



Craig R. Ramsey is executive vice president and chief financial officer for AMC Entertainment Inc.

In his 17 years with AMC, he has seen dramatic changes in the industry — and offers his perspectives about its evolution and future.

DINNER & . . . The Changing World of Movie Theatres

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When Craig R. Ramsey started working with AMC Entertainment Inc. in 1995 (as director of financial reporting), the theatre-going experience was moving through a time of transformation. The era of the megaplex and stadium seating — affording greater comfort and improved sight lines to patrons — was emerging in a growing number of new and bigger multiplex venues.

At that time, the business was mostly movie-focused and movie-centric. As Ramsey, now AMC's executive vice president and chief financial officer and FEI member of the Kansas City Chapter, recalls: "The consumer thinking was, 'I'm going to see a movie and this theater happens to be the closest to me.' We as an industry marketed the film; we didn't market the theatre or the brand, AMC."

The industry focus has evolved. In the intervening years, it has gone through some equally transformative events — a series of recessions and economic slowdowns, the changing nature of the film industry and, perhaps most challenging, the rise of new technologies and a new crop of competitors for the viewing dollar.

North American theatre receipts have dropped in recent years. According to an analysis of 2011 U.S. and global movie-going revenues by the Motion Picture Association of America, the box office for all films released worldwide reached \$32.6 billion in 2011, while receipts during the year for U.S. and Canadian theatres was \$10.2 billion, down four percent from 2010.

By Scott Ladd



Still, Ramsey notes, there are approximately 39,000 movie screens in use in U.S. and Canada currently. Going back 20 years, it was close to 26,000. The existing and potential market for the theatrical window is strong, though contending with myriad forms of new media, technological advances and social media outlets means the effort to keep movie-going relevant and attractive requires new strategies.

Growth of a Company

AMC was launched in 1920 in Kansas City, Mo. It was the first to promote multiplex cinemas after Stanley Durwood, son of one of the original owners, saw one screen in one building as limiting and believed viewers wanted more choices.

So he began remodeling several large single-screen Kansas City theatres into smaller buildings with multiple auditoriums. By 1968, Durwood's multi-screen theater chain had expanded nationwide. He was also credited with bringing stadium seating to U.S. and Canada theatres in late 1990. During the most recent fiscal year, the company reported revenues of \$2.6 billion.

Earlier this year, AMC Entertainment Holdings Inc. was bought for \$2.6 billion by one of China's largest private companies, Dalian Wanda Group. It was described by *Bloomberg News* as the largest-ever buyout of a U.S. enterprise by a Chinese company. Nearly half a billion is slated for reducing company debt and improving AMC's theatres, and Ramsey says that will provide a boost to AMC's plans to upgrade and expand the company's theatre circuit.

Additionally, because of changing consumer demographics and demands, Ramsey sees a time of financial challenge and business opportunity for his company and the industry he's served for nearly two decades. AMC is the second-largest movie theatre company in the United States and now with Wanda, the largest in the world.

Ramsey notes the company recently hired a new CEO, has broadened the skillset of its management team to have more customer centric focus and has

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undertaken a number of new innovations in order to compete successfully with its competitors, both within the exhibition industry and from new outlets.

"We've done a lot as a company to try to stay relevant and focus on the guest — to make movie-going distinctive. We've always worked to make the

experience safe, clean and distraction-free, because movie-going is an escape," he says.

The strategy has evolved to one of "thinking about consumers and their changing needs, tastes and preferences. Movie delivery has evolved; people can download it onto their computers, they can watch it on their phone," he says. "So we started competing with the other screens in the world, and other forms of competition, such as gaming. There are more demands now than ever for the consumer entertainment discretionary spend and our value proposition has to be distinctive."

Dinner and a Movie?

Among the technical innovations AMC has implemented are deployment of digital projection — which accommodates the increase in 3D films — and adapting theaters to handle this new wave of movies. AMC is also the largest operator of IMAX screens and has benefited from the recent proliferation of IMAX movies. To remain relevant and meet these myriad challenges, AMC has consciously made an effort to grow the movie-going

AMC Company Facts



experience into something that transcends simply going to a movie.

"We have substantially broadened our food and beverage offerings. For example, today we offer a dinner and a movie concept," Ramsey says. "That used to be considered separate events. Today, patrons can do both at the same time."

The rationale for expanding food and beverage offerings, he says, was rooted in simple economics. "We found that 70 million people walked by our concession stands every year and didn't buy anything, roughly the attendance of major league baseball in a given year."

Offering to consolidate the "evening out" experience — for adult parents enjoying a night out or teenagers whose eating options may be limited — provided a more beneficial approach, explains Ramsey. "So our thinking went along the lines of: 'What if we combined both in one place?'

In making the decision, Ramsey says: "As we sat back and thought about it, we've introduced stadium seating, IMAX and 3D, to rejuvenate the onscreen experience. But we had not delivered the same level of innovation to our food and

beverage offerings beyond popcorn, soda and candy. We had not responded to changing consumer behavior and were one of the few industries that hadn't evolved its food offerings."

It's not a five-star restaurant, he says. "We aren't targeting that." What it is, is "good food and quick service — what you can get at a fast casual dining establishment." Ramsey says the company identified some older theatres "that were in need of an upgrade. We were convinced the concept had great potential if we could master the operating challenges, which we've done, and we're getting very good returns" on the investment.

Tapping a Global Audience

With global viewership on the rise, and U.S. patronage in slight decline, AMC has taken a more active role in the area of programming, especially when it comes to the production and promotion of movies aimed at diverse audiences.

"We find pockets of diversity among our audiences — Hispanic, African-American, Indian, Asian," Ramsey says. "While each of those segments enjoys

Hollywood content, they also want to see content that is more specific to them."

AMC has forged alliances and partnership with other companies that specialize in making and marketing films that appeal to more diverse audiences, he says.

"Tyler Perry, for example, or Bollywood productions for our Indian viewers. There are a lot of movies produced in a year, not all of them big block-busters," he continues.

"Sometimes you have to find a niche studio that's developing that kind of content. So we're thinking of our programming in different ways, focused on our guest. We're proactive to find content that will satisfy our consumers."

The basic formula for success, he adds, is providing a social experience that brings people out of the house — and not just relying on new computer programs for all of their entertainment needs.

"While we compete with TV and the computer screen, ultimately we are different because we have the largest screens, a social setting and it's a chance to get out of the home," he says.

The Future for Movie Theatres

Does Ramsey envision significant changes on the horizon for the industry? "I didn't when people asked me that 10 years ago, underestimating the creative talents of our industry," he replies. "It's a great business, with a great future, and given its creative talent, I don't see us venturing into other businesses."

"We'll expand and do more in the business we know. We'll continue to evolve movie-going, with more enhancements to projection and screen technologies, the in-auditorium experience, innovate to enhance the lobbies, broaden the food offerings to be more fresh and appealing and seek out more sources of content," he says.

"We don't have to get into another entertainment business to be successful." Ramsey adds: "People want to get out of the house, and we're affordable. As long as we keep doing what we do well, at a fair price, we should be okay." 

- AMC is headquartered in Kansas City, Mo., where it has been since its founding in 1920.
- Revenue: approximately \$2.6 billion.
- In September 2012, AMC was acquired for approximately US\$2.6 billion by the Beijing-based Dalian Wanda Group, a leading privately held entertainment conglomerate.
- The company employs about 17,000 full- and part-time employees.
- AMC has interests in 338 theatres with 4,865 screens in 32 states and the District of Columbia, as well as three countries outside the United States (Canada, Hong Kong and the United Kingdom).
- 99 percent of the company's screens are located in the United States.
- Theatres welcome almost 200 million guests annually.
- More than 46 percent (2,275) of AMC's screens have 3D capability and 125 of its screens are IMAX.
- At an average of 14.4 screens per theatre, AMC has the highest screen per theatre count among the major U.S. exhibitors — well above the 2011 calendar year industry average of 6.8.
- AMC's food and beverage sales exceed the domestic food service sales generated from 17 of the top 75 ranked restaurant chains in the U.S.

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