

How long will your projection equipment last?

Ensuring your technology is reliable and up to date

By Jeff Kaplan

Keeping projectors and other cinema equipment up and running is a primary concern for exhibitors. If you own a Series 1 or an early Series 2 projector, you may already be facing worrisome cost of ownership issues, including more frequent breakdowns, longer downtime, and rising maintenance costs. Even worse, manufacturers may no longer support your equipment – or may soon stop supporting it – making replacement parts expensive or even unavailable.

No matter what type of projection equipment you own, it's wise to periodically evaluate whether your current technology is approaching the end of its useful life. Here are some suggestions on how to approach this essential assessment.



What are the risks?

All exhibitors seek to keep theaters full to maximize ticket sales, concession profits, and other revenue streams. The risk of a projector system breakdown becomes greater as the equipment ages. Any time that a computer board or some other part goes bad, it presents a problem for exhibitors, but a failure may happen at a particularly inopportune time, such as during the run of a summer or holiday blockbuster. A dark screen will quickly eat into your profits.

The Temptations

It's a common – and natural – impulse for a business to postpone or sidestep a large capital expenditure. For exhibitors, it's tempting to delay the purchase of a new projector. Your current projectors are still working, and you've been able to still keep them running so far. Or perhaps you're hoping the price of new projectors will drop if you wait just a little long longer, or maybe it seems sensible to wait for 6P and Direct LED technologies that are now on the horizon. The drawback with these temptations is that you'll still need to carry on your business with aging equipment until the "right" time comes along.

Along the same lines, it may be appealing to buy used equipment. Similar to buying a used car or computer, this temptation also has a downside. A used projector may work fine in the short-run, but you're buying older technology and placing yourself farther along the maintenance cost curve. You'll soon face the same high repair costs and breakdown risks that you're dealing with now.

When counting on these types of short-term solutions, the key factor to consider is your level of confidence that your current projector will reliably bridge the gap until you're ready to buy a new projector. Some exhibitors fall into the trap of delaying until a projector breaks down for good.

What's the secret formula?

Unfortunately, there's really no secret formula. Each exhibitor's circumstances are unique. You'll have to make a basic assessment of your current equipment and take a close look at the suitability of new technology at the time you make your assessment. The basic calculus is: If you have a Series 1 or an early Series 2 projector and it's been in use for 30,000 hours or more, consider whether the maintenance costs and risks of lost revenue due to downtime exceed the cost of a new projector.

An example

Let's say your average concession revenue per patron is \$4.75. During the week, if you average 10 tickets sold per show, 5 shows per day in an eight-screen theatre, your daily concession revenue is \$1,900. Subtracting payroll, concession inventory, and other costs, so far you may be in the red for the week. But the new release for Friday night promises to fill your auditoriums with 200-plus patrons each. The expected weekend revenues could put you comfortably back in the black.

Then an older projector breaks down. No ticket sales that weekend in that auditorium could cost you thousands of dollars in lost revenues that you'll never recoup. And you still have to pay your employees, mortgage or rent, and other expenses. Remember, regardless of how wonderful your concession design and food variety entices your customers to come to your theatre, your customers don't come to eat the popcorn. If the movie isn't playing, they won't be there to buy the popcorn.

The bottom line

At the end of the day, your projectors are an essential part of your business. Without them, you can't drive ticket sales and other revenue. You'll have to replace a projector at some point, and that day may come sooner than you hope. But you can't be afraid of making a decision.

When replacing your aging cinema projector, the best approach is to be in control. Addressing the replacement issue early will give you the time you need to research the best solution for your theater, to ensure that the model you want is in stock, and to negotiate the best price possible. The alternative – when your projector stops working and you need to get back on screen immediately – is to find whatever model is available at whatever price.

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