

# **Strategic Marketing Analysis Report**

**AMC**



**By the Fan Favorite 4 Consulting Firm**

**Jordan Hayes, Kelsey Fording,**

**Kole Parchman, and Saya Davis**

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## **Team Members and Contributions**

- **Jordan Hayes** - Executive Summary, Disclaimer, AMC Description, Marketing Principle #2, Synthesis
- **Kelsey Fording**- SWOT and 3C's Analysis, Marketing Principle #4, Synthesis, Conclusion
- **Kole Parchman** - Key Competitors and Industry Trends, Marketing Principle #3, Synthesis, Conclusion
- **Saya Davis** - Disclaimers, Introduction, Marketing Principle #1, AMC Brand and Product Offerings, AMC Marketing and Financial Performance, Citations

## **Disclaimer**

### Nature of the Information

Please note, recommendations in this marketing strategy are based on suggested data and analysis. Our firm does not currently have access to actual consumer data.

### Payment for our Services

We are paid for our services in money from the hiring firm. Fund may be wired from a pre-agreed upon bank. We do not accept any form of payment from a third-party.

### Risks Assumed by Hiring Firm

We are not at fault for any negative consequences that come from our marketing recommendations. The hiring firm has final say on whether or not to accept recommendations offered from By the Fan Favorite 4 Consulting Firm. The hiring firm will not attempt any legal action due to failed recommendations offered from ByThe Fan Favorite 4 Consulting Firm. Any attempted legal actions based on the premise of failed recommendations from the ByThe Fan Favorite 4 Consulting Firm will be found invalid due to the signature of the hiring firm signee on the disclosure section of this document.

## **Executive Summary**

The purpose of this report is to detail how we, By the Fan Favorite 4 Consulting Firm, will utilize strategic marketing models and techniques in accordance with the four strategic marketing principles. The goal being to assist AMC with effectively enhancing and expanding their product offerings to appeal to the ever-changing wants, needs, and desires of their consumer base in a post-Covid-19 society.

### Marketing Principle #1

Naturally all customers differ, so first we as a firm will take AMC's universal consumer population and divide them into segments. The segments will be based on consumers' needs, demographics, and opportunities. After segments have been made our firm will identify AMC's target consumer segment.

### Marketing Principle #2

After the target segment has been identified, our firm will use various strategic marketing models to better predict how the consumers will migrate over time based on their always changing needs and desires. This will allow AMC to be proactive instead of reactive when making marketing decisions.

### Marketing Principle #3

However, it will not be enough for AMC to only focus on their own corporation. They will also have to gage what their market competitors are doing. Being able to anticipate, block, and react swiftly and effectively to competitor movements will allow AMC to thrive in the industry.

### Marketing Principle #4

We as a firm know that AMC's resources are limited, so at the end of this report our firm will explain where AMC should target their limited resources and how to effectively utilize them through various recommendations.

## **Introduction**

The pandemic has disrupted industries across the world, and theatres are no exception. People also continue to cut cords and spend more time in their homes. These are all threats to AMC, a company devoted to innovation and providing the best viewing experiences. We will provide a thorough analysis of the business and industry trends, examine how the four marketing principles apply to AMC, and provide recommendations so that AMC can have robust marketing strategy moving forward. Our work is significant to AMC during this crucial time, because it offers a holistic approach to marketing.

## **Firm Analysis**

### **AMC Description**

In 1920, Maurice, Edward, and Barney Dubinsky purchased the Regent Theatre in Kansas City, MO. Which later became the first AMC theater that we know today. As the cinema company matured, their marketing slogan “Silence is Golden” was introduced to the world in 1991. Nine years later, at the start of the 21st century AMC co-introduced to the world online ticket purchasing in order to bring more convenience to their consumers.

During the early years of the 2010s, AMC launched their loyalty rewards program - AMC stubbs and became a publicly traded company on the New York Stock Exchange. As the decade progressed AMC was doing well in the cinema market until the Covid-19 pandemic forced them to temporarily close their cinemas from March to August of 2020. As a consequence of the devastating pandemic, AMC was put in a difficult spot and signed a multi-year deal with Universal Pictures to release movies to streaming services after being in theatres for 3 weeks.

AMC universally serves people of all ages, but with enhanced audio and other premium features such as recliners, they especially appeal to those who pride themselves on being “movie buffs”. Since AMC was established they have expanded to 43 states in the United States and 13 countries internationally.

With the new trend of video streaming services such as Netflix and HBO Max providing newly released movies to be watched on their platforms, the cinema industry as a whole is struggling. Between competing with other cinema companies and their new found video streaming opposition, AMC will need to find ways to stay at the forefront of consumers' minds.

### **AMC Product and Brand Offerings**

AMC is dedicated to, “pioneering a new way of thinking about theatrical exhibition as a consumer entertainment provider” and their About Us states, “AMC is always innovating and changing the way our guests see movies” (AMC). AMC is the largest movie theatre chain in the world and even patented cup holder armrests in 1981. The movie theater experience wouldn't be quite the same without the decades of innovation led by AMC.

AMC offers two main formats. The first, Dolby Cinema, is a premium format with 4K laser projectors with Dolby Vision HDR, Dolby Atmos surround sound, and ultra comfortable reclining seats. The second format is IMAX. IMAX auditoriums are available in many locations with IMAX Digital projectors, these theatres offer a large screen and are a destination for those viewing highly anticipated releases. Like most theatres, AMC has movie concessions, but they don't just stop at



the classic fountain drinks and popcorn. Some theatres also have full bars and restaurants, providing hand crafted food right to your seat (AMC).

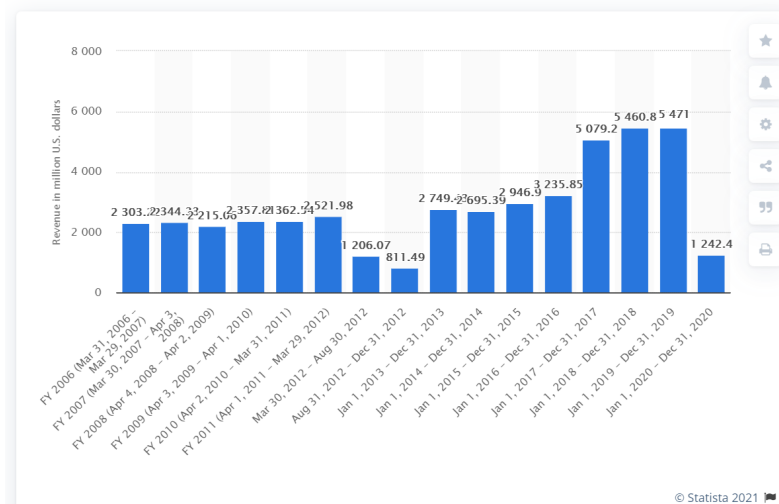
Additional offerings include: private theatre rentals, \$5 movie nights, Artisan Film showings, Fathom Events with Opera and Broadway,, a loyalty program called “AMC Stubbs Rewards”, gift cards, and an app that allows users to purchase movie tickets, redeem loyalty points, subscribe to on demand movies, and more.

### **AMC Marketing and Financial Performance**

When it comes to innovation, AMC does not just focus on the viewing experience, but on marketing strategy as well. The robust AMC Stubbs Rewards loyalty program has been a marketing channel used to increase spend and frequency of trips to AMC through various promotions (Johnson). The loyalty program has also allowed AMC to collect a significant amount of data about their customers, which is a great opportunity for 1:1 marketing and CRM. AMC has executed many digital, mobile, and SMS marketing campaigns. Most campaigns offer some sort of incentive to get customers in the theatres. Campaigns are also often developed around particular movie releases, which is a great way for AMC to engage with fans of the movie and ensure that these fans choose AMC over any other theatre (Jaekel). On social media, AMC has 4.3 million likes on Facebook, 269,000 followers on Twitter and a highly developed YouTube channel, with content that is tailored to the audience of each platform.

The pandemic has been detrimental to the finances of many industries, including entertainment. In the 2020 fiscal year, AMC saw the lowest revenue ever which is inclusive of admissions, food and beverage, and “other” (Stoll). Admissions are the highest source of revenue of AMC. 2021 continues to be a difficult year, as the world continues to reopen. It is notable that revenues had been steadily increasing since 2017, which is indicative of the value of the unique experience offered by a theatre environment at AMC. Similar to Gamestop, AMC stock has become known as a “meme” stock, in which traders buy and sell shorts based on activity around Reddit and other internet forums. There is significant volatility around AMC stock as of late, which has caused AMC to make finance headlines multiple times.

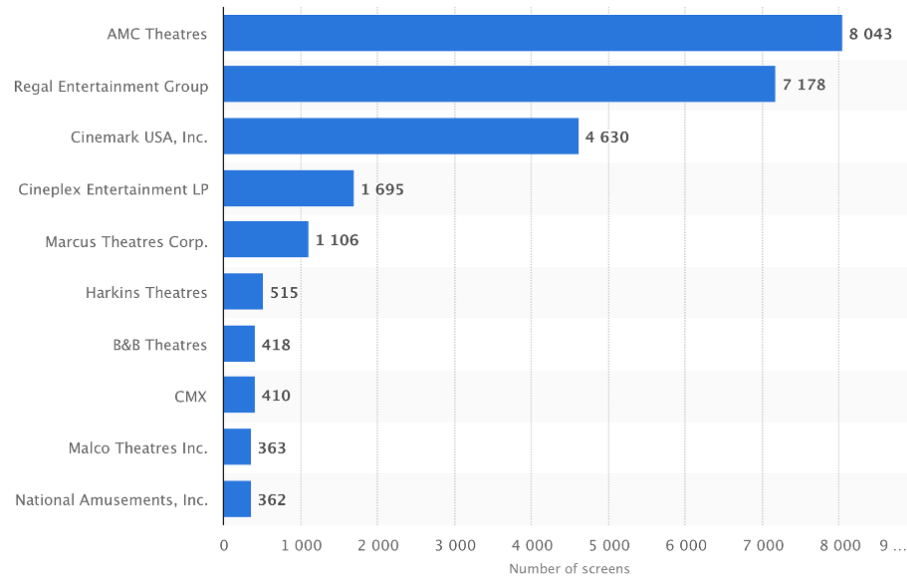
**AMC Theatres' revenue from 2006 to 2020**  
*(in million U.S. dollars)*



### **AMC's Key Competitors**

Although AMC is the leading movie theater chain in North America, they still have several competitors that have a large portion of the market share. The Regal Entertainment Group and Cinemark are AMC's largest competitors in the cinema industry. As far as Competing with other cinema circuits, AMC leads with the most screens at 8,043 movie screens. Regal Entertainment Group has 7,178 screens and Cinemark has 4,630 screens. Other competitors include streaming services like Netflix, Hulu and Disney Plus. This specific segment is AMC most pressing competitors now due to the ongoing pandemic. "The number of streaming service subscribers grew 50 percent in the past year, according to The Wall Street Journal. Streaming allows viewers to stay at home, watch a wider variety of content and view something as many times as they want" (Stoll).

- i. **Leading cinema circuits in the United States and in Canada as of February 2020, by number of screens**



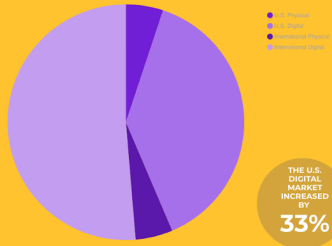
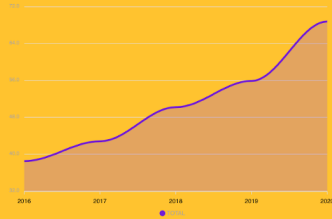
ii.

### Cinema Industry Trends

The cinema industry has many notable trends. There has been a decrease in ticket sales and attendance to movie theaters, largely due to the Covid-19 pandemic. However, these declines began before the pandemic. “The impact of COVID-19 on movie theaters has accelerated two preexisting trends: More people are staying home to enjoy movies and other entertainment, and more studios and media distributors are developing their own direct-to-consumer streaming services” (Arkenberg). With this push towards streaming services the landscape of the cinema industry is making big changes. “AMC made a deal with Universal Pictures late last July to release films on streaming platforms 17 days after their release in theaters instead of waiting the typical 90 days” (Arkenberg). This shift to a shorter release time between the movie theater and streaming services could be a new industry standard. With this trend specifically, movie theaters like AMC will be taking big hits financially. They are also suffering further when studios create their own streaming services and therefore cut out the box office release at movie theaters. There is a strong push towards at home media services due to the pandemic and consumers wants and needs changing over the years. The digital home entertainment market is increasing and the industry is changing with it.

# DIGITAL/HOME AND ENTERTAINMENT MARKET

In US\$ Billions



THE U.S. DIGITAL MARKET INCREASED BY **33%**

INTERNATIONAL DIGITAL MARKET INCREASED BY **30%**

## AMC's SWOT & 3Cs Analyses

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- High amount of resources</li> <li>- Continued growth with trends</li> <li>- Luxury Theaters (bar/recliner seats/food)</li> <li>- Recently high publicity</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- Rising Ticket Prices</li> <li>- Major financial hit from Covid</li> <li>- Lack of new released movies</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Use the "Big Screen" for multiple purposes besides movies</li> <li>- Covid coming to an end             <ul style="list-style-type: none"> <li>- Demand for entertainment</li> <li>- More movies coming out</li> </ul> </li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Decreasing movie go-ers</li> <li>- Streaming services             <ul style="list-style-type: none"> <li>- Releasing private movies</li> <li>- Releasing movie theater movies</li> </ul> </li> <li>- Competitors in close proximity of AMC theaters</li> </ul>

<p style="text-align: center;"><b>Company</b></p> <ul style="list-style-type: none"> <li>- Innovative             <ul style="list-style-type: none"> <li>- Apps</li> <li>- Reward systems</li> <li>- Online Ticket</li> </ul> </li> <li>- Adaptive</li> <li>- Popular Branding</li> </ul>	<p style="text-align: center;"><b>Customers</b></p> <ul style="list-style-type: none"> <li>- Streamers</li> <li>- Figuring out a post covid world</li> <li>- Passionate about movie</li> <li>- Appreciate the movie theater experience</li> </ul>	<p style="text-align: center;"><b>Competitors</b></p> <ul style="list-style-type: none"> <li>- Streaming services             <ul style="list-style-type: none"> <li>- Creating their own movies exclusively on their site</li> </ul> </li> <li>- Other luxury movie theaters</li> </ul>
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## **Principle #1 All Customers Differ**

### **Problem Statement**

The Covid-19 pandemic has had an impact across industries, including cinema. Prior to the pandemic, many AMC customers enjoyed gathering with friends, family, and significant others to watch movies. During the height of the pandemic and stay-at-home orders, people stopped going to theatres and streamed most of their media. As businesses reopen and restrictions are lifted, a sort of new normal is being established, and customer needs and preferences for entertainment differ. AMC must effectively manage customer heterogeneity to rebound and outperform competitors.

### **Strategy Formulation**

To manage customer heterogeneity, a segmenting, targeting, and positioning, or STP, approach can be taken. This strategy will allow AMC to select a specific set of customers and target them with marketing that positions AMC as the best solution for their needs.

#### Segmenting, Targeting, Positioning

1. Industry Segmentation - Moviegoers range in age from only two years old to over 60 years old. Single people, couples, and families alike go to the movies for a fuller movie viewing experience and enjoy the large screens and surround sound. As the world reopens, consumers are looking for connection and enjoying experiences with a renewed sense of optimism
2. Target Segment - ages 25-39, single adults and young families, seeking entertainment options and fun experiences. Enjoy movies, food, and creating memories.
3. Positioning Statement - In a post-pandemic, cord cut world, AMC is meeting customers ages 25-39 where they want to be, with premium solutions for entertainment. Whether it's date night, family night, time for oneself, or time to party, AMC offers movie experiences and more across America that will create memories and foster connection over the big screen.

### **Essential Data and Data Sources**

To fully understand the needs, desires, preferences, and relevant decision attributes, AMC should conduct qualitative research such as focus groups. It's notable that demographics alone cannot be relied on alone to determine customer preferences. Perceptual maps comparing AMC to other brick and mortar theatres as well as to other streaming services will help inform the positioning statement.

#### Potential Data Analysis Tools and Findings

Factor analysis can be conducted to gain a better understanding of which attributes are most important to customers. Specifically to AMC in a post-pandemic world, this analysis will be important to what customers will want from a movie theatre moving forward. Once attributes have been determined, cluster analysis can be performed to understand the segments within the total sample.

Potential findings could include:

- a. Most important attributes are exclusive content and new releases, unique experiences (not just the typical movie experience), comfortable seating, food, cleanliness/sanitation, seamless digital experience on app.
- b. Largest cluster with the highest affinity to engage with AMC is ages 25-39, singles and young families.

### I-P-O Framework

Inputs	Managing Customer Heterogeneity	Outputs (STP)				
<p><u>All Potential Customers</u></p> <ul style="list-style-type: none"> <li>● Needs - post-pandemic entertainment &amp; connection, lower cost options for fun</li> <li>● Demographics - kids, teens, single adults, families, overall movie goer ages range from as young as over years old to over 60</li> <li>● Size, Growth, Perceptions -</li> </ul>	<p><u>Approaches &amp; Processes</u></p> <ul style="list-style-type: none"> <li>● STP</li> </ul> <p><u>Analyses</u></p> <ul style="list-style-type: none"> <li>● Factor Analysis</li> <li>● Cluster Analysis</li> </ul>	<p><u>Industry Segmentation</u></p> <ul style="list-style-type: none"> <li>● Customer Segment</li> <li>● Needs</li> <li>● Demographics</li> <li>● Opportunity</li> </ul>				
<p><u>AMC SWOT</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;"> <p><u>Strengths</u></p> <ul style="list-style-type: none"> <li>- High amount of resources</li> <li>- Continued growth with trends</li> <li>- Luxury Theaters (bar/recliner seats/food)</li> <li>- Recently high publicity</li> </ul> </td> <td style="width: 50%; padding: 5px;"> <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> <li>- Rising Ticket Prices</li> <li>- Major financial hit from Covid</li> <li>- Lack of new released movies</li> </ul> </td> </tr> <tr> <td style="padding: 5px;"> <p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>- Use the "Big Screen" for multiple purposes besides movies</li> <li>- Covid coming to an end                             <ul style="list-style-type: none"> <li>- Demand for entertainment</li> <li>- More movies coming out</li> </ul> </li> </ul> </td> <td style="padding: 5px;"> <p><u>Threats</u></p> <ul style="list-style-type: none"> <li>- Decreasing movie go-ers</li> <li>- Streaming services                             <ul style="list-style-type: none"> <li>- Releasing private movies</li> <li>- Releasing movie theater movies</li> </ul> </li> <li>- Competitors in close proximity of AMC theaters</li> </ul> </td> </tr> </table>		<p><u>Strengths</u></p> <ul style="list-style-type: none"> <li>- High amount of resources</li> <li>- Continued growth with trends</li> <li>- Luxury Theaters (bar/recliner seats/food)</li> <li>- Recently high publicity</li> </ul>	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> <li>- Rising Ticket Prices</li> <li>- Major financial hit from Covid</li> <li>- Lack of new released movies</li> </ul>	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>- Use the "Big Screen" for multiple purposes besides movies</li> <li>- Covid coming to an end                             <ul style="list-style-type: none"> <li>- Demand for entertainment</li> <li>- More movies coming out</li> </ul> </li> </ul>	<p><u>Threats</u></p> <ul style="list-style-type: none"> <li>- Decreasing movie go-ers</li> <li>- Streaming services                             <ul style="list-style-type: none"> <li>- Releasing private movies</li> <li>- Releasing movie theater movies</li> </ul> </li> <li>- Competitors in close proximity of AMC theaters</li> </ul>	<p><u>Target Segment</u> Ages 25-39, single adults and young families, seeking entertainment options and fun experiences. Enjoy movies, food, and creating memories. This segment values getting out of the house and doing things.</p>
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<p><u>Streaming Competitors SWOT</u></p>	<p><u>Positioning Statement</u></p>					

<b>Strengths</b> <ul style="list-style-type: none"> <li>- Lower perceived cost</li> <li>- Bundled with access to other content</li> <li>- Minimal capital investments compared to brick &amp; mortar</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>- Content can be limited</li> <li>- Account information often shared with others</li> </ul>		<p>In a post-pandemic, cord cut world, AMC is meeting customers ages 25-39 where they want to be, with premium solutions for entertainment. Whether it's date night, family night, time for oneself, or time to party, AMC offers movie experiences and more across America that will create memories and foster connection over the big screen.</p>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>- Releasing private movies</li> <li>- Releasing movie theater movies</li> <li>- Increasing movie ticket prices</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>- Highly saturated</li> <li>- Consumers fatigued from the breadth of streaming options</li> <li>- Consumers seeking fuller experiences as the pandemic ends</li> </ul>		



## **Principle #2 All Customers Change**

### **Problem Statement**

The way the average consumer watches newly released movies is changing. While movie theatres worldwide were closed during the Covid-19 pandemic, movie production companies started to allow their new movies to be released on streaming services. This allowed the production companies to make revenue and for consumers to be able to view the latest movie on the market from the safety of their own home. Currently, consumers state that they have grown to like the convenience and financial savings of being able to watch a movie from their living rooms and have a decrease in desire of having the full movie theatre experience. This change in consumer behavior poses a serious threat to AMC and we must come up with innovative ways to combat this trend and get consumers back to our locations as soon as possible.

### **Strategy Formulation**

The best way to manage AMC customers is to use a customer dynamic segmentation approach. This approach will allow AMC to segment its existing customers on the basis of their similar and expected life migration patterns. Since this strategy combines aspects of a consumer lifecycle and segmentation approach, the customer segments that are created will naturally be temporary, but invaluable to help solve the current crisis AMC is facing. As consumers enter the target segment age range of 25-39 years old, they will start to have families, which can lead to busier schedules and them worrying about the overall health of their family. Also, those in this segment tend to have a more stable income, so they will be seeking more fun options to fill their free time.

Within this broad approach, a consumer acquisition, expansion, and retention (AER) model will be utilized in order to get the target consumers (adults age 25-39) back into AMC theatres worldwide.

During the acquisition phase of the AER model consumers will need to be treated as if they are new customers, with the purpose being to reacquaint the segment with the cinema experience. This will be especially important for the portion of the segment who are more on the side of staying home and watching movies on streaming platforms. They will need to be reminded of the great cinema experience AMC offers, and introduced to news offerings that AMC brings to the table. Initially, family plans and cheaper movie tickets can be introduced in order to gain consumer attention. Also, covid protocol sanitization procedures will remain so the more health conscious consumers will feel safe.

When more of the target population is back in the theatres, AMC can move into the expansion phase of the AER model. Even though a large amount of AMCs profits come from ticket sales, it will not be enough to just focus on ticket prices. AMC will need to anticipate that the video-on-demand (VOD) trend will be here to stay. Also they must ensure that as younger people enter the 25-39 age year range and start to have children and more responsibilities that they do not turn to VOD services as well. Furthermore, other cinema companies will be looking to improve their standing in the fight against VOD streaming.

Thus, AMC will need to think outside the box and continuously study consumer habits, wants, and needs in order and keep the AMC movie experience fresh.

The last stage of the model is about retaining the consumers AMC has and making sure they do not migrate to VOD streaming when they are affected by a life event. AMC will need to develop retention strategies to keep this target segment. Furthermore, since all consumers are different, the strategies will need to be varied and customizable in order to please the different consumers within the 25-39 age range.

### **Essential Data and Data Sources**

One way to figure out why the needs and desires of consumers have changed is to conduct a lost customer analysis. We will collect qualitative and quantitative data from the consumers who have switched over to VOD streaming services and have chosen to attend other cinema companies. By doing this analysis, AMC will be able to know what their lost consumers did not like about AMC. Thus, AMC will be able to backtrack and fix the reported problems, which can ultimately serve as a barrier for its existing consumers leaving or reacquiring some of the lost consumer population.

### **Potential Data Analysis Tools and Findings**

AMC's existing consumers will be divided into different AER stages. What stage each consumer is put in will depend on the results given from the qualitative research.

Consumers placed in the acquisition stage will be those who have returned to AMC after the pandemic. Those who migrate to the expansion stage will be the ones who are interested in having new services offered at AMC. Lastly, those who migrate to the retention stage will be the consumers who are thinking of primarily watching their movies via streaming services or at other competing cinema companies.

After a significant amount of time has passed and more target consumer data has been collected, the Hidden Markov Model (HMM) can be enacted. Following this model will allow AMC to again put its customers into segments and form links between each segment. This will result in AMC being able to more accurately determine the future migration patterns of its consumers.

## I-P-O Framework

<b>Inputs</b>	<b>Managing Customer Dynamics</b>	<b>Outputs</b>
<p style="text-align: center;"><u>Our Customers</u></p> <ul style="list-style-type: none"> <li>● Overall, movie buffs of all ages. Target segment is adults age 25-39</li> <li>● Target segment wants to partake in family friendly activities, save money.</li> </ul>	<p style="text-align: center;"><u>Approaches &amp; Processes</u></p> <ul style="list-style-type: none"> <li>● Dynamic Segmentation Approach</li> <li>● AER Model</li> <li>● Lost Customer Approach</li> </ul>	<p style="text-align: center;"><u>Segmentation of Customers</u></p> <ul style="list-style-type: none"> <li>● Customers migrate to the convenience offered from VOD, needs and desires are met better by other cinema companies.</li> </ul>
<p style="text-align: center;"><u>Past Marketing Programs</u></p> <ul style="list-style-type: none"> <li>● “Silence is Golden”</li> <li>● AMC Stubs loyalty program</li> </ul>	<p style="text-align: center;"><u>Analyses</u></p> <ul style="list-style-type: none"> <li>● Hidden Markov Model</li> </ul>	<p style="text-align: center;"><u>AER Positioning Statement</u></p> <ul style="list-style-type: none"> <li>● To appeal to each persona in the AER model and recapture some lost consumers, AMC will need to think outside the box. Initiating innovative and trendy ideas into its offering will be a great way to appease our target consumers regardless of their persona classification.</li> </ul>
<p style="text-align: center;"><u>Lost Customers</u></p> <ul style="list-style-type: none"> <li>● Covid-19 pandemic</li> <li>● VOD Streaming Platforms</li> <li>● Customers are have children, busy lives, price-sensitive</li> </ul>		<p style="text-align: center;"><u>AER Strategies</u></p> <ul style="list-style-type: none"> <li>● Acquisition – providing cheaper tickets and family plans</li> <li>● Expansion – providing different, innovative services to keep customers engaged</li> <li>● Retention – improved rewards program.</li> </ul>

## **Principle #3 All Competitors React - Kole**

### **Problem Statement**

With the changing landscape of the cinema industry, there has been a major shift towards at home film consumption through streaming services. Many studios have also created platforms to distribute their films directly to consumers and bypass movie theaters. Streaming services joined this trend by creating their own content that is aired exclusively on their own platforms. To compete with these changes, movie theaters like AMC have had to negotiate a shorter window of time that films play exclusively in theaters before being released on rental and streaming services. How can AMC combat these issues to remain a leading competitor in the Cinema industry, and how can they innovate their business to match their competitor's offerings?

### **Strategy Formulation**

Marketing principle #3 deals with the concept that all competitors react. As we established in MP #1 and MP #2, AMC's consumers have changed with the pandemic and now have different needs. In order to make sure these strategies are successful, AMC needs to build and maintain their competitive advantages. By doing so, they can leverage their SCA's to ensure ongoing success because their competitors will not be able to replicate their business processes to the same extent. A strong SCA meets three criteria. It must have value from customers caring about what this advantage offers. The firm must be doing something better than their competitors, thus having an advantage. And lastly, the SCA must not be easy to replicate or substitute.

AMC has a couple existing competitive advantages already. First, they have bargaining power to make exclusive deals with larger studios that smaller movie theater chains do not have. For instance, AMC cut a deal with Universal Studios to receive a percentage of their profits from films airing on on-demand services if AMC agreed to reduce the timeframe that films were exclusively played in theaters. This is a strong SCA because it provides value to customers. AMC can continue operating and providing the experience of watching an exclusive movie in the theater before it is out on rental and on demand platforms. Thus, keeping the customer segment that values this experience over at home consumption satisfied. Due to the size of AMC, their competitors do not have as much bargaining power, so they are unable to duplicate this advantage.

The second SCA builds off this but is more strongly related towards being advantageous over streaming services. Movie theater's box office sales are far more profitable than on-demand film release revenues. Therefore, even with the push towards streaming and on demand services, studios are still holding out on giving their movies with a forecasted massive box office to these services. As the nation's leading movie theater chain, AMC can generate profits on new movie releases that streaming services cannot. This advantage is very significant when it comes to gaining film exclusivity in this changing cinema environment. This is a strong SCA because it allows AMC to get exclusive rights to big movies that consumers want to see. Therefore, consumers who want to see these films must go to the movie theaters or wait a period of time before they can rent or stream it. Since AMC has the most screens in North America, they are able

to reach a larger customer base than their competitors. On top of this, streaming platforms are unable to create these profits due to their business structure, so they will not be able to capitalize on these large box office movies like AMC can.

AMC needs to work on maintaining these advantages, but they must also work on building new SCA's to further advance themselves over competitors. This is important because streaming platforms are continually growing as a threat to movie theaters and AMC needs to create barriers to protect themselves from their competitors. As for AMC's Brand, Offering, and Relationship strategies we are trying to find the most effective strategy based off of the AER models that we created for MP #2. These strategies will also need to take into account the variability and uniqueness of each customer in our target segments. For AMC's BOR strategy we recommend the following. For brand strategy we suggest that AMC uses their strong brand image to regain consumers' attention and inform them of all of AMC's services now that COVID-19 restrictions have been lifted. For offering strategy we suggest that AMC push to penetrate the on-demand streaming market. Since They already have an existing platform, we believe that AMC should focus on expanding it by building the amount and quality of content that they offer on it. Finally, for relationship strategy we recommend that AMC offer a sales incentive to push their on-demand platform. For instance, if customers buy a large popcorn and a drink in the movie theaters, they will be eligible for a free month of the A-List movie membership.

### **Essential data and data sources**

To further implement these strategies and make stronger recommendations we will need to access AMC's varying consumer data. This would include information on their movie theater ticket sales, demographic data from their existing rewards members, and consumer data collected from their AMC on-demand service members. This would include their watch habits and demographics. We would also like to analyze AMC's previous marketing efforts and the data collected over them followed by a brand audit.

### **Potential data analysis tools and findings**

In order to fully interpret the data to the best of our ability, we will be running field experiments, conjoint analysis, multivariate regression and choice models. We selected these tests so we can fully convert the inputs from MP #1 and MP #2 into successful SCA and BOR strategies. These inputs include positioning statements, AER strategies, and future trends that we observed.

To fully understand AMC's brand strength we will be running a brand audit. This will allow us to see strengths and weaknesses of the AMC brand. This will further help us edit and implement our suggested brand strategy. Understanding how consumers view AMC will guide our marketing efforts for this strategy. We want to refocus consumers' attention on AMC and remind them of everything they have to offer. During the pandemic, AMC was forced to close their locations and revert to their on-demand platform as their main offering. Now that they are open for business again, we recommend taking the information gathered from this brand audit to reposition ourselves in consumers minds as the #1 movie theater and movie viewing experience.

Over the years AMC has continued to innovate their offerings. They have expanded into the

on-demand streaming market which has allowed them to stay relevant with the current economic situation. With the offering strategy, we suggest focusing on this platform as an area of expansion. As we established in MP #1, AMC has a variety of different customer segments, from the breakdown we will be able to see which offering strategy will fit best with each segment. Followed by our AER strategies, we saw that consumers are favoring the on demand services during this pandemic as there has been a shift in the wants and needs of our consumers. Since we do not want to lose this customer base to our competitors like Netflix, Hulu, and others, we want to push our on demand offering. This includes new deals to provide more content, stronger marketing and advertising efforts to increase awareness. To direct these steps we will be running a conjoint analysis. In this analysis we will be developing several bundle offerings for the AMC On-Demand service to see which ones fit our target customer segments. Then we will collect information from consumers on which attributes would maximize their purchase likelihood.

For the relationship strategy we want to focus on a sales incentive that ties into movie theater sales and the on-demand platform. We recommend this because we want to address all of our customer segments and also attempt to get them to use all of our products/services. As mentioned earlier an incentive of customers buying a large popcorn and drink at the movie theaters would make them eligible for a free month of the A-List on-demand movie membership. This would intend to drive foot traffic at movie theaters and then push these consumers that attend movies to take advantage of our other offerings. We could then offer an incentive for the inverse of that, where consumers who purchase a membership receive free tickets to go to the movies. These promotions would push both of our offerings as well as our loyalty programs. Thus, we hope all of these efforts combined will help build and rebuild our customer relationships. We will be running multivariate regression tests over these marketing efforts to track the outcomes of each.

As our BOR strategies are on track with current trends in the industry and in our consumer segments, we want to make sure that AMC's competitive advantages remain on trend as well. Their current competitive advantages of size and bargaining power, and also their ability to generate revenue on big box office releases compared to streaming services need to be maintained. But AMC must also continue innovating and building new SCA's. To follow along with our BOR strategies, we want to further emphasize on building the AMC on demand platform. With AMC being the largest movie theater chain in North America, if they can continue to penetrate the streaming service market they will become a double threat. With the correct marketing plan, AMC can grow their platform to the size of services like Netflix and Hulu. If this is achieved they will be offering something that no competitors are, and one that would be very hard to replicate. AMC has the ability to provide consumers with the option to watch new released movies in the movie theater or on their streaming platform. Since streaming service competitors do not have brick and mortar locations nor the ability to match massive box office releases like AMC, this competitive advantage would set them apart. It would also boost AMC into the popular market of on demand services as we can see that our customer segments have shifted towards them.

## I-P-O Framework

Inputs (MP #1 & MP #2)	Managing Sustainable Competitive Advantage	Outputs (STP)
<u>Positioning Statements</u> <ul style="list-style-type: none"> <li>● Offering movie experiences and more across America to customers ages 25-39</li> </ul>	<u>Approaches &amp; Processes</u> <ul style="list-style-type: none"> <li>● Sustainable competitive advantage</li> <li>● Brand, offering, relationship equity stack</li> <li>● AER strategy and BOR equity grids</li> <li>● BBrand and relationship management</li> <li>● Innovation process</li> </ul> <u>Analyses</u> <ul style="list-style-type: none"> <li>● Field Experiments</li> <li>● Brand audit</li> <li>● Conjoint analysis</li> </ul>	<u>Existing SCAs</u> <ul style="list-style-type: none"> <li>● Size/Bargaining power</li> <li>● Ability to mass large box office profits</li> </ul>
<u>AER Strategies</u> <ul style="list-style-type: none"> <li>● Providing cheaper tickets and family plans</li> <li>● Providing different, innovative services to keep customers engaged</li> <li>● Improved rewards program.</li> </ul>		<u>Future SCAs</u> <ul style="list-style-type: none"> <li>● Dual threat of offering on demand and in person cinema options</li> </ul>
<u>Future Trends</u> <ul style="list-style-type: none"> <li>● Push towards at home streaming</li> <li>● Streaming services producing their own content</li> </ul>		<u>BOR Strategies</u> <ul style="list-style-type: none"> <li>● Regain consumer attention</li> <li>● Push on-demand streaming platform</li> <li>● Tie in sales incentive</li> </ul>

## **Principle #4 Resources are Limited - Kelsey**

### **Problem Statement**

Based on our previous 3 principles, AMC has seen an extensive rise in changes in the cinema industry as a whole. From consumer preferences shifting to watching newly released movies at home, the rising new competitors in the streaming industry releasing new movies with the same release date, while existing competitors have seemingly gone out of business due to the pandemic. Within the recent year, these dramatic industry changes have placed AMC in the position to determine how we can manage the limited resources of the movies coming to the theaters and how we can fully utilize AMC's current resources available.

### **Strategy Formulation**

The principle that resources are limited for AMC, we can refer to the sources of resource trade-offs that AMC has a variety of resource slack, there has been a recent change in customer's needs, and the movie industry has experienced changes in the market landscape due to entries and exits of major competitors. Each of these three trade-offs have been affected greatly from the recent trends of the industry's consumers, competitors, and AMC as a company as a whole.

AMC, due to the pandemic, has experienced some devastating changes in their resources with theaters being closed during the pandemic and shifted to a situation that the theaters have never experienced in history before. While before Covid, theaters were known for being crowded and social spaces, it shifted to black screens and open seats across the nation. Although the theaters were closed for months, now that they are back open, there hasn't been a high demand to attend the movie theaters, which has provided AMC with an abundance of resource slack of having many open and empty theaters with nothing to show and nobody to attend to. While this is problematic for the traditional Movie Theater business structure, this could be seen as an opportunity to transform how AMC utilizes their current resources to expand their product offering from just playing movies to exploring new options of what to show on the big screen to bring consumers back into AMC.

As noted in principle 2 that our customers' needs and desires are changing rapidly and AMC's customer segments are shifting, there is a need to adjust who we are focusing our current resources on. The movie environment is tricky for theaters at the moment with a division in consumers' preferred method to watch newly released movies with new options for convenience as well as recovering from the pandemic some are still hesitant to be immersed in public spaces. AMC must shift their current target segments to those who still enjoy social settings and appreciate the experience that a theater can provide.

Lastly, a big threat that has risen is the fast changes in the cinema market landscape with changes to the entry of new and innovative competitors of a variety of streaming services and the exit of old traditional competitors of smaller movie theater companies that have gone out of business due to the pandemic. While this is a new problem that was approaching, the pandemic only excelled the timeline for these changes. AMC must learn how to adapt and still compete with the popular streaming services that



are releasing movies simultaneously at the theaters. Then to make matters even more competitive, the streaming services have become known to create and distribute their own exclusive selection of original movies and shows. While this is a challenge, AMC could turn this into an opportunity to approach the situation in a strategic manner where AMC uses bargaining leverage to negotiate their contracts with producing studios that the theaters generate more movies for the studios than releasing on the streaming services. The other approach would be for AMC to simply fight fire with fire and start using their own producing to make original content only shown in theaters then later shared on AMC's already existing on demand platform as listed before.

Although all of these strategies would require some significant changes to AMC's current business structure, we believe these listed strategies is an investment in competing with the resources that AMC possesses and environment of a post pandemic world.

### **Essential data and data sources**

For each of these strategies listed above, this is the first time AMC has been in a position like this before in the post pandemic environment. To be able to fully understand our customers preferences and to reassess AMC current resources, we believe that running an experimentation based attribution model would be best. In these tests we will compare the test group (theaters experimenting with more than movies shown) and our control group (traditional movie theater setup). Although we can only test one thing at a time, we will continuously be running the test at multiple locations to ensure confidence of the results and be able to identify what is working better than other options.

### **Potential data analysis tools and findings**

As previously mentioned, a crucial tool for our research we will be utilizing the Experimentation based Attribution for an analysis tool. Running such experiments will be beneficial for AMC to discover new innovative marketing activities to test the market and continuously be finding new ways to compete in the evolving environment. Using the findings from the previous three principles, AMC will have appropriate data on how to approach their customers and their competitors.

For AMC to use experimentation we must ensure the use of the four key components within a controlled setting to guide AMC down a successful path. Starting with the first key component, intervention of interest, we want to know if our new customer segment would care to go to the theaters for more than just a movie by tracking ticket sales for not just movies but the new extra content such as sporting games or video game tournaments at a few selected theaters across the nation. Leading to the second key component of identifying our targeted outcome. We would expect to see a rise of interest in these new community settings, the increase of ticket sales to such events, increase in sales of concession foods and alcohol, and overall higher traffic within these selected theaters.

Taking us to the design of our recommended experiment, where we go into more detail describing how we plan to run the test. We believe that the selection of these theaters is very

critical to the success of the test, we would recommend that the selected theaters are in a highly populated community with a large representation of our desired target market of 25-39 “movie goers” and a diverse population within the community. Ideally we would recommend running the experiment for around 4-6 months to have the opportunity to gather a significant amount of data and observe 2 seasons of the year. But every two months we would gather the current data and start to identify trends occurring.

All while the experiment is occurring at our selected few theaters, we will continue to run business as usual in the remaining theaters across the nation as our control groups. While having these theaters not participate in showing these experimental events, we will compare the levels of traffic, ticket sales for movies, sales in concessions and alcohol between the test and control theaters.

Throughout running the experiment, AMC needs to be sure that our test is reliable. By testing the internal and external validity we are able to measure that our experiment is on track to being successful. Starting with internal validity, there are three areas of criteria to check: first is known as the temporal precedence check meaning that we are checking to make sure that the experiment was well designed in the controlled setting. Second we do a covariation check, helping us establish that the causes of the changes are due to the experiment and are significant enough to determine that our test was indeed the cause of the results. Then the third criteria is called the non-spurious check which is the highest level of difficulty to achieve which is to make sure that there is no other credible reason that caused the effects of the test. For external validity, we will be able to determine if the experiment was well enough designed so that the conclusions that were made are able to be repeated in other environments. By running our test across several theaters, if we get similar results from each, we can present the finding with confidence of reliability.

### I-P-O Framework

<i>Inputs (MP 1,2, &amp; 3)</i>	<i>Managing Resource Trade -offs</i>	<i>Outputs</i>
Positioning Statements  AER Strategies  BOR Strategies	<p><b>Approaches &amp; Processes</b></p> <p>Attribution approach</p> <p><b>Analyses</b></p> <p>Experiment-based attributions</p>	<p><b>Plans and Budgets</b></p> <p>Budget per marketing activity</p> <p><b>Marketing Metrics</b></p> <p>Marketing Metrics Financial Metrics</p>

## **Synthesis**

### **Recommendations for Data Capabilities**

For AMC to improve its data capabilities they need to improve three forms of intelligence: economic, customer, and competitive. To do this they need to invest and build their databases for these three forms. We recommend investing in their own internal databases to track marketing efforts and continually collect data that can be related to financial performance.

We believe that the best way to improve AMC's data capabilities is to streamline all of their current online platforms into one "All N' One" platform that provides all of the online services that AMC has including ticket sales, rewards program, and on demand streaming. By integrating this resource for consumers to easily understand all of AMC offerings this is benefiting the consumers' awareness of offerings and giving AMC an opportunity to gain valuable insights on their consumers. By collecting their consumers data on how they use the platform and what they use it for, they are building up data capabilities to be able to understand their consumers on a more personable level.

AMC needs to collect structured and unstructured data in order to have optimal capabilities from the databases. Structured data would include information about customers demographics, their purchase habits, consumer behavior, and so on. Unstructured data could be pulled from twitter and other social media about what customers are saying about AMC and their experiences. These forms of data are vital for building and strong database that includes economic, customer, and competitive intelligence.

### **Recommendations for Methodological Capabilities**

For AMC to build their methodological capabilities, we need to look at data simplification, linking methods to causality, and trade-offs with resource optimization. By utilizing the data simplification purpose, we are able to better understand and visualize large sums of data that AMC has collected over their many years of business. As we pull in the historical data, we will have the opportunity to identify trends and compare current and historical insights to better approach our future strategies.

To simplify data methods, AMC should use cluster analysis to analyze their customer segments and the data they have collected that relates to customer segments. They should also use factor analysis to find common factors between datasets and groups. This would be beneficial if AMC ran a survey experiment over one of their offerings. By linking methods to causality, AMC will be able to track their marketing efforts and better understand the effects and outcomes of each effort they are tracking. To analyze this type of data, multiple regression tests should be run in order to track the effects of multiple predictors. Choice models and A/B testing are also beneficial

for this. Optimization methods will help AMC analyze potential trade offs. They should run conjoint analysis to determine which trade offs will be more beneficial for specific products or offerings. Response models will also be helpful when looking at specific dollar figures related to impact on different marketing efforts. These methods also tie into customer lifetime value which is very important to consider when making decisions about trade offs. CLV information is valuable for decisions like which offerings should be targeted to which consumers, as well as which promotions we should offer these customers.

We recommend leveraging the AMC Stubbs loyalty program in order to simplify and consolidate our data methods. Thus allowing us to run tests over our collected data to analyze and break down customer segments. Within this process we will also be able to link our marketing efforts to causality from inner app tracking and data collection. We will also be able to implement AB testing within the app in an attempt to further understand our consumers and their needs.

### **Recommendations for Customer-Centric Marketing Strategy**

For our customer-centric marketing strategy recommendation for AMC we want to focus on the customers needs and how they have changed from this pandemic. To maintain this focus, AMC needs to align their product offerings, marketing efforts, and culture to align with the shift in consumer wants and needs. AMC needs to continually assess and reassess if there are any unmet needs from their customers and find a way to offer it if they want to remain the top firm in the cinema industry. This process will require a commitment to their target consumers, as well as to other segments, and faster detection and responses to changing market conditions.

Our firm recommends adding drive-in movie theatres to AMC's existing portfolio. Some drive-ins around the country have gone out of business due to not having the resources on hand to outlast the consequences brought on by the Covid-19 pandemic. If AMC were to capitalize on this great opportunity, they would be able to meet the needs and desires of their target consumers. Consumers who have become more health conscious due to coronavirus will be able to experience a movie on the big screen without having to be exposed to large groups of people or other consumers who are out of their "inner circle." Also AMC staff can walk around to individual vehicles throughout the movie, so customers will not have to leave their vehicles. This will allow customers and staff to maintain as minimal contact as possible. Also for those individuals who have families and have become more price-sensitive when it comes to planning family outings, the idea of going to a drive-in movie would be a great option for them. AMC's target customer segment will be able to have the quality family time they are seeking in their fast-paced, busy lives while also being able to save money.

## **Conclusion**

It is evident that the cinema industry is evolving and companies like AMC need to be strategic when approaching the post pandemic nation. With these industry changes, it is clear to notice the new market segments expansion as well as our competitors shifting to more online streaming services. We believe that AMC must adapt to the industry trends with the demands of their consumers' new needs. With our current recommendations that we discussed, we go over the four marketing principles that all customers differ, all of the customers change, all competitors react, and finally all resources are limited. Based on these findings we wanted to make recommendations that innovate and expand AMCs current offerings.

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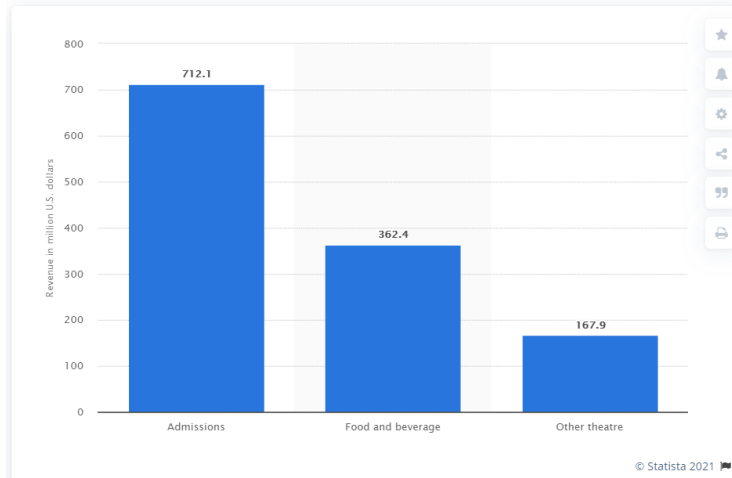
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## Appendix

### AMC Revenue, Statista

#### AMC Theatres' revenue in 2020, by segment

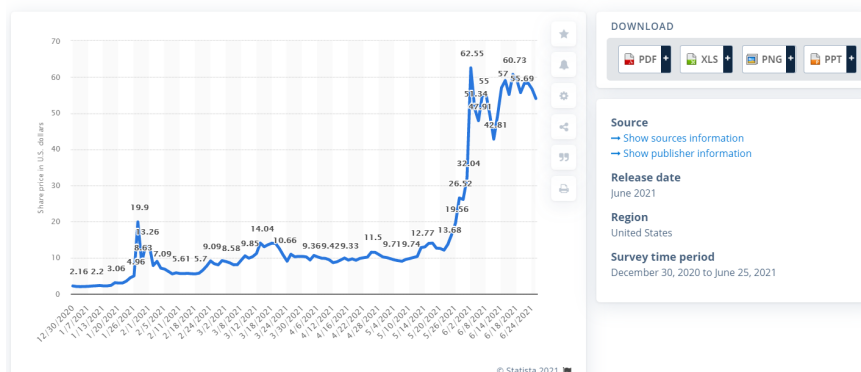
(in million U.S. dollars)



### AMC Stock Prices, Statista

#### Daily stock price of AMC Entertainment Holdings, Inc from December 30, 2020 to June 25, 2021

(in U.S. dollars)



### AMC Income Statement Screenshot



	2017 Y	2018 Y	2019 Y	2020 Y	2021 Q1 YTD
Document Name	10-K	10-K	10-K	10-K	10-Q
As Of Date	12/31/2017	12/31/2018	12/31/2019	12/31/2020	3/31/2021
Currency Code (in millions)	USD	USD	USD	USD	USD
<b>Revenues</b>					
Admissions	3,229.5	3,385	3,301.3	712.1	69.5
Food and beverage	1,548.4	1,671.5	1,719.6	362.4	50.1
Other theatre	301.3	404.3	450.1	167.9	28.7
Total revenues	5,079.2	5,460.8	5,471	1,242.4	148.3
<b>Operating costs and expenses</b>					
Film exhibition costs	1,604.3	1,710.2	1,699.1	322.7	22
Food and beverage costs	252.1	270.9	278.7	88.8	9.7
Operating expense, excluding depreciation and amortization	1,548	1,654.7	1,686.6	856	179.7
Rent	794.4	797.8	967.8	884.1	192.1
<b>General and administrative</b>					
Merger, acquisition and other costs	63	31.3	15.5	24.6	6.7
Other, excluding depreciation and amortization below	133.2	179.3	153	156.7	51.8
Depreciation and amortization	538.6	537.8	450	498.3	114.1
Impairment of long-lived assets, definite and indefinite-lived intangible assets and goodwill	43.6	13.8	84.3	2,513.9	0