for televisions and personal computers & peripherals



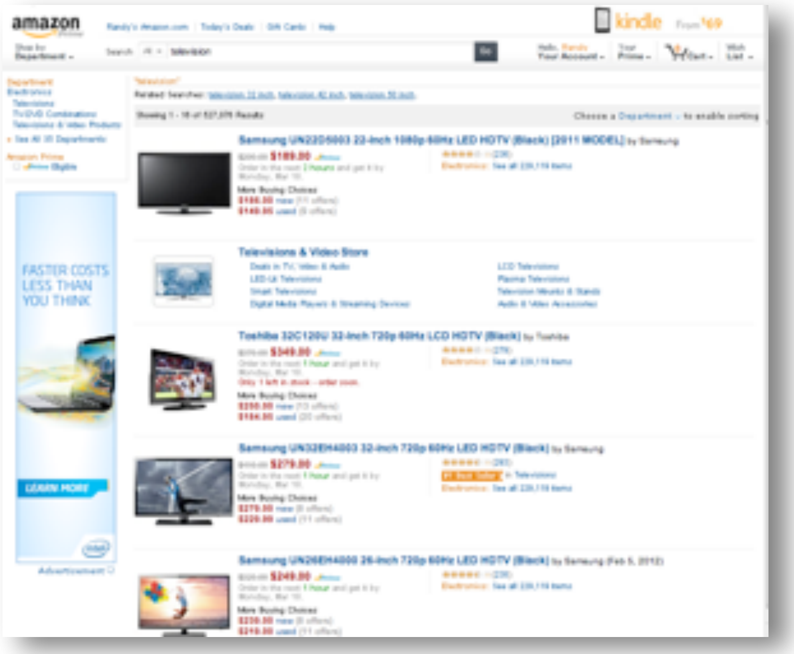


In our accelerating experiential economy, our personal digital screen technology is constantly increasing in Convenience. As it does, the Fidelity of real world experiences has to increase to compete - what is known as the tech-effect.

Trade Off - The Fidelity Swap

NORDSTROM

amazon.com



Fidelity
Quality of the Experience

↔

Convenience
Ease of Getting & Paying

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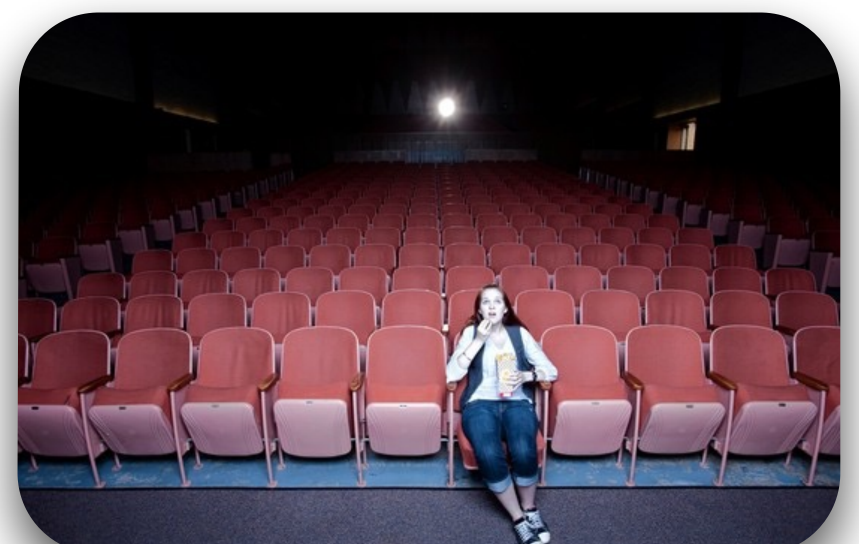
The Fidelity Trade-off

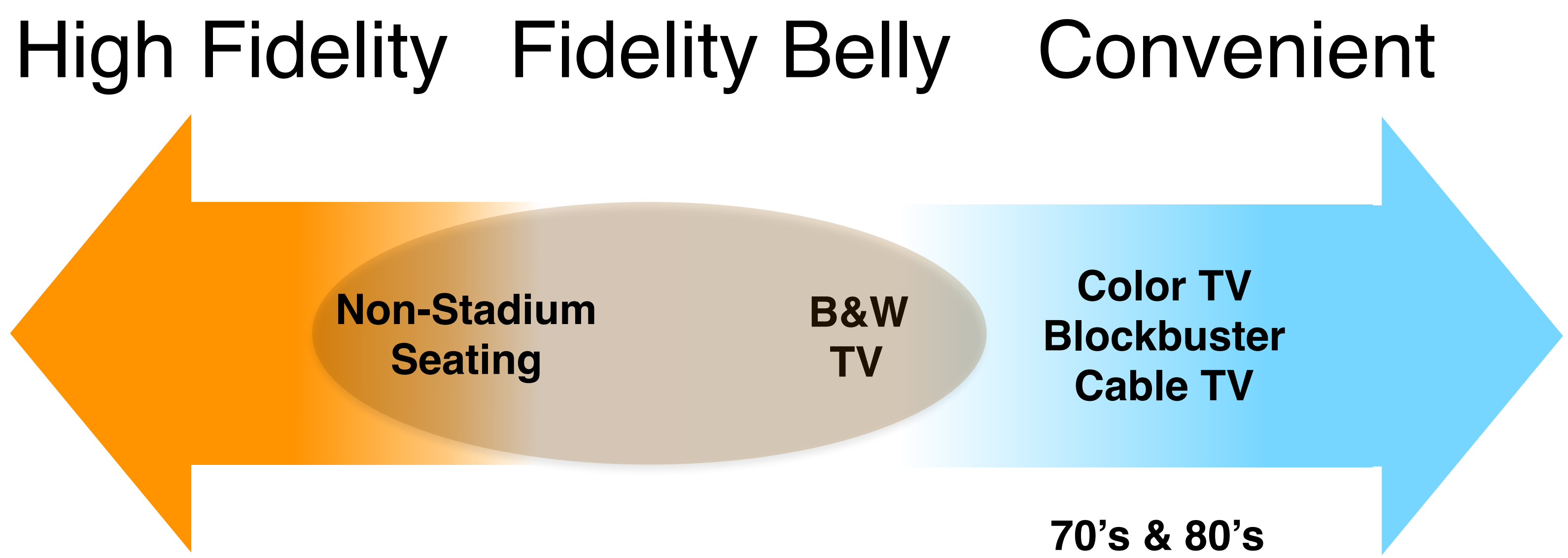
High Fidelity | Convenient

Non-Stadium Seating → **B&W TV**



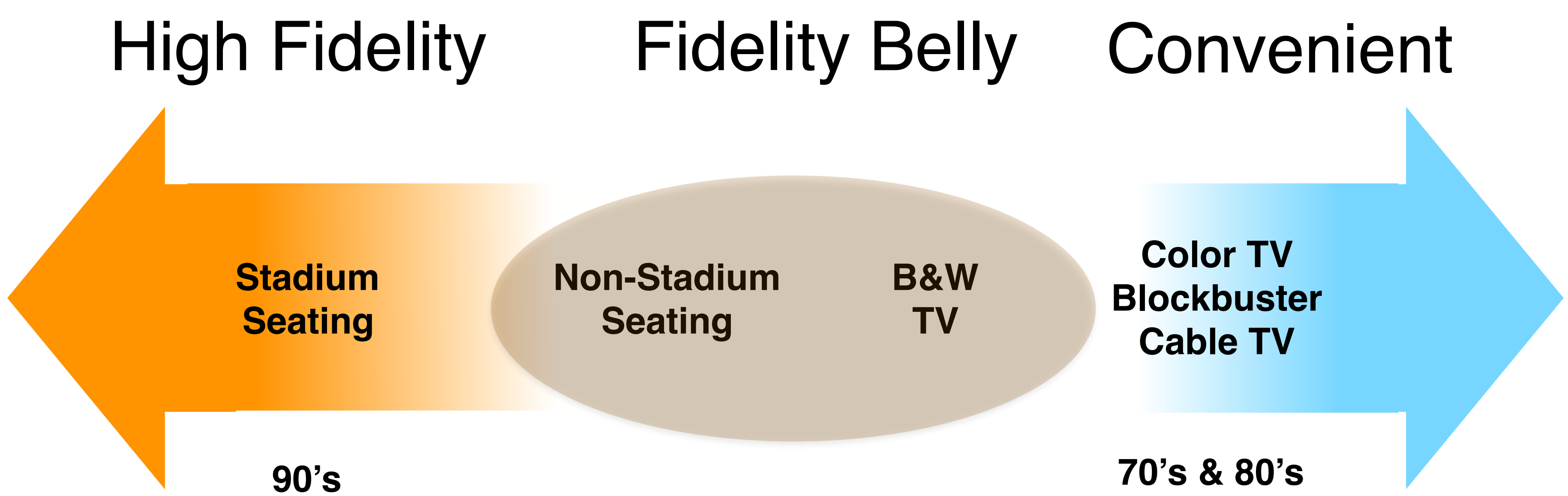
The tech-effect in the cinema industry is a good example of the Fidelity Trade-Off.

The Fidelity Trade-off



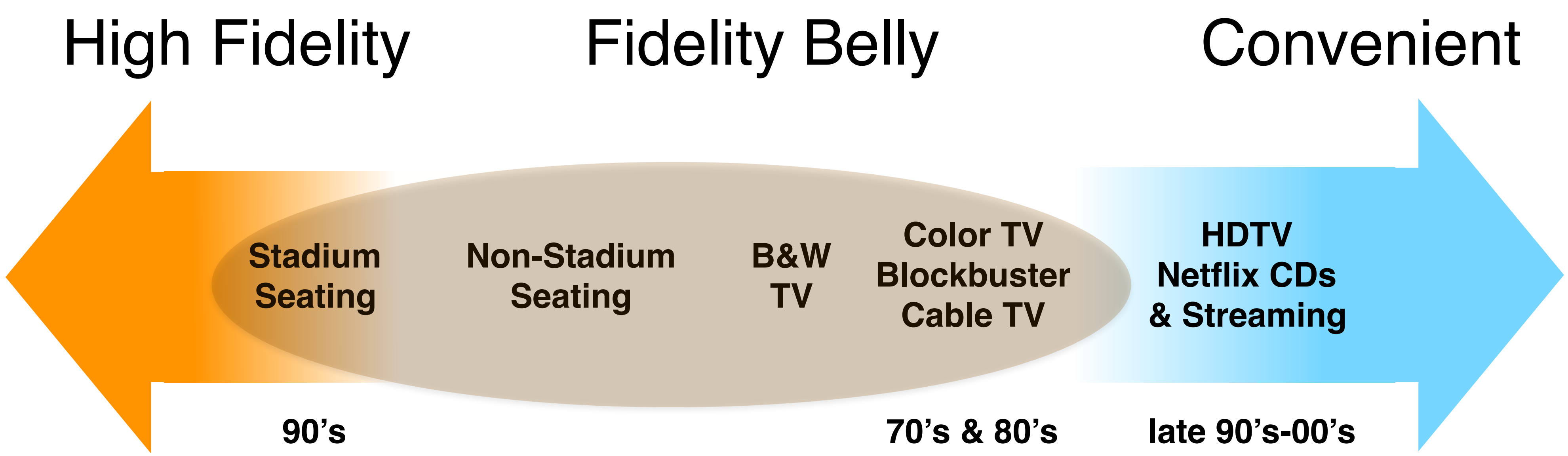
As in-home digital entertainment options grew more Convenient, the old style theaters started to fall in the Fidelity Belly.

The Fidelity Trade-off



So to better compete and raise the Fidelity of moviegoing, cinemas introduced stadium seating.

The Fidelity Trade-off



But the tech-effect continued with improved *Convenient* digital entertainment at-home options, once again shifting the moviegoing experience into the Fidelity Belly.

The Fidelity Trade-off

High Fidelity	Fidelity Belly				Convenient
IMAX Digital Food & Alcohol Plush Seating	Stadium Seating	Non-Stadium Seating	B&W TV	Color TV Blockbuster Cable TV	HDTV Netflix CDs & Streaming
00's-10's	90's			70's & 80's	late 90's-00's

Nothing improves the Fidelity better than the social element. To stay competitive with Convenient at-home digital options, cinemas today are introducing plush lounge seating and food and beverage, both in the theater as well as before and after the movie, increasing social options and allowing consumers to save time by combining a meal and a movie in one trip.

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Raise the Fidelity of the Experience

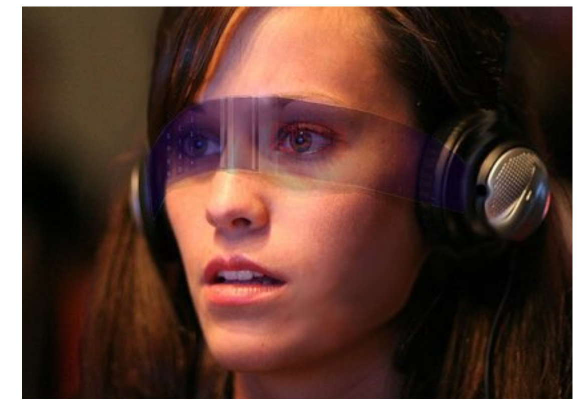
AMC THEATRES

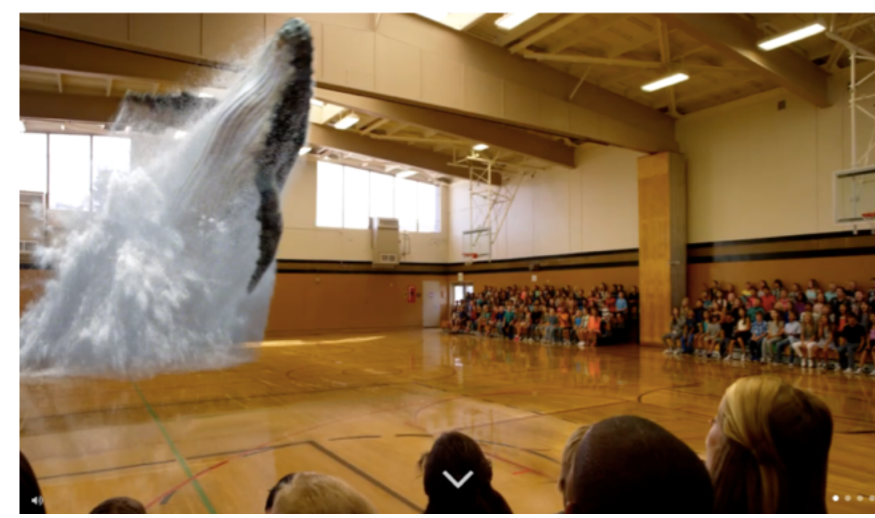
Anxiety Removal

Decreased # seats by 64% = Attendance up 80%

+ increase per capita F&B

The fast emerging new digital competition is virtual and augmented reality. It is already here and will probably be mainstream within five years. Major companies are investing billions to make it a reality as the next computing and social platform. It dramatically raises the Convenience of the at-home digital experience for everything, as it brings people and real world *Places* into the home. You no longer have to visit them to experience them.





Google

Alibaba.com

Microsoft

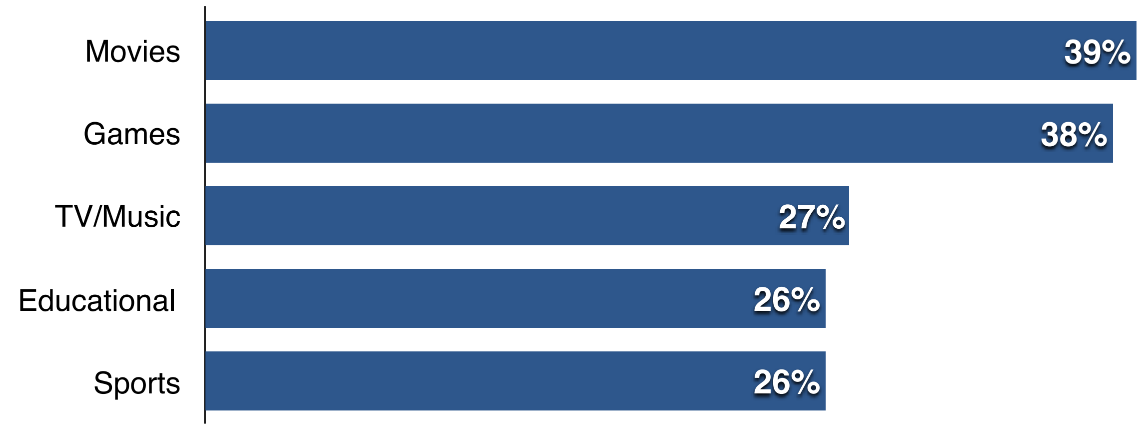
SAMSUNG

magic leap

htc quietly brilliant

SONY

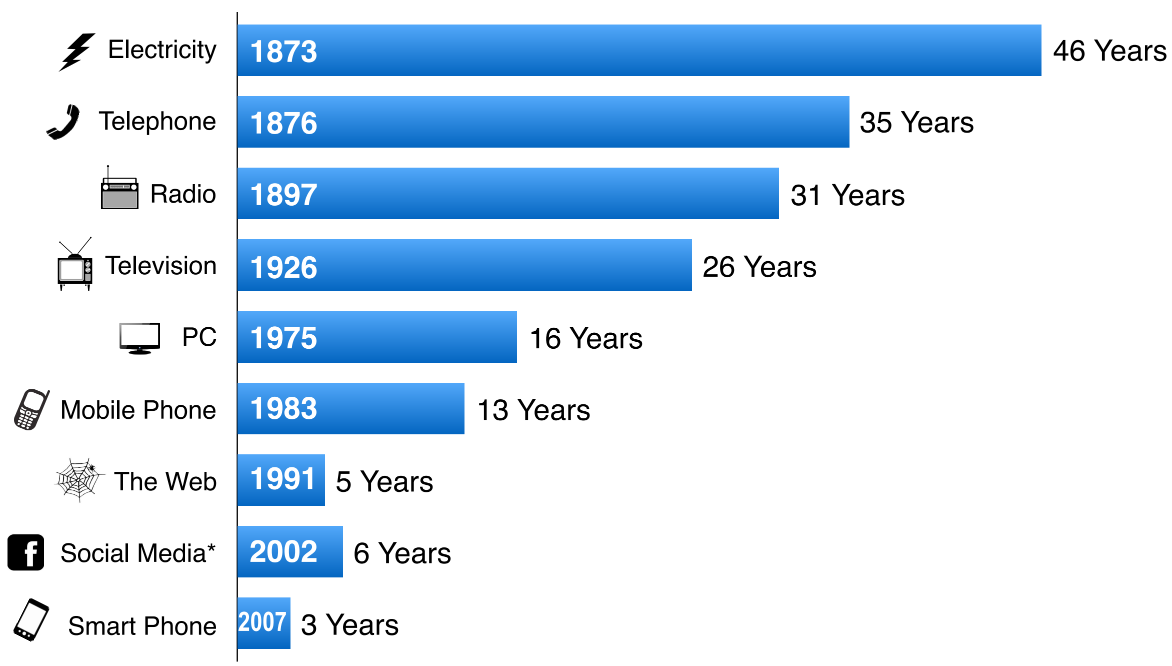
Types of virtual realty content that internet users in Western Europe* and the US are interested in watching/experiences, Oct 2015



Source: Futuresource Consulting, "Virtual Reality: Niche or Mass Market?" as cited in press release, Feb 4, 2016
Ages 16+ (n=2,998)
* France, Germany and UK

Accelerating speed of technology adoption

Years until technology is used by 25% of American population



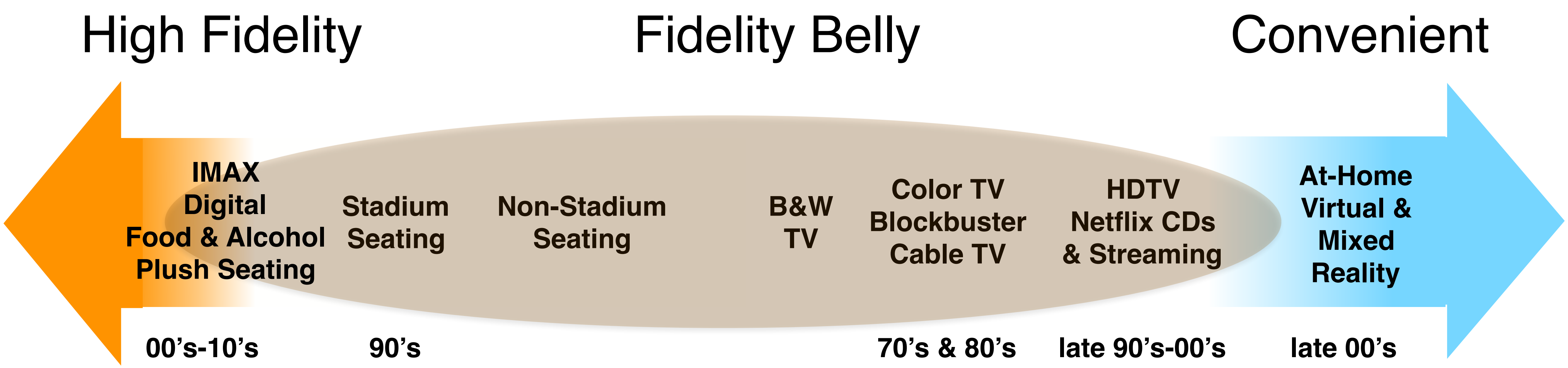
Source: singularity.com, nielsen.com and White Hutchinson Leisure & Learning Group
*Friendster launched 2002, Facebook launched 2004

US internet users who are interested in virtual reality October 2015

Source: Greenlight VR "Virtual Reality Consumer Report October 2015" conducted by Touchstone Research, Nov 6, 2015

People of all ages are interest in using virtual reality

The Fidelity Trade-off



Virtual and augmented (mixed) reality, with it's increased Convenience, could shift today's improved moviegoing experience into the Fidelity Belly.

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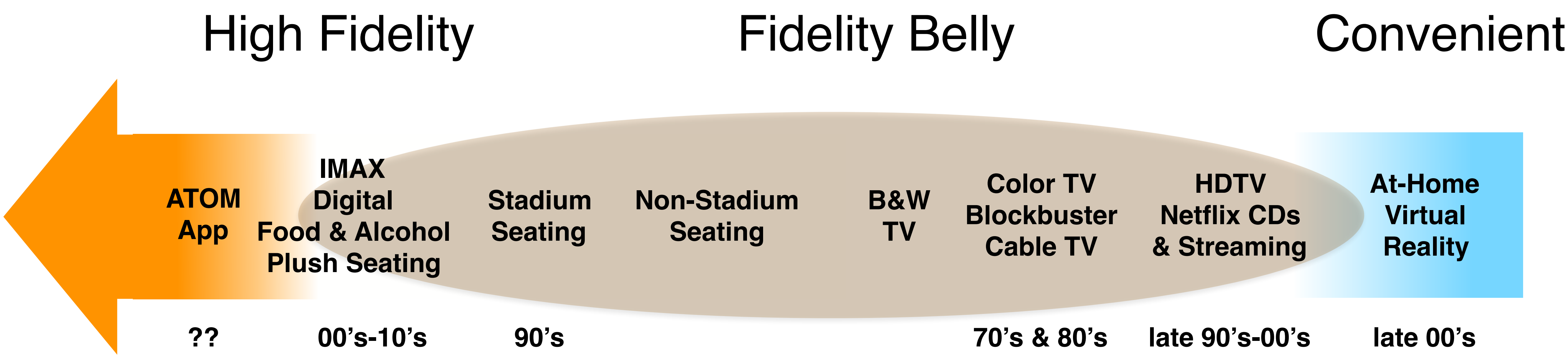
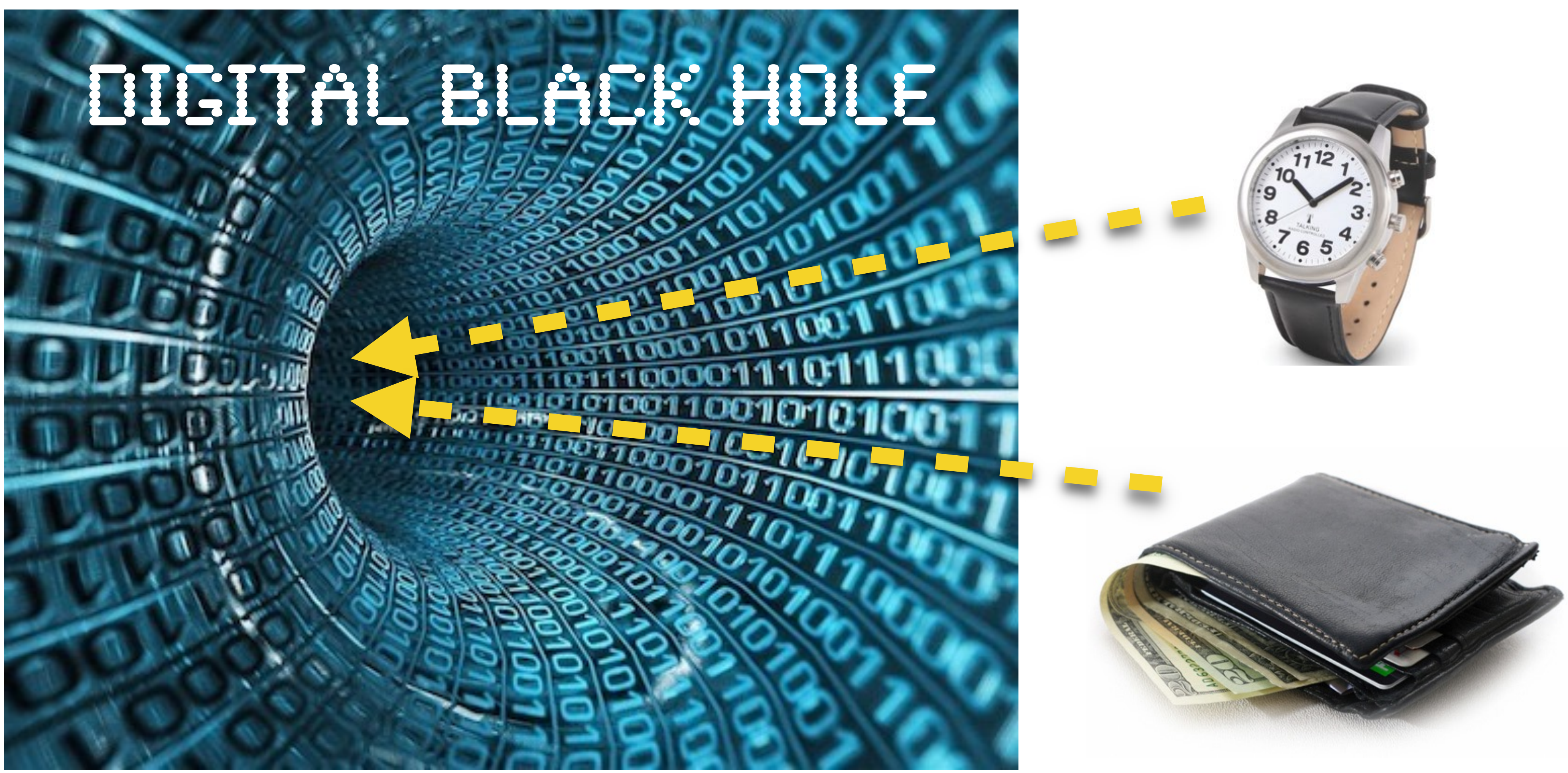
The Fidelity Trade-off



So what will cinemas do to raise their Fidelity to counter the tech-effect of virtual and augmented reality? Could the new Atom App be a possible answer by facilitating more social moviegoing get togethers among friends?

We are in the mist of a profound disruptive and transformative shift from physical to digital leisure, commerce and socialization and it's happening far faster than most people in location-based businesses realize.



Don't allow your business to get sucked into the digital black hole of Digital Darwinism.

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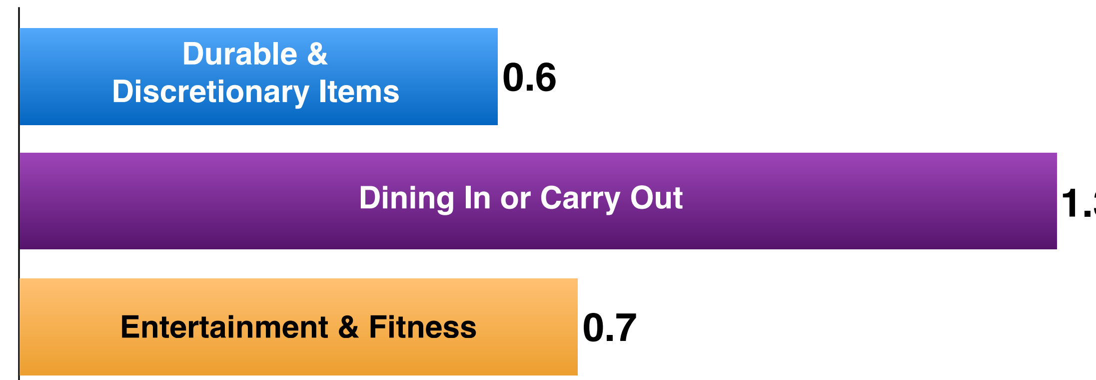
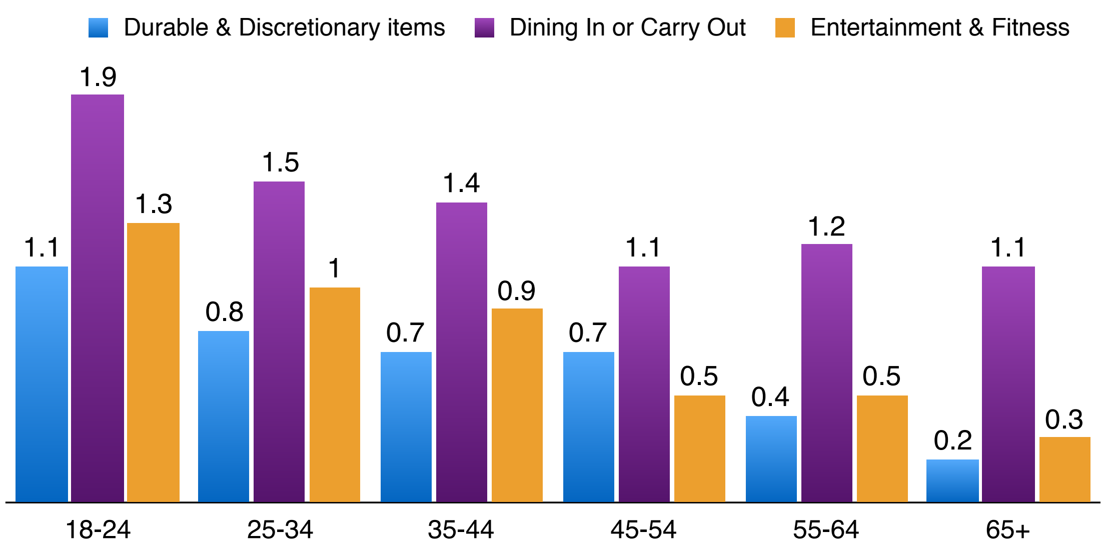
Weekly shopping center visits per week* all ages



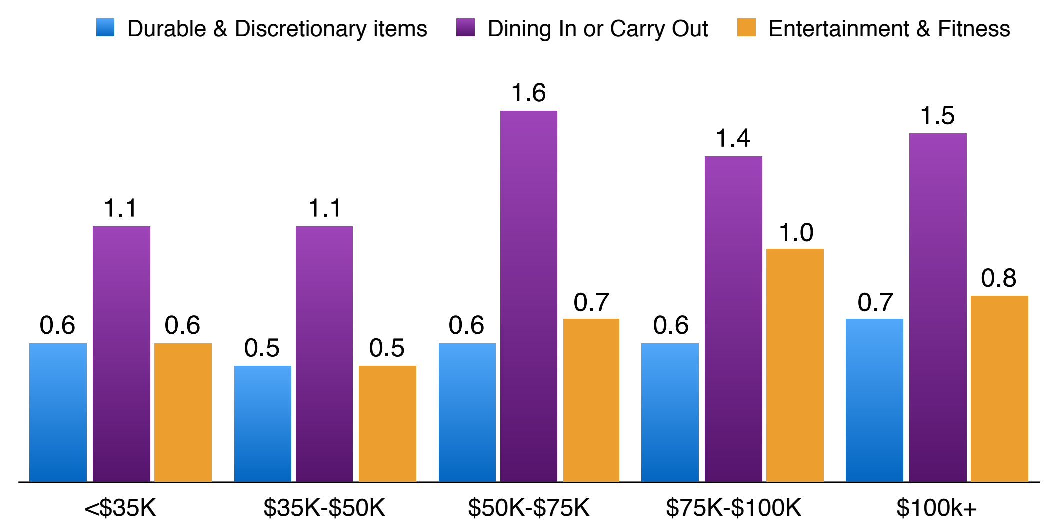
*Among individuals who visited a shopping center for that specific good or service at least once a week
Source: ICSC Survey Nov 30-Dec 2, 2015 (n=1,010)

Weekly shopping center visits per week* by age



*Among individuals who visited a shopping center for that specific good or service at least once a week
Source: ICSC Survey Nov 30-Dec 2, 2015 (n=1,010)

Weekly shopping center visits per week* by income



*Among individuals who visited a shopping center for that specific good or service at least once a week
Source: ICSC Survey Nov 30-Dec 2, 2015 (n=1,010)

Brick-and-mortar shopping centers are no longer primarily (if at all) used for durable/discretionary shopping. Now, they are also used for entertainment and socialization. That is what drives the most visits.

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Experiential Retail

Many retail stores are adding entertainment and experiences to raise the Fidelity of visiting.

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Experiential Retail

Jordan's Furniture has a 60' tall ropes course. Bass Pro Shops has bowling amongst other entertainment. Some stores host birthday parties.

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Food & Beverage

Higher quality dining and drinking, as a very social activity, is being added to retail, shopping and entertainment venues to increase the appeal and Fidelity of visiting.

URBAN OUTFITTERS
Saks Fifth Avenue
Tommy Bahama
H&M
GIORGIO ARMANI
BERGDORF GOODMAN
IKEA
macy's
Neiman Marcus
NORDSTROM
RH
Brooks Brothers
Bass Pro Shops
SWAROVSKI
bloomingdale's
RALPH LAUREN
terrain
BARNEYS NEW YORK

Shopping Center Experiences

Shopping center developers need to shift their paradigm from creating shopping places where they lease stores to creating experience places. Developers need to take more entertainment out of the store box and incorporate it into the pubic areas to create experience Places with theater and a very appealing sense of place. The most innovative developers will get in the business of developing and operating entertainment to differentiate their centers from the ones that only lease to entertainment tenants.

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Shopping Center Experiences

THE DUBAI MALL

nickelodeon UNIVERSE MALL OF AMERICA

Two great examples of malls that brought the entertainment into the public areas.

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Live & Limited Time Events

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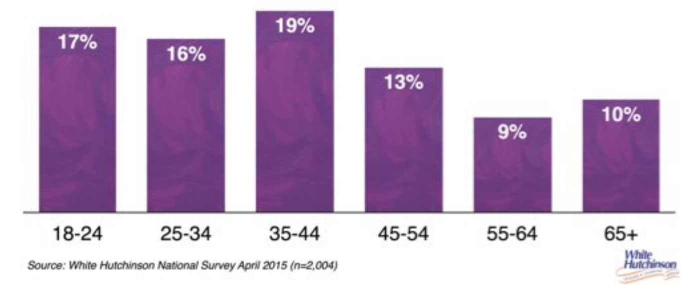
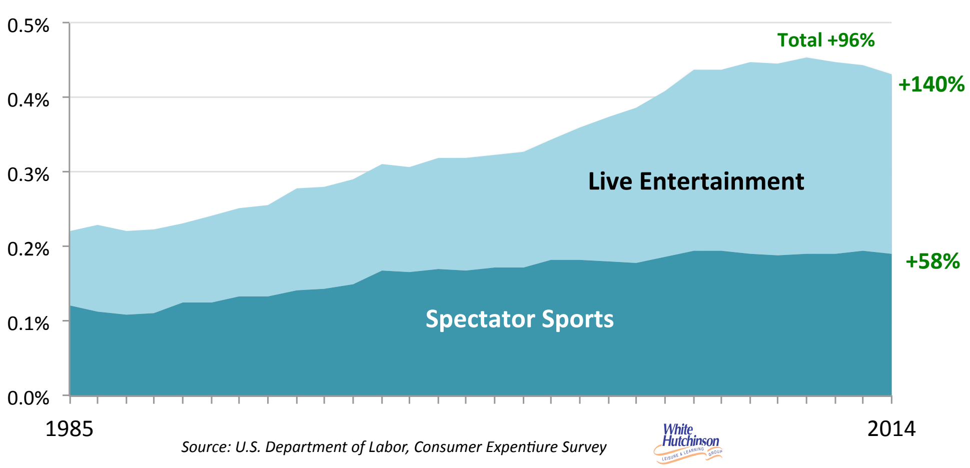
Percent of Adults in Each Age Category that Attended a Festival January 1- April 25, 2015

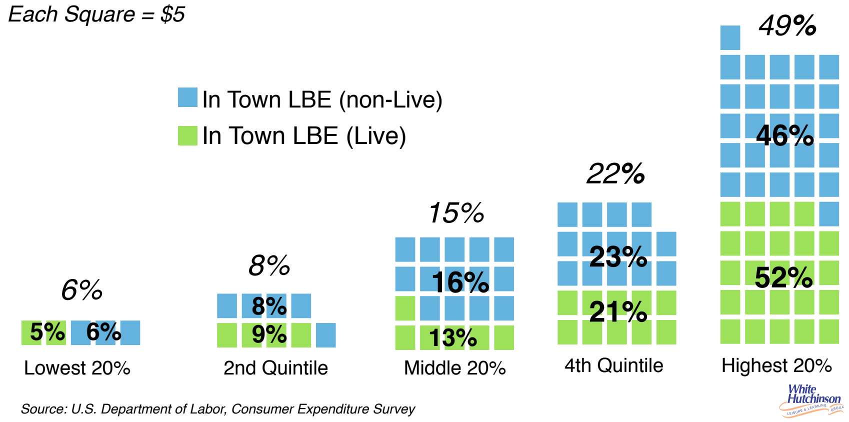


Percent of total houshold spending 1985-2014



2014 average annual household community-based entertainment spending by quintiles of household income

Each Square = $5



Live, limited time and special events have great appeal to bring people out of their home to physical *Places*.

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Social & Environmental Responsibility

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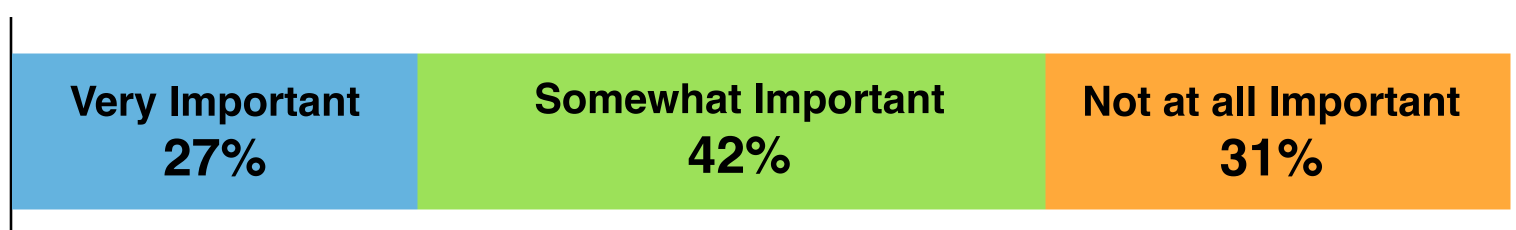
One of the projects our company is currently producing

How important to you are a company's social consciousness and overall kindness in choosing where to shop and what to buy?



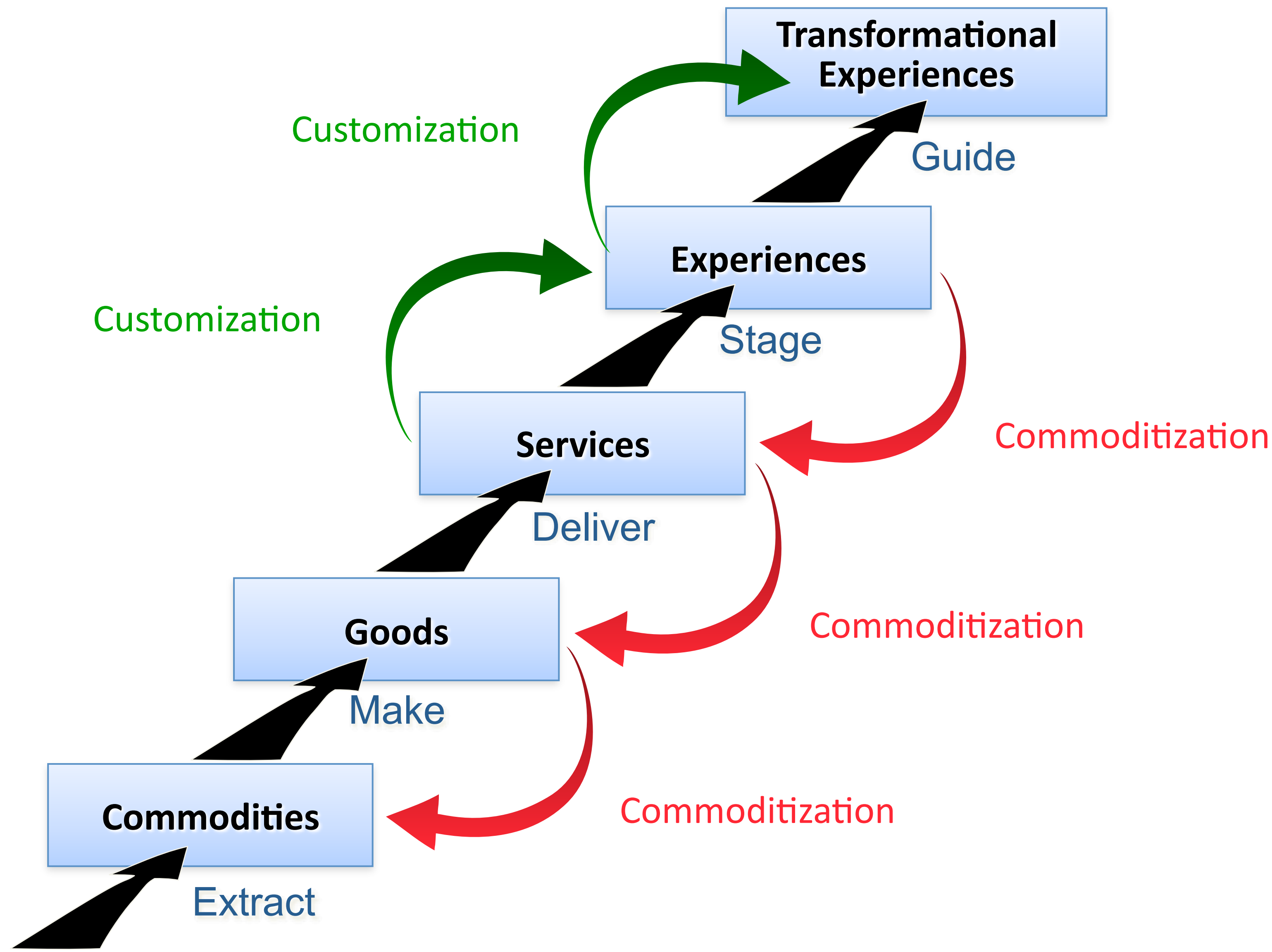
Source: CivicScience, U.S. Adults

Companies that demonstrate a sense of social & environmental responsibility as good citizen brands stand out in the world of increasingly undifferentiated and commoditized goods and services.

ENTERTAINMENT EXPERIENCE EVOLUTION

White Hutchinson Leisure & Learning Group

The Progression of Economic Value



Source: B. Joseph Pine II and James H. Gilmore, The Experience Economy: Work Is Theatre & Every Business a Stage, (Boston: Harvard Business School Press, 1999), p. 22.

Higher socioeconomic consumers, the college educated ones, are seeking transformational experiences. They place much higher value on teaching brands and venues where they learn something.

Take-aways

- The *Places* where we do things is shifting from out-of-home physical *Places* to the DIGITAL world.
- Location-based businesses are now competing with the consumers' living rooms and their DIGITAL connections to the physical, social and virtual worlds .
- Consumers' time and money is shifting from the real world to the DIGITAL world.
- As the DIGITAL world continually gets move *Convenient*, out-of-home physical *Places* need to offer increasingly *Higher Fidelity* experiences to stay competitive. This is a never ending and rapidly accelerating challenge.
- The next major technology with increased DIGITAL *Convenience* is virtual and augmented reality. It will be very disruptive.
- Consumers are increasingly preferring to conduct business with socially and environmentally responsible companies and *Places*.
- Dining and drinking, social experiences, transformation experiences and live, special and limited time events enhance *Fidelity* and attract consumers to visit out-of-home physical *Places*.

ENTERTAINMENT EXPERIENCE EVOLUTION

Some of our articles and white papers that discuss topics relevant to my presentation you might find of interest:

- *White paper*: The Evolution of Socialization. Our Social Behaviors are Changing, and with it the Need to Go Out (pdf)
- New School Consumers are Flocking to Eatertainment Restaurant & Old-School Game Venues
- A Paradigmatic Shift; the Entertainment is now Secondary
- Virtual & Augmented Reality - the Ultimate Disruption of Place
- Uptick in Cinema Attendance; High Fidelity Wins
- Importance of Live and Limited-Time Events
- Time is the New Luxury - A New Competitive Strategy

Randy White, CEO

Randy is a specialist in the feasibility, design and production of location-based leisure, entertainment, eatertainment and edutainment venues. His company has worked for over 500 clients in 33 countries, including work with shopping centers and malls on integrating entertainment concepts into their mix.

Prior to repositioning the company in 1989 to work predominately in the leisure/entertainment industry, White Hutchinson was active in the retail/commercial real estate industry as a real estate consultancy specializing in workouts/turnarounds of commercial projects. In his early career, Randy managed a real estate development company that developed, owned and managed 2.0 million square feet of shopping centers and mixed-use projects. Randy holds the designations of CRX (Certified Retail Property Executive) and CSM (Certified Shopping Center Manager) from the International Council of Shopping Centers (ICSC).

Over 100 of Randy articles have been published in leading entertainment/leisure magazines. Randy was featured on the Food Network's *Unwrapped* television show as an eatertainment expert, quoted as an entertainment/edutainment center expert in the *Wall Street Journal, New York Times, USA Today* and *Time* magazine and received recognition for family-friendly designs by *Pizza Today* magazine. One of the company's projects was featured as an example of an edutainment project in the book *The Experience Economy*. Randy is the editor of his company's *Leisure eNewsletter*, he blogs and tweets.

Randy has been a featured keynoter and speaker at numerous shopping center and entertainment industry conferences throughout the world. Randy is presently a co-Regent and presenter at the 13-year-old *Foundations Entertainment University*.

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