

**Analytics Term Project: Proposal**

**Team 1**

John Chung

Liangzhu Chen

Rongsheng Xu

Suthawan Ma

School of Professional Studies, Columbia University

APANPS5800 Storytelling

Dr. Bum Chul Kwon

March 28, 2023



## Proposal for AMC Moving Forward for Post-pandemic

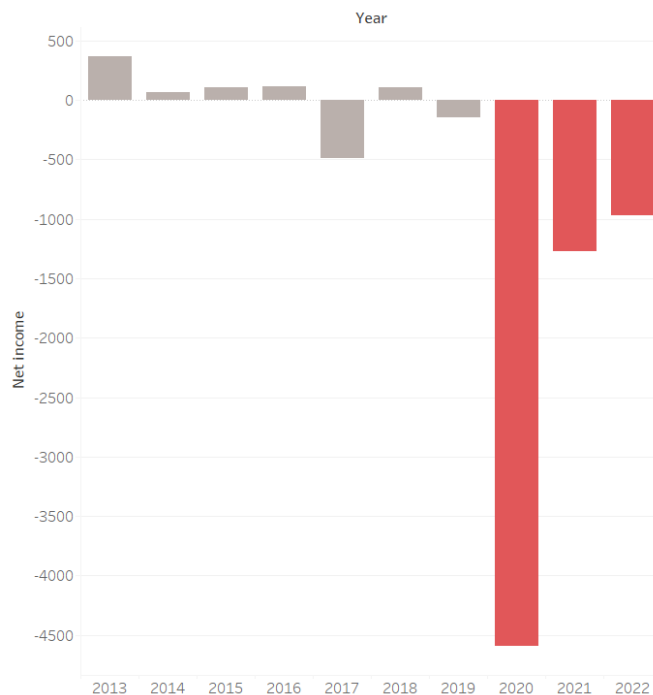
To: Director of Analytics, AMC

From: Analytic Team 1 (John Chung, Liangzhu Chen, Rongsheng Xu, Suthawan Ma)

---

The global cinema industry, which was already facing challenges due to the emergence of streaming media, was further hit hard by the COVID-19 pandemic. The impact of the pandemic has been reflected in the financial statements of companies such as AMC, which reported a significant decline in revenue and profits in 2020. The decline has prompted industry experts to look for solutions to address the challenge. In this context, the changing behavior of customers and their preference for online streaming platforms is an important consideration for the cinema industry. To stay competitive, companies like AMC need to adapt to this changing behavior by exploring new revenue streams and diversifying their business lines. One potential solution is for cinema companies to partner with popular food delivery services and offer their iconic snacks and beverages for home delivery. Another solution is for companies like AMC to focus on developing their own streaming media app instead of opening new offline cinemas.

AMC Net Income



**Figure 1**  
AMC Net Income from 2013 to 2022, the net income went negative since the pandemic in 2020



## “Bring Theater to Your Home”

According to Mintel’s research on US theater vs streaming 2022, **73% of the 1,296 survey attendees prefer online streaming over theater when they think of a convenient experience.** Even though the snacks and food offered at the theaters are known to be unique and create a memorable experience, **56% of the attendees think that they can find better food and beverage watching streaming at home.** However, 69% prefer to have snack concession stands at the theater (Mintel, 2022).

According to 2022 financial report, **the cost of food and beverages is 1/3 of its revenue.** Offering their unique snack options outside of the theater will align with AMC's mission: "AMC is always innovating and changing the way our guests see movies" (AMC Theatres, n.d.).

One solution is to **sell iconic popcorn and snacks online** through popular delivery services like Uber Eats, DoorDash, or Grubhub to offer customers the option to order AMC snacks and drinks for home delivery. This could attract customers preferring to watch movies at home while providing a new revenue stream for AMC. Expanding into online food delivery could be a worthwhile strategy for AMC to grow its business beyond the traditional movie theater experience.



**Figure 2**  
Preference in Movie  
Watching Experiences  
between **Movie theater** and  
**Streaming at home**



## “Online Streaming Revolution”

According to our team's investigation and research, we found that AMC is in a very difficult situation. The emergence of **streaming media has greatly hit the revenue and industry stability of the traditional cinema industry**. The industry impact brought by the COVID-19 pandemic in 2020 has accelerated the decline of the cinema industry. The biggest problem is that their net income still has not recovered from the impact of the COVID-19 pandemic. **According to the data, AMC's net income is still negative with heavy losses.** (Statista Research Department & 10, 2023)

To improve AMC's sustainability, our team suggests **halting the opening of new offline cinemas and prioritizing the development of AMC's streaming media app**. Our investigation revealed that despite reaching 92.6% of the 2019 level with 930 cinemas in 2021, revenue was only 46% of pre-pandemic levels. (Statista Research Department & 5, 2023) In contrast, streaming media giant Hulu gained revenue growth from \$58.82 million in Q4 2019 to \$84.89 million in Q4 2021 (Stoll, 2023). Therefore, we believe that diversifying AMC's business lines through online transformation can reduce systematic business risks and generate profits from different channels.

## Cost Analysis

### Solution 1 “Bring Theater to Your Home”

#### Expected revenue and cost per patron (Food and beverage)

AMC food and beverage revenue per patron	6.540
Expected cost (normalized)	1.081
Normalized revenue per patron	6.670

**Figure 3**  
Estimated Revenue per patron  
if AMC launch the snacks  
selling on food delivery  
platforms

Based on the annual report of AMC, the revenue from food and beverage per patron was 6.54 dollars in 2022, the normalized revenue was 6.67. The expected COGS for food and beverage is 1.08104.

There were 356.4 million patrons in 2019 for AMC, but only 201.0 million patrons in 2022 because of the impact of both covid (less influential in future) and online streaming (more influential). If all of the previous customers start to buy food online through AMC.



The estimated revenue would be 1036.5 million and the gross profit would be 868.52 million.

The fixed cost in this project is negligible, because all the delivery, software, and logistics are conducted by Uber eats, DoorDash, or Grubhub.

**Assessment:** It would be evaluated through gross profit and revenue for each year because the SG&A, and interest expense of this project are negligible.

### **Solution 2 “Online Streaming Revolution”**

Based on the Netflix annual report, the Amortization of content assets makes up the majority of cost of revenues (62%), marketing 8%, Technology and development 9%, and SG&A 5%. We could assume that AMC would have a similar cost structure except for marketing. Since approximately 81% of total online tickets for offline theaters were being purchased through AMC; AMC could advertise its platform (APP) when customers are buying tickets.

If AMC can acquire 10% of previous customers, the operating income for each year would be 400.88.

**Assessment:** Three stages - Residual Income Valuation Model

Gross profit for solution 1	868.5
Operating Income for Solution 2	400.9

**Figure 4**  
Estimated Revenue for  
Solution 1 and 2

### **Conclusion**

These strategies could help mitigate business risks and increase profitability through new channels. In short, to navigate the challenges of the post-pandemic cinema industry, companies need to be innovative and flexible in adapting to the changing preferences and behaviors of their customers. Overall, AMC needs to be agile and adapt to the changing landscape of the entertainment industry. By exploring new opportunities and embracing innovation, AMC can remain competitive and thrive in a post-pandemic world.



### Citation

Published by Statista Research Department, & 10, M. (2023, March 10). AMC Theatres: Annual net income/loss 2022. Statista. Retrieved March 26, 2023, from <https://www.statista.com/statistics/206962/net-income-of-amc-theatres/>

Published by Statista Research Department, & 5, J. (2023, January 5). *AMC Theatres' annual revenue 2021*. Statista. Retrieved March 26, 2023, from <https://www.statista.com/statistics/206959/revenue-of-amc-theatres/>

Published by Statista Research Department, & 5, J. (2023, January 5). *AMC Theatres' annual revenue 2021*. Statista. Retrieved March 26, 2023, from <https://www.statista.com/statistics/206959/revenue-of-amc-theatres/>

Mintel. (2022). Movies: Theaters vs Streaming - US - 2022. Mintel Group Ltd. Retrieved from [<http://www.columbia.edu/cgi-bin/cul/resolve?clio7931904>]

AMC Theatres. (n.d.). About AMC. Retrieved March 28, 2023, from <https://www.amctheatres.com/corporate/about>