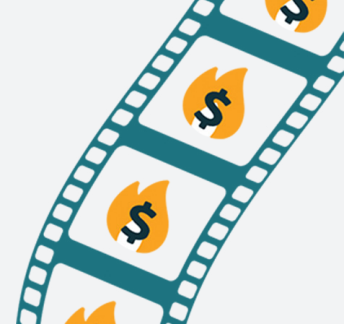


MoviePass Profit Drain



Nothing is quite like the movie theater – the big screen, sticky floors, and over-priced popcorn are all part of the experience when you head out to see Hollywood’s latest flick. But, in the age of streaming, subscriptions, microwaveable popcorn, and record-high ticket prices, many directors, producers, and fans are opting for a couch and remote. What are theaters to do?

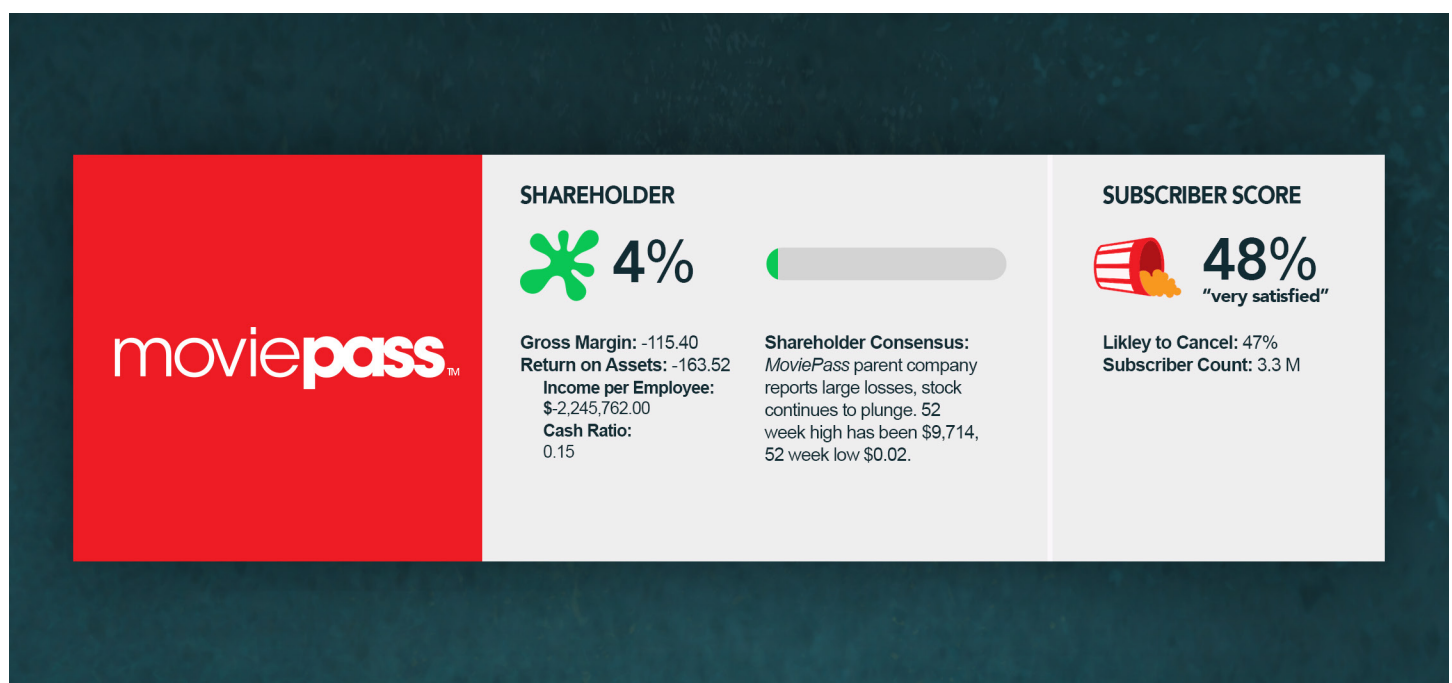
In 2017, MoviePass premiered its blockbuster idea – a \$9.95 monthly subscription for unlimited movies on the big screen. Truly an offer no one could refuse. Within two days, over 150,000 moviegoers subscribed to the service, giving parent company Helios and Matheson (HMNY) two thumbs up. But less than a year later, the company had lost nearly all of its value. What’s the plot twist?

The Beginning of a Beautiful Friendship

With the average movie ticket being roughly \$9.00, clearly MoviePass isn’t going to be

profitable with an unlimited monthly subscription plan of \$9.95, but that was never the plan. MoviePass wants to be invaluable to theaters, distributors, and studios through big data analytics. Or, in other words, it’s tracking your every movie move: the concessions you buy, trailers you watch, movies you see, and when and where you see them. The more subscribers it gets, its data becomes more accurate and valuable. Looking for a movie to see this weekend? Instead of pushing the latest Hollywood blockbuster, MoviePass could promote the small-budget indie film that you — and millions like you, according to their mountain of data — would probably wait to see on DVD. And when most movies make one-third of their box office during opening weekend, data like that could be very valuable.

Its Amazon-esque strategy to get as many subscribers as fast as possible appeared to be working. In June 2018, MoviePass hit 3 million





subscribers, and Hollywood Reporter found that 83% of MoviePass users liked the service more than other subscriptions and saw more movies than without the pass. But, it also found that 63% of subscribers thought that the service was too good to be true.

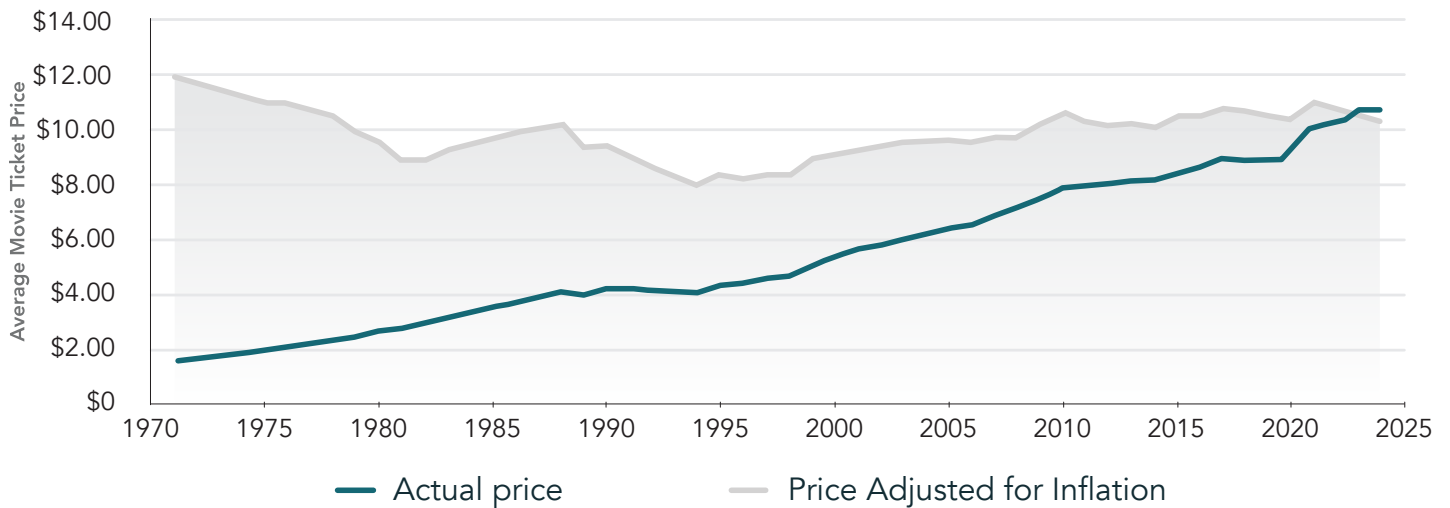
Show Me the Money

MoviePass burned through an average of \$21.7 million a month paying for the tickets of its customers. Moviegoers thought *It's a Wonderful Life*, but for HMNY shareholders, it was closer to *Nightmare on Elm Street*. For the first half of 2018, HMNY lost \$191 million while only earning \$2.4 million in marketing and promotional revenue. That trend was a total flop, and it'll need bigger numbers to cover its growing deficit. To get back to solvency, MoviePass's subscription and terms of service had more shocking twists than the 2017 Oscar for Best Picture. The best perk of seeing unlimited movies was cut. Seeing a movie more than once — *hasta la vista, baby*. Any movie, any theater, any day went down to select times at select theaters. HMNY shareholders were furious. HMNY's stock bombed, falling as low as two cents a share in August of 2018.

Curtains Close

HMNY unsuccessfully tried raising \$1.2 billion to keep the company in the black, but ultimately, MoviePass couldn't overcome its financial challenges and ceased operations in September 2019. Despite its brief moment in the spotlight as a disruptor in the movie industry, MoviePass's demise serves as a cautionary tale about the importance of sustainable business models and effective financial management. Business acumen could have saved the day — and millions of dollars. Thanks to MoviePass, theater chains started their own subscription models, but MoviePass ended up as a flop.

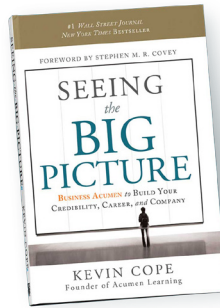
Activity



1. If you were a movie theater owner, would you consider working with MoviePass or not? What would be the benefits? What would be the downfalls?
2. Do you think that MoviePass's initial strategy of unlimited movies to gain subscribers for the short-term was smart, or should it have limited its services initially and grown slowly for the long-term?
3. Amazon and MoviePass both had an aggressive, disruptive strategy, and both anticipated taking years to be profitable. Why was Amazon's focus on reinvesting and promise of profitability more successful than MoviePass's?
4. Do you think that the struggle between theaters and streaming has settled or will there be further disruptions in the film industry?
5. Why do you think movie ticket prices have remained relatively similar through time when adjusted for inflation?
6. Now that you've completed the case study, write down three lessons your team has learned that will help you make more efficient use of your profit in the future.

At its heart, *business acumen* means knowing how your company makes money and making better decisions around the money-making process. As a business leader, you are in a unique position to bridge the gap between functions. You can grow the business in a way nobody else can.

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