

# Unlimited movie-theater deal could be too good to survive

February 9 2018, by Tali Arbel

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In this Tuesday, Jan. 30, 2018, photo, Cassie Langdon stands outside of AMC Indianapolis 17 theatre in Indianapolis. With MoviePass, Langdon said she's taking more chances on smaller releases instead of sticking with blockbusters and their sequels. (AP Photo/Darron Cummings)

MoviePass is trying to bring to movie theaters what Netflix did for DVDs and online streaming: Let subscribers watch as many movies as they want for \$10 a month.

In doing so, MoviePass has struck a chord with moviegoers and a nerve with the movie industry.

For many people, going to the movies is worth it only a few times a year. Ticket prices keep rising, and moviegoers have plenty of cheaper alternatives, including Netflix.

MoviePass believes it can get people to theaters more often. Major theater chains and movie studios aren't so sure, putting MoviePass' business plan at risk.

Subscribers with MoviePass can watch a movie a day, be it a splashy blockbuster or an indie movie contending for the Oscars.

Though MoviePass works at most theaters, it has key restrictions: It excludes pricier 3-D and Imax showings and most advance online sales. And even if everyone in a group has a subscription, tickets must be purchased individually. Subscribers also complain that MoviePass responds too slowly, or not at all, when there's a problem.

Nonetheless, the thrill of the bargain has sparked interest. MoviePass said Thursday that it signed up a half-million subscribers in less than a month, bringing the total to 2 million.

"I've seen a little over a dozen movies, which is way more than what I would have without it," said Cassie Langdon, a 28-year-old Indianapolis woman who works in sports communications and joined MoviePass in October.

Langdon said she's taking chances on smaller releases instead of sticking with blockbusters and their sequels.



In this Tuesday, Jan. 30, 2018, photo, Cassie Langdon holds her MoviePass card outside AMC Indianapolis 17 theatre in Indianapolis. With MoviePass, Langdon said she's taking more chances on smaller releases instead of sticking with blockbusters and their sequels. (AP Photo/Darron Cummings)

Success could ultimately bring MoviePass' demise. Although subscribers pay just \$10 a month, or less with promotions, MoviePass is paying most theaters the full price of the ticket. The U.S. average is about \$9, though \$15 and up is common in big cities, putting MoviePass in the red with just one movie. By contrast, MoviePass competitor Sinemia offers just two or three movies a month for higher fees.

Plus, with an unlimited plan, MoviePass has to eat some unnecessary costs, such as when a subscriber buys a ticket just to use the theater's restroom.

MoviePass' parent company, Helios and Matheson Analytics, warns in a financial report that MoviePass' future is in "substantial doubt" because it "has incurred losses since its inception and has a present need for additional funding."

The service is ultimately counting on a "gym membership" effect: Subscribers might binge at first, but slow down once the novelty wears off. Although subscribers can cancel anytime, they wouldn't be able to sign up again for another nine months to discourage short-term memberships.

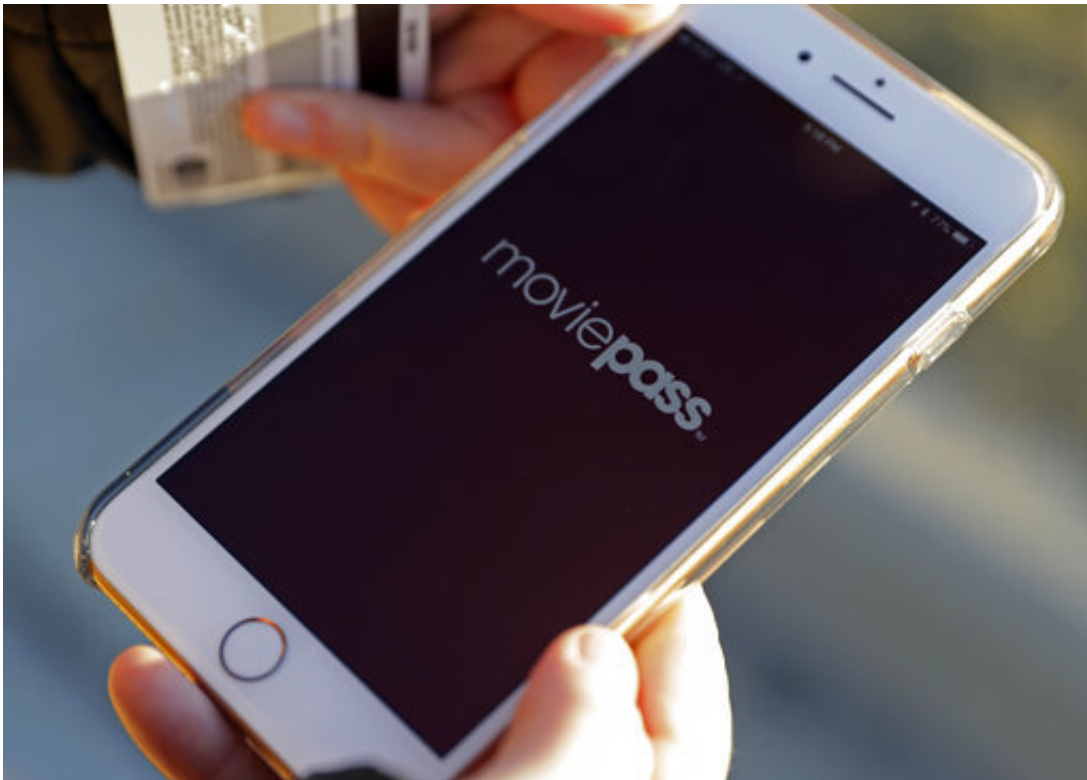
MoviePass wants to work out ticket discounts and revenue-sharing deals on the premise that it's driving more people to theaters. The company is also eyeing a share of concession sales, saying moviegoers are more willing to buy popcorn and soda when scoring a "free" movie.

And MoviePass believes it can help promote movies because it knows what subscribers see, when and where. Promotions could even extend to sending alerts to buy a soundtrack or movie poster as subscribers leave the theater.

But several industry experts say MoviePass doesn't add much to the marketing data from theater chains, online ticketing services and other sources.

MoviePass will have leverage once it has "millions and millions of subscribers," said MoviePass CEO Mitch Lowe, a Netflix co-founder who left while it was still a DVD-by-mail business.

To get well beyond the 2 million it already has, MoviePass needs to convince people that they really want to go to movies more often. In most cities, a subscriber needs to watch 13 movies a year to break even. In big cities, it's eight.



In this Tuesday, Jan. 30, 2018, photo, Cassie Langdon uses to her phone to launch the MoviePass app to see what movies are available at AMC Indianapolis 17 theatre in Indianapolis. With MoviePass, Langdon said she's taking more chances on smaller releases instead of sticking with blockbusters and their sequels. (AP Photo/Darron Cummings)

"For someone like myself, who usually sees movies twice a year, it wasn't something I would end up doing," said Lisa Berey, a 40-year-old social worker in New York.

And consider that MoviePass' original business plan didn't work out. When the service cost \$30 to \$50 a month, it had just 20,000 hard-core movie fans. MoviePass slashed prices significantly in August to grow.

There's apprehension that as moviegoers get accustomed to much

cheaper prices, consumer anger might be redirected at theaters if MoviePass raises its prices, changes terms or goes out of business.

Adam Aron, CEO of the giant theater chain AMC, has called MoviePass' price "unsustainable." AMC initially threatened legal action, but seems to have backed off. The three theater chains that control roughly half of U.S. screens—AMC, Regal and Cinemark—say they're happy to accept MoviePass' money, but pooh-pooh any revenue-sharing deals.

This fear isn't unfounded. In an attempt to gain leverage with AMC, MoviePass recently excluded 10 of the busiest AMC theaters, including big multiplexes in New York and Los Angeles. Confused customers complained on social media to both AMC and MoviePass.

For their part, theater chains are making their own changes. Many theaters now have more comfortable seats and better food. And though still a novelty, some theaters have servers bring restaurant-style entrees and cocktails to seats, providing both the dinner and movie components of date night.

Meanwhile, Cinemark launched its own subscription program , though the deal isn't as good as MoviePass. Regal is testing higher prices for popular times and cheaper ones during slower periods.

"I have a hunch that most of the theaters are thinking, 'how do we beat MoviePass at this game?'" said James McQuivey, principal analyst at research firm Forrester.

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