

A Conversation with Adrián Mijares Elizondo

Cinépolis Theater Chain Seeks North Texas Stardom

Adrián Mijares Elizondo is CEO of Cinépolis USA. The subsidiary of Morelia, Mexico-based Cinépolis relocated to Addison, Texas, from Los Angeles earlier this year. The parent company is Mexico's predominant movie theater chain. It has operations in 12 other countries, with a concentration in India and now the U.S., where it has 16 theaters with 161 screens. Mijares discusses the movie business and his company's prospects in the competitive U.S. market.

Q. Cinépolis, the world's fourth-largest movie theater company, just moved the headquarters of its U.S. division to the Dallas area from the film capital of Los Angeles. Why?

Cinépolis USA's goal is to become the best national high-end movie theater company in the U.S., and we have grown since our inception in 2011. We like to be very hands-on and frequently visit our theaters, our construction sites, our competitors and our partners.

Traveling is a must, and traveling from Southern California to the East Coast was not easy. As a result, moving to Dallas made a lot of sense. It offered a more central location in the states that leads to shorter flight times when visiting our different theaters across the country and when visiting our parent company's offices in Mexico. That has allowed a better work-life balance for many of our corporate team members who fly frequently.

Q. How does doing business in Dallas differ from your experience in Los Angeles?

I have nothing bad to say about Los Angeles. It's been 10 months since we moved, and it's been amazing. We couldn't be happier. So many companies and entities have reached out to us; people are so proactive.

In Los Angeles, there are so many things going on that I feel it's not really

focused. Here, I see businessmen with a go-get-it attitude and companies looking for better ways to do better things together—very aggressive, but very collaborative. We feel we have grown more as a company in the last 10 months than maybe we did in the last two years with regard to seeing more business opportunities with different and new partners.

Other time efficiencies also improved—we're now in a more neutral time zone that allows us to better manage our U.S. theaters that are spread out across multiple time zones, and we're now aligned with our parent company's time zone in Mexico, which helps when trying to coordinate calls with counterparts in India or Spain.

Q. What makes Cinépolis USA different from competitors such as Plano-based Cinemark and Austin-based Alamo Drafthouse?

We have a lot of respect for all of our competitors including Cinemark and Alamo Drafthouse. Regarding Cinemark, we compete against them in several countries, and we have great respect for what they have done in the U.S. and Latin America.

One important difference is that we concentrate much of our development and growth in very specific markets that tend to reach a more affluent crowd and/or are underserved with the type of theater concept we offer. It ap-

pears as though Cinemark targets most markets in the U.S.

Comparing our operations in the U.S. versus Alamo, I would say that we are more family friendly and maybe less focused on art or specialty titles.

Q. How are your guest services different from those of other companies?

For starters, we say guests, not customers. For us, we say they are guests as if they were in our house. We have a lot of programs to evaluate how we're doing. We're always seeking feedback, so we have mystery shoppers; we have customer-tracking programs. We're constantly comparing one site to another and looking for ways to make it better. We visit the competition and we also look at other ways to improve.

When we go to a stadium or restaurant, we're thinking about what we see that can give us an opportunity. We are always evolving. We're very focused on continuous improvement. There are always opportunities.

Q. Such as?

I was at LaGuardia Airport [in New York] recently, and they have a lot of automated concessions.

We're looking at everything; for example, what Taco Bell is doing with its apps and Starbucks is doing with pre-purchase. With all of these new technologies, we are always looking at how we can do it—how can our guests order their popcorn and sodas before they arrive, how can we make the process easier.

When we go to a restaurant, we look at the menus and take pictures of the food everywhere. People sometimes think it's weird. We're always thinking of new plates and ideas. Right now, cocktails are very trendy. We do a lot of movie cocktails, with each cocktail tied to a certain movie.

We always have new offerings. We want our regular guests, who go once a month or more, to have new options each and every time they visit our theaters, whether it's a new movie cocktail or a new food offering.



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Q. With growing on-demand, home-based services such as Netflix, where is the future of the theater business? What are the biggest challenges you see going forward?

2015 was a record year at the box office, and 2016 is ahead of last year. Having said that, there are always challenges. Consumers are now able to access content in alternative ways that were once not available to them. In order to combat that and remain top of mind for these consumers, it is important to constantly innovate and continue to elevate the moviegoing experience, offering new and value-added concepts to our guests. This could be through luxury dine-in, IMAX, 4DX or some other concept. We will have to keep evolving and offering better value to make sure our guests want to leave their homes and come to our movie theaters.

Q. Where else in the world does Cinépolis have operations? How does the global theater business compare to that in the U.S.?

Our parent company, Cinépolis, operates movie theaters in 13 countries. These countries are Mexico, the U.S., Costa Rica, Guatemala, El Salvador, Honduras, Panama, Colombia, Peru, Chile, Brazil, India and Spain. The theater business in the U.S. is more mature than in other countries in the world and, therefore, it is growing at a lower rate.

Q. Which markets are you looking at for growth?

In the United States, we are focusing on California—both Northern and Southern California. We are additionally focusing on Texas, Florida, Ohio, the

Northeast corridor from Washington, D.C., to Boston and the greater Chicago area.

Q. Why those areas?

Initially mostly because of demographics—because we are targeting higher-end demographics as we are targeting higher-end products. That's where we can have the most theaters in a reduced geography.

Q. How are you financing this kind of expansion at a time when some have spoken of difficulties accessing capital?

For all of our funding necessities, we always look at the biggest banks in the world, and most of them are based in the U.S. And we've had great relationships with them for many years. We work with Bank of America and JPMorgan—all of the usual suspects. Coming into the U.S. and then moving from Los Angeles haven't impacted funding that much because the banks are so well-connected in different geographies.

Q. Have you considered the public debt market?

We've thought about it, but nothing's concrete at this point.

Q. How do U.S. customers differ from their counterparts in Mexico?

We feel that our guests in the U.S. are much more selective with regard to content. If a movie comes out that's not rated very well, it really affects people going to the theater. Our guests in the U.S. have a broader offering of entertainment options, so we're competing against more things. In Mexico, in mostly the mid- to small-sized towns, there aren't a lot of other entertainment options. We have a stronger position in that regard.

In Mexico and in some other places in Latin America, going to the movies is a very social experience, taking the whole family out. The movie becomes secondary, versus in the U.S., where how good the movie is remains very, very important.

Q. A community of Mexico-based corporations operates in North Texas. Is there a critical mass that makes doing business here easier?

That has been a bit different from Los Angeles. Dallas is very spread out. It's very big, physically and geographically. Los Angeles is similarly big, but with the addition of traffic, it's very difficult to move around. Here in Dallas, the group seems much more connected simply because it's easier to see people, to go have breakfast. In Los Angeles, there may be a company in Orange County, and you spend the whole morning or day doing these things.

Here, we have an association of Mexican businesses. It is very well-connected. It has a lot of events. Since Day One when I landed here, they were looking out for me, and they were inviting me everywhere. It is just amazing how well-connected the community is. The Mexican business community really appreciates Dallas and Texas. I have been really nicely surprised at how well Mexican business is integrated with the general business community.

Q. What advice would you give to other Mexican companies considering operations in Texas?

Definitely consider the Dallas area as an option. It is much more international than we thought, and it is booming.