

## **Cineplex's Current and Future Financial Relevance**

**By: Jennifer Wai**

### **Organizational Background Summary:**

Due to concerns surrounding the COVID-19 virus and the rise of streaming services such as Netflix that provide convenient home-viewing and increased options in comparison to cinemas, the future of theatres can seem uncertain (Friend, 2021). Although the older generations may be more loyal to cinema companies such as Cineplex, what about the younger generation? An organization is reliant on a continuous stream of consumers for its success, but do theatres need to worry about the lack of an online presence in the future? The world may be slowly adapting to the pandemic and releasing some of the current restrictions, but a large percentage of Generation Z might not revisit the cinemas even after COVID-19 (Shevenock, 2021).

Prospective investors of Cineplex may be concerned about the demand for the brand's services with a reported loss of \$103.7 million in the second quarter of this year (Friend, 2021), and the majority of the organization's profit being dependent on in-person sales (Brenowitz, 2021). However, Cineplex remains financially relevant due to the unique experience that cinemas provide for consumers and the accessibility of the COVID-19 vaccine, Cineplex still remains financially relevant. Furthermore, corporations such as Disney have shown that utilizing both cinemas and streaming services and on-demand platforms is feasible and profitable with their Marvel movie franchise (Roxborough & Vlessing, 2021).

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**SWOT Matrix**

<p><b>Strengths:</b></p> <ol style="list-style-type: none"> <li>1. A well-known brand</li> <li>2. Consumers are able to rent out an entire theatre or book seats ahead of time.</li> <li>3. There is a constant stream of films that can be shown.</li> <li>4. The immersive technology for viewers to create the “cinema experience.”</li> <li>5. Theatres are a popular date or outing spot for all ages.</li> </ol>	<p><b>Weaknesses:</b></p> <ol style="list-style-type: none"> <li>1. Consumers have to move to the theatre’s location in an enclosed space to view movies.</li> <li>2. Going to the cinemas is more expensive and limited in media than streaming services.</li> <li>3. Food at cinemas is expensive.</li> </ol>
<p><b>Opportunities:</b></p> <ol style="list-style-type: none"> <li>1. Pandemic restrictions are being lifted.</li> <li>2. Many people are looking forward to going outside of their homes for social gatherings.</li> <li>3. Movie franchises releasing movies based in a cinematic universe such as Marvel.</li> </ol>	<p><b>Threats:</b></p> <ol style="list-style-type: none"> <li>1. COVID-19, if the numbers rise again, theatres may have to close again.</li> <li>2. Loss of customers due to streaming services.</li> <li>3. Landmark theatres and local cinemas as competitors.</li> </ol>

**Strengths**

In terms of Canadian cinema, consumers generally think of Cineplex, a brand that is widespread across the nation. In terms of competition, only one company comes to mind, Landmark. However, I have observed that Landmark’s advantage over Cineplex has diminished with Cineplex adding improved seating and advanced bookings. Furthermore, like many theatre companies, Cineplex adjusted to the pandemic by offering options where consumers can rent out a showing room, so the risk of spreading COVID-19 is reduced. On the issue of the content of Cineplex’s services, production companies have a set schedule to release their movies in a certain sequence that tries not to conflict with other movies and will delay their movie releases to do so (Vary & Donnelly, 2020). The practical planning of these companies allows cinemas to always have new content to serve audiences, but most of the companies have an agreement to

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stream these movies after the theatre window. Despite this fact, the strength of Cineplex is how it creates the “cinema experience” that cannot be replicated at home, only at theatres can consumers watch a movie with a large audience and the widescreen with speakers (Cristel Russell, n.d. as cited by Granados, 2021). The atmosphere of the movie and the immersion that the showing room sets upon the audience cannot happen in the same way at a person’s couch. Sikali (2020) claims that the most trivial interactions with another human being, regardless of whether or not they are strangers, “induces a sense of trust and acceptance ... that [can] define our social dynamics” (p. 2436). Additionally, a personal observation is that Cineplex theatres are near or inside a mall that consumers can visit with their friends and family while waiting for their movie time, so going to the movie is a popular social outing. Since Cineplex’s stock is dependent on the success of in-person locations (Brenowitz, 2021), all the strengths of the brand’s service are vital to the financial relevance of the company in the stock market.

### **Weaknesses**

Amidst COVID-19, Cineplex’s most pressing weakness is also an integral part of its strengths, theatres are immobile. Whether it be from transportation to the caution against virus infections, this structure has created reluctant consumers and a loss of profit since governments had to temporarily shut down these businesses when COVID-19 numbers spiked (Friend, 2021). The concerns about the enclosed space also hinder profits from concessions in cinemas since consumers are conscious of whether or not to remove their masks to eat during a movie. However, an evident weakness of Cineplex that has been relevant before and during the pandemic is the expense tied to a movie ticket; 72 per cent of Generation Z survey respondents cited tickets being too expensive as a reason they would choose not to see a movie (Shevenock, 2021). Seventy per cent of the respondents from the same survey claimed that they would not

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attend cinemas since they can see the same movies on streaming services and on-demand platforms, and 65 per cent said they would go to theatres if there is more of a variety of movies offered at showings (Shevenock, 2021). A key part of Cineplex's profits is food sales, with almost \$13.3 million from food concession and delivery orders, but 68 per cent of Generation Z survey respondents claimed expensive food as a reason not to go to the movies (Shevenock, 2021). These weaknesses are critical to the future loyalty of Generation Z consumers that Cineplex wants to attract.

### **Opportunities**

Although COVID-19 is a pressing threat for Cineplex, taking advantage of consumers' yearning for offline interaction as pandemic restrictions are lessened, is ideal for the company. Cineplex's main strength, the unique atmosphere and experience of cinema, is key to advertise to consumers that theatres are open and safe for the general public to enjoy themselves at. Oosterhoff et al. (2020) note the motivations behind youth engaging in social distancing are not only due to the risks of COVID-19 but also to avoid social judgement from their peers (as cited by Sikali, 2020, p. 2435). It is only due to COVID-19 testing and vaccines being widely accessible in Canada that the pandemic restrictions have lessened; therefore, allowing individuals to feel safer with social activities such as going to the movies. Two years in quarantine is not enough for our society not to remember the power of physical interactions that "are an essential part of human social experience, and [the importance] for the social development of young people" (Sikali, 2020, p. 2435). Cineplex can anticipate a large influx of consumers who want to go out with their friends and family as Canadian society feels safer against the virus that has been isolating everyone for two years.

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An opportunity that always arises regardless of the pandemic is the power of movie franchises or series such as the heavily invested Marvel universe; *Shang-Chi and the Legend of the Ten Rings* is a Marvel movie that brought in promising profit despite concerns of COVID-19 (Roxborough & Vlessing, 2021). Vary and Donnelly (2021) argue that the order of these Marvel movies matter, missing just one movie can make a considerable impact on the audience's understanding of a movie or several movies' content; why wait a month for online services to upload a movie that is already in theatres for eager Marvel fans? Marvel is not the only series that creates such opportunities; however, it is the most consistent and recent one that is planning on releasing more movies in the near future that Cineplex can profit off of. Disney+ did add *Shang-Chi and the Legend of the Ten Rings* to their streaming service, but the Pepperdine Institute for Entertainment, Media, Sports and Culture (2019) collected data that 90 per cent of box office sales happen at the time these movies are available to stream (as cited by Granados, 2021). Cineplex's current profits may not be on the same level as pre-pandemic days, but it is gradually recovering (Brenowitz, 2021).

### **Threats**

COVID-19 is the biggest threat to Cineplex because another serious spike in the virus and possibly its variants could cause another wave of mandated closures of the organization's locations and huge losses in profit (Brenowitz, 2021). Not only does the pandemic affect in-person locations, Cineplex's main source of income, but also the production of movies which is the content cinemas need to sustain themselves with (Vary & Donnelly, 2021). Taking advantage of Cineplex's restricted in-person locations, streaming services and on-demand platforms are threats to the theatre company. Citing Shevenock's (2021) survey once again, 70 per cent of Generation Z respondents said they would not go to places such as Cineplex because the same

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movies will be available soon in streaming and on-demand services. The survey was able to discover four additional reasons why Generation Z may favour streaming and on-demand over Cineplex: the cheaper expenses, they do not want to deal with other movie-goers, lack of interest in movies being shown and the locations were too far or hard to get to.

Finally, competition from other companies such as Landmark and local cinemas can also threaten Cineplex due to them providing essentially the same services. A personal observation I made is that many consumers go to Landmark due to their seating and advanced booking, but do not know that Cineplex has revitalized their services to do so. Furthermore, location is key for local cinemas. Cineplex usually competes with this locality by locating their cinemas inside a popular mall-based on my personal observations, but there may still be a large potential audience that is lost as a result.

### **Recommendations**

First, the “cinema experience” that Cineplex sustains itself on should be enhanced, from a consumer perspective, there is not a noticeable difference between Cineplex and its competitors such as Landmark. For example, as a consumer, I know that Cineplex has an arcade at their theatres, why not incorporate more diverse games for people to play while waiting for their movie times? Loyalty to Cineplex should be rewarded with discounted or free goods, Shevenock’s (2021) survey shows the majority of Generation Z would go to theatres if free or discounted movie tickets or food are offered while some movies should have events with giveaways of promotional items to attract the majority of this generation. If some consumers do not want to go through the hassle of a loyalty program, Cineplex can also attempt free screenings on a historically less busy day as pandemic restrictions are released to bring attention to their locations.

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Another recommendation regarding movie tickets is to make discounts on Cineplex tickets more readily available, I personally know where to buy discounted tickets due to my knowledge of Cineplex's collaboration with Alberta Motor Association; however, one has to visit the in-person association to buy these tickets. Shevenock's (2021) survey cites that 78 per cent of respondents would go to movies if there were discounted tickets available, but with most promotions available online, I believe online discounts would be easier to find and more consumer-friendly for the average Generation Z. A further analysis of food prices interfering with the attendance of consumers must be conducted to evaluate if Cineplex needs to lower their prices or keep this deterrent for a portion of Generation Z in favour of maintaining their current profit. Cineplex has failed to create a unique image of the company in consumers' minds, although its current model will still sustain and grow the company to remain competitive in the market, improvements still need to be made.

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**Appendix One: Historical Data of Cineplex Stock**

<b>Date</b>	<b>Open</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Adj Close</b>	<b>Volume</b>
Nov. 23, 2021	13.27	13.38	13.11	13.16	13.16	210,044
Nov. 22, 2021	13.25	13.51	13.06	13.28	13.28	375,800
Nov. 19, 2021	13.28	13.32	13.07	13.09	13.09	416,200
Nov. 18, 2021	13.83	13.85	13.10	13.35	13.35	998,000
Nov. 17, 2021	14.13	14.30	13.77	13.84	13.84	589,800
Nov. 16, 2021	14.29	14.30	13.87	14.21	14.21	430,300
Nov. 15, 2021	14.90	14.90	14.22	14.28	14.28	602,400
Oct. 26, 2021	13.70	13.91	13.60	13.77	13.77	213,713
Oct. 25, 2021	13.45	13.72	13.30	13.70	13.70	362,000
Oct. 22, 2021	13.70	13.72	13.35	13.45	13.45	457,200
Oct. 21, 2021	14.04	14.04	13.55	13.78	13.78	588,000
Oct. 20, 2021	14.23	14.48	13.95	13.99	13.99	552,400
Oct. 19, 2021	14.38	14.44	14.08	14.36	14.36	693,500
Oct. 18, 2021	14.26	14.46	14.24	14.35	14.35	296,100

SOURCE: Yahoo Finance. (2021). *Historical data of Cineplex stock* [Data set].

<https://ca.finance.yahoo.com/quote/CGX.TO/history?p=CGX.TO>

**Appendix Two: News Release Example****Cineplex Celebrates its 25th VIP Cinemas Location with the Opening of  
*Cineplex VIP Cinemas University District* in Calgary on November 17**

Adult-Only Experience Includes Five Luxury Auditoriums with State-of-the-Art Laser Projection,  
Newly Designed VIP Recliners, and a Fully Licensed Lounge Providing an Escape from the  
Everyday

Tickets Now on Sale on Cineplex.com and the Cineplex App

TORONTO, ON, November 15, 2021 (TSX: CGX) – Opening November 17, movie-lovers in Calgary can soon enjoy a luxurious evening out, with the province's first standalone VIP Cinemas – Cineplex VIP Cinemas University District presented by Scotiabank. The highly anticipated VIP Cinemas, located in the University District urban community, offers five auditoriums and a licensed lounge, built for a memorable, movie-going escape for adults aged 18 years and over.

Our business and the industry are recovering thanks to the millions of Canadians who have clearly missed the sense of escape and wonder that only the theatrical experience can provide," said Ellis Jacob, President and CEO, Cineplex. "We are thrilled to welcome Calgarians to our newest VIP Cinemas location and 25th VIP Cinemas across Canada, Cineplex VIP Cinemas University District, as we are able to create jobs and invest in the local economy, all while introducing the community to new and refined entertainment."

Exclusive to Cineplex, VIP Cinemas is a refined adults-only entertainment choice for movie lovers across Canada. All auditoriums in this new 22,500 square foot theatre offer state-of-the-art laser projectors, delivering the highest image colour spectrum, brightness and contrast. Not to mention, Calgarians will be the first to enjoy Cineplex's newly designed recliners that offer a heated seat, power head rest and quilted back for the ultimate VIP experience. Turning the front row into the best seat in the house, guests can also escape to the big screen in one of the new VIP chaise lounges for the most luxurious experience yet. The theatre also features a licensed lounge, where guests can relax before and after their movie.

Guests can also indulge in traditional concessions, including Cineplex's famous popcorn, or choose from an expanded food and beverage menu that features fresh salads and bowls, savoury burgers and poutine, delicious desserts and a wide selection of handcrafted cocktails, wines and premium craft beers – all delivered right to their luxury recliners. For even greater convenience, guests can order from the VIP menu on their phone using the Cineplex app

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As part of opening, Cineplex will be showing the highly anticipated new releases *The Eternals* and *Dune*, now playing. *Ghostbusters: Afterlife* and *King Richard* open November 19, and *House of Gucci* opens November 24. Tickets and showtimes are available at the theatre, the Cineplex app and at [Cineplex.com](https://www.cineplex.com).

Movie-goers will be able to focus on the magic of the big screen with VenueSafe™, a set of protocols and procedures that Cineplex follows each and every day to keep employees and guests safe, in accordance with provincial guidelines. Committed to our guests' safe escape, some of these protocols include proof of vaccination, reserved seating, enhanced cleaning, and safety signage throughout the facility.

With this opening, Cineplex operates VIP Cinemas in 25 locations across Canada, including three others in Alberta: Cineplex Cinemas North Edmonton and VIP, Cineplex Cinemas Seton and VIP, and Cineplex Odeon Windermere Cinemas and VIP. Cineplex VIP Cinemas University District is only the third standalone VIP Cinemas in Canada, with the other two being Cineplex VIP Cinemas Don Mills in Ontario and Cineplex VIP Cinemas Brentwood in British Columbia.

Cineplex operates over 170 theatres and location-based entertainment venues across Canada, including 20 theatres and three locations of The Rec Room in Alberta. For further information and to learn more about all the health and safety measures being put in place, as well as all the features Cineplex VIP Cinemas University District has to offer, head to [Cineplex.com](https://www.cineplex.com).

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### **About Cineplex**

Cineplex (TSX:CGX) is a top-tier Canadian brand that operates in the Film Entertainment and Content, Amusement and Leisure, and Media sectors. Cineplex offers a unique escape from the everyday to millions of guests through its circuit of over 170 movie theatres and location-based entertainment venues. In addition to being Canada's largest and most innovative film exhibitor, the company operates Canada's favourite destination for 'Eats & Entertainment' (The Rec Room) and complexes specially designed for teens and families (Playdium). It also operates successful businesses in digital commerce ([CineplexStore.com](https://www.cineplexstore.com)), alternative programming (Cineplex Events), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media) and amusement solutions (Player One Amusement Group). Providing even more value for its guests, Cineplex is a joint venture partner in SCENE, Canada's largest entertainment loyalty program. Proudly recognized as having one of the country's Most Admired Corporate Cultures, Cineplex employs over 10,000 people in its offices and venues across Canada and the United States. To learn more, visit [Cineplex.com](https://www.cineplex.com)

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NOTE: I did not alter the CP style errors in the news release to keep the source in its original form.

### **Rationale**

I chose these two sources for my Appendices because the first data set attaches a debatable number to Cineplex's evaluation and financial relevance in the stock market, while the news release indicates how Cineplex is attempting to implement the recommendations I have for the company. Although readily available discounted movie tickets are not included, the emphasis on making the Cineplex experience unique with VIP Cinemas helps the company's competitive advantage. The addition of immersive and comfortable technology while creating it exclusively for adults who tend to appreciate and are willing to pay more for a luxurious experience at this cinema, improves customer loyalty and satisfaction.

Furthermore, through the addition of another theatre, one can assume Cineplex's optimistic attitude towards coming out of the pandemic. Addressing the sanitary concerns regarding the fact that consumers will have to be in an enclosed space with strangers if they do not rent out the entire theatre, we can see how Cineplex operates and manages this threat. Despite the stock prices being lower than the previous week, I believe that it shows how critical opportunities created through franchises such as Marvel releasing movies are. Based on my personal observations, the stock price was higher the previous week due to Cineplex enjoying the success of *Shang-chi and the Ten Rings* while *The Eternals* that was released afterwards did not succeed as greatly as the previous movie. It is a critical time for Cineplex to grasp its potential

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opportunities and implement changes to confront its threats and weaknesses so that profit can slowly trickle back to what it once was and even grow beyond historical highs.