The New Era for AMC

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This section will deliver the analysis of the current marketplace for cinemas and the impact of globalization on the film industry with the collected data of quarters' revenues for three major cinemas, including AMC Entertainment, Regal Cinemas, and Cinemark. Lastly, I will transit to the next section which is about the opportunities of applying the immersive technology to cinemas to optimize its advantages and further differentiate cinemas from the streaming platforms by utilizing Red Ocean and Blue Ocean Strategy.

Background

The audience of theater chains like AMC are mainly the people who enjoy watching movies with an immersive experience. However, the period of quarantine during the COVID-19 pandemic prevented audiences from going to the movie theaters, which led to the closures of the theaters and a steep decrease in the revenue of the theatrical release windows in 2020. According to "AMC Theatres Lost $4.6 Billion in 2020 Due to COVID-19", Brent Lang (2021) mentions that "for the most recent financial quarter, AMC Entertainment's revenues fell 88% to $162.5 million" (Lang, 2021). Even more, according to "Will Movie Theaters Survive When Audiences Can Stream New Releases," Gordon Burtch (2021), Daegon Cho (2021), Yangfan Liang (2021), and Michael D. Smith (2021) demonstrate that all of the Warner Brothers' movies in 2021 "will be available on Warner's HBO Max subscription streaming service - on the same day they premiere in U.S. theaters" (Burtch et al., 2021). Moreover, based on the data collected by *Morning Consult* in 2020, Sarah Shevenock (2020) mentions that "a 48% plurality of adults prefer to first watch new releases via a streaming service" (Shevenock, 2020). Not only that, but Shevenock also includes that 45% of the adults aged from 18-29 would want to watch newly released movies at theaters while 46% of the adults would prefer to watch them on streaming services because of its characteristic of interacting with audiences (Shevenock, 2020). Because

of this, it is fundamental for AMC to innovate in their film exhibition system by adapting

modern media technologies to compete with other movie theaters and differentiate themselves

from streaming platforms in the marketplace of movie distribution and exhibition.

Market Analysis

According to the annual report of 2021 from AMC Entertainment Holdings, Inc., the

three major film exhibitors of AMC, Regal Entertainment Group, and Cinemark Holdings, Inc.

have occupied 54% of the box office profits in 2021 in the market of the United States and

Canada ("AMC," 2021). Between the three major theaters, AMC is the top film theater as it

holds 44% of the market share in the United States ("AMC," 2021). Not only that, but AMC is

also the #1 theater chain in Italy, Sweden, Norway, Finland, and Spain, the #2 theater in the

United Kingdom and Ireland, the #3 theater in Portugal, and the #4 film exhibitor in Germany by

December 31, 2021 ("AMC," 2021). Based on the financial report, although the revenue from

the European market is behind the revenue in the United States, AMC is a top movie theater

chain in Europe, because of its penetration with the input of the screens, and the European

markets are densely populated ("AMC," 2021). Regarding the impact of geography, the movies

from the United States have generated revenue for the theaters in Europe, but the moviegoers

also expect to watch the movies produced by local filmmakers with local actors ("AMC," 2021).

Overall, the penetration of the screens, geography of the markets, and the types of the films are

the major factors that affect AMC's box office revenue.

Strategic Planning

In this section, this research paper will build the structure of this part of the research

based on the article, "The Past, Present, and Future of Virtual and Augmented Reality Research:

A Network and Cluster Analysis of the Literature," written by Pietro Cipresso, Irene Alice

Chichi, Mariano Mariano Alcañiz Raya, and Giuseppe Riva. By referring to the article, the

section will introduce non-immersive systems, immersive systems, and semi-immersives systems

to explain the concept of virtual reality and its applicability at film exhibitions. By utilizing these

concepts, this research paper will compose the opportunities and potential challenges with the

structure of the Red Ocean and Blue Ocean strategy.

Red Ocean and Blue Ocean Strategy for AMC

Red Ocean	Blue Ocean
● Competing with existing theatrical release windows like Regal, Cineworld Group plc, Cinemark Holdings, Inc. ● Provide diverse services other than film exhibition to increase the competitiveness of AMC in the market ● Expand its interactions with the current audience to fully exploit market's demand ● Collaborate with local film studios to produce content with local production	● Create a new market by utilizing innovative exhibition technology for the new target audience ● Adjust the business model to avoid the competition of the film exhibition business ● Explore potential investment in different industries to reposition the brand to the public ● Control and lower the cost on film exhibition and invest the capital in developing new products and services

teams and actors	with the technology

Based on the Red Ocean and Blue Ocean Strategy, it proposes the opportunities for AMC to increase its competitiveness in both the red ocean and blue ocean for the future operation. Hence, the remaining parts of the section will be divided into the parts of Red Ocean and Blue Ocean and the research will further provide the strategies corresponding to each area.

Red Ocean

In order to utilize the Red Ocean strategy, AMC theater chains should increase their competitiveness in the global market by providing additional services in addition to film exhibitions and enhancing interactions with local markets.

Additional Services

According to "Movie theaters get creative with food and drink as they struggle to fill seats," Noah Sheidlower explains that "revenue from ticket sales is about a third larger than concessions sales, according to Wold. But theaters generate significantly more profitability from concessions than from ticket sales" (Sheidlower, 2023). Nevertheless, the streaming services have provided the audience an optional way to watch films at home comfortably with their favorite food. Because of this, movie theater chains lose their competitiveness in the film exhibition business, and it would diminish the audience's desire to visit theaters and pay for the concessions. Hence, AMC can expand its services to increase its market share. According to O'Keefe (2016)'s *Persuasion: Theory and research*, the elaboration likelihood model (ELM) is "based on the idea that under different conditions, receivers will vary in the degree to which they are likely to engage in elaboration of information relevant to the persuasive issue" (p. 235). For example, since the public's perception of AMC is a film exhibition company, AMC can develop

a snack or dish to the public and promote it by utilizing social media platforms. In this case, this

strategy implements the ELM model to increase the audience's involvement with AMC with the

peripheral path, and it would attract more eyeballs from the public other than exhibiting films.

Not only that, but the interactions on social media would increase AMC's popularity among

younger audiences, and people would visit AMC for the films and the concession food.

Increase Interactions with the Local Markets

By analyzing AMC's 2021 annual report, AMC lacks the interactions with local markets.

Hence, as a film exhibition company, it is fundamental to expand its connections to the public to

gain popularity in the market. In the age of digital media, AMC should fully utilize the

characteristics of social media to reach out to its local audience. For example, AMC can develop

its owned media on platforms like TikTok and YouTube. Based on the research, AMC currently

has 26.8K followers on TikTok and 587K followers on Instagram, but the accounts apply for

marketing purposes and mainly contain the information for the upcoming movies. Hence, instead

of merely distributing newly released movies' information, AMC can also produce its own visual

content. For example, after AMC develops a popular and exclusive concession food for the

audience, AMC should continue to utilize this differentiated aspect by producing short videos

like "AMC Kitchen" on TikTok to teach the audience to cook the AMC concession food at

home. Even more, in order to further increase the interaction with local markets, AMC can

collaborate with local film companies to support independent filmmakers. According to

"Queensland's film culture: the challenges of local film distribution and festival exhibition," Tess

Van Hemert and Elizabeth Ellison mention that "in an uncertain industry currently characterised

by limited funding and diminishing support structures, local emerging filmmakers require

significant initiatives and a sophisticated understanding of how to best utilise fledgling

distribution models as part of a tailored strategy for their content" (Hemert & Ellison, 2015).

Hence, AMC can collaborate with local filmmakers and provide financial investment for places

like Queensland to support local film productions. This strategy would build up AMC's brand

image to the public and enhance the connections with the potential audiences in local

communities.

Blue Ocean

According to "Strategy Reading: Industry Analysis," Ramon Casadesus-Masanell (2014)

explains the Blue Ocean Strategy that "advocates that instead of competing in overcrowded

industries, companies should look for uncontested market spaces and create new demand"

(Casadesus-Masanell, 2014). By analyzing AMC's business model, ACM can further invest in

the development of viewing technology and alter its brand identity from a film exhibition

company to a technology innovation company.

The Adoption of Virtual Reality

Based on the research of Ersin Dincelli and Alper Yayla, the immersive virtual reality can

be applied via the components of embodiment, navigability, sense ability, interactivity, and

create-ability in information systems. In this case, AMC theater can further develop the

technology of Motion Capture Fusion to provide an experience for the audience to not only

watch the film but also enter the film (Dinelli & Yayla, 2022). By altering the marketplace from

a traditional theatrical release window to an innovative media company, AMC would be able to

reach a different market with new target audiences, which would help AMC avoid the

competition in the red ocean market and expand its sources of revenues.

Changes in the Business Model: According to AMC's 2021 annual report, AMC "owned,

leased or operated 946 theatres and 10,562 screens in 12 countries" ("AMC," 2021). Hence,

AMC has been mainly focusing on providing large screens to the local markets. Nevertheless, with the involvement of immersive technology, it would be challenging to manage and provide an intact immersive experience for a large amount of audience at the same time. Inspired by Jiuyan Zhang's "Transformation and Modernisation of the Chinese Film Industry under the background of COVID-19," AMC can adjust its business operation to the mode of "private cinema" in some locations (Zhang, 2022). For example, in major cities such as Chicago, AMC can start and operate multiple private theaters containing the screens for a moderate amount of audiences (5 - 10 people) instead of investing in large screens. By achieving this, it would help AMC to transfer its financial investment from building and operating large theaters to the development of individual Motion Capture Fusion equipment.

Potential Competition: By incorporating customized immersive media technology, it would generate extensive interest from the market and increase the brand awareness of AMC in different age groups like youngsters. Nevertheless, it is debatable that there are some existing competitors like L.A. Live in the industry of immersive viewing experience. However, although L.A. Live adapts the technology of The ICE Immersive Experience with the LED side panels, AMC would still be a competitive brand in the market as it continues to adjust its business model and develop individual immersive and interactive media technologies with the movies for its audience. Furthermore, with the future development of the Metaverse, AMC could further develop the Motion Capture Fusion into portable devices for people to watch movies at AMC by entering the immersive virtual world at home.

Method for the Blue Ocean Strategy

Goal

The main purpose of this research is to measure the effectiveness and interactiveness of implementing interactive technologies at a movie theater. During the study, I will be measuring the components of audiences' attitudes and perceptions regarding the interactivity of the video to analyze the potential market and issues.

Procedure

In order to achieve objective and accurate results, I will design a pretest and posttest survey by using Qualtrics to capture the changes in participants' perspectives about an interactive video they have watched. Then, the survey will be distributed to participants from different demographics, including ethnic groups, age groups, industries, educational backgrounds, and income levels. The sample size for the research will be 40 to 60 participants. According to Derina Holtzhausen, "qualitative research seeks to know about the motivations, opinions and underlying reasons of a problem or behavior. It is helpful to understand the motivations of consumers"(Holtzhausen, 2021)." Hence, the survey will also include questions that seek an understanding of the audience's purchase behaviors and viewing preferences from the focus group by implementing the quantitative surveys.

Measurement

In order to explicitly demonstrate the factors, the questions in the pretest and posttest sections would mainly focus on whether people would perceive interactive technology like virtual reality as the tool to improve or negatively affect the viewing experience and whether the interactive video that participants have watched during the procedure has changed the participants' attitudes. Hence, these variables will be converted into data by utilizing short answer questions and the 11-point Likert scale, as 0 represents "not at all" and 10 represents "extremely enjoyable."

Before entering the pretest and posttest sections, the participants will also answer

questions regarding their preferences for movie genres and locations of watching films, and the

comfortability of using interactive technologies. Then, the participants who are not comfortable

with the implementation of virtual reality can exit the experiment. The remaining participants

will be separated into different groups based on their social backgrounds, including age,

ethnicity, income levels, and movie preferences. As the participants have completed the

demographic questions, they will watch a short film without using the interactive technology and

enter the pretest survey, which has the same questions as the posttest section. After the

participants answered the entire survey, the system will collect the data, and the p-values will be

calculated to measure whether the interactive video is effective and whether the results are

significant to demonstrate the correlation between the perceptions of using interactive

technologies and the social backgrounds of the participants for AMC to further implement the

strategies corresponding to the locations.

Survey Distribution

According to *Corporate communication: A guide to theory and practice*, Joep

Cornelissen (2020) mentions that "in *virtual social worlds*, users can adopt a certain persona and

essentially live a virtual life similar to their own real life. They create an avatar (a virtual person)

and then interact in a three-dimensional virtual environment. Given that there are hardly any

restrictions on how individuals choose to manifest themselves within virtual social worlds such

as Second Life" (P. 90). By referring to figure 1.1, people tend to have higher self-disclosure and

social-presence on social media platforms. Hence, in order to increase the relevancy and

self-representation of the participants to further enhance the significance and representativeness

of the study, the survey will be distributed on social networking sites like Facebook, Twitter, and

Instagram. On the other hand, although YouTube is the platform where viewers have lower

self-disclosure, the survey will also be embedded as a short virtual reality game to attract

people's attention before they get to watch their videos on media platforms. In this case, the

participants can engage with the survey by rolling the mouse to observe the environment. Then,

the viewer would be interested and click on the link to participate in the main survey. This

approach would propel the participants to interact with the survey with natural responses. After

three months, the data will be collected on Qualtrics and analyzed to determine participants'

attitude changes before and after watching the interactive video.

		Social presence/Media richness		
		Low	Medium	High
Self-presentation/ Self-disclosure	High	Blogs	Social networking sites (e.g. Facebook)	Virtual social worlds (e.g. Second Life)
	Low	Collaborative projects (e.g. Wikipedia)	Content communities (e.g. YouTube)	Virtual game worlds (e.g. World of Warcraft)

Source: Figure 1.1 Classification of social media

1. Kaplan, A. and Haenlein, M. (2010) 'Users of the world, unite! The challenges and

opportunities of social media', *Business Horizons*, 53 (1): 61. Used with permission of Elsevier.

2. Cornelissen, J. (2020). *Corporate communication: A guide to theory and practice*. SAGE.

Sample Questions for Survey

Demographic Questions	Pretest Questions	Posttest Questions

What is your age/gender/ethnic group?	What is your prescription about interactive technologies like virtual reality?	What is your prescription about interactive technologies like virtual reality?
What is your annual household income range?	How do you like to use virtual reality at movie theaters?	How do you like to use virtual reality at movie theaters?
What are your top three film genres?	From 1-10, please rate your viewing experience.	From 1-10, please rate your viewing experience.
Where do you prefer to watch films? (e.g. movie theaters, home)	How would virtual reality affect your viewing experience?	How would virtual reality affect your viewing experience?
How comfortable are you with interactive technologies?	What is your perception regarding AMC?	What is your perception regarding AMC?
What is your profession?	What are you expecting to see in the future with VR/AR	What are the things that you would add to enhance the VR/AR experience?

Future Implementation of the Research

Based on the research, interactive technologies would be an innovative approach for

AMC, but since the strategic planning for AMC involves changing the current target market and

business model, it would involve causing challenges to the development and managerial aspects

of the company's operation from both internal and external aspects.

External Challenges

Based on the research, there are two potential challenges for AMC to solve after

completing the survey. First of all, it is unavoidable to generate results indicating that the public

would not like to watch movies with augmented reality and virtual reality, like when the film

industry first introduced the technology of stereoscopic, which is also called three-dimensional

movies. According to "Why 3D movies are a waste of money" written by Roger Cheng, when

filmmakers first utilized the technology of 3D, they tended to use more dramatic 3D effects, which made the audience uncomfortable (Cheng, 2012). Correspondingly, the first implementation of augmented reality and virtual reality in filmmaking would cause various issues, including dizziness or uncomfortableness to the audience during the research period, and it would leave negative impressions of this new technology. Not only that, but as innovations continue to rise, it is likely that a new alternative to immersive technology will be introduced to the market, which further diminishes the necessity of applying the technology in theaters.

Internal Challenges

Since augmented reality and virtual reality are innovative developments for AMC, it would require the corporate to adjust the managerial structure in order to avoid misalignment between brand identity and the operation. Furthermore, the adaptation of new technology would also cause bifurcation in the company as new departments are established. For instance, according to"What Exactly Does Disney's 'Reorganization' Mean for the Movie Industry," written by Chris Lee, Disney reorganized its operation configuration to facilitate the development of its streaming platform by building a new branch and investing financial and personnel resources (Lee, 2020). Nevertheless, this led to the bifurcation between the internal stakeholders as the new corporate structure divides Disney's intellectual properties into two branches. One of the clusters is to produce content exclusively, and the other is in charge of distributing content to traditional exhibitors like theaters and networks, including ESPN+ and Hulu (Lee, 2020). With the implementation of AR/VR, it is prominent for AMC to rearrange the corporate configuration to not only invest in personnel to apply the immersive technology but also build a Research and Development department to continue developing new methods to improve AR/VR. Nevertheless, this approach would also lead to a similar situation to Disney+.

Focus Group Questionnaire

Based on the analysis of external and internal challenges, the implementation of the AR/VR with movie exhibition will require AMC to invest a lot of financial support to research and develop the equipment, and it would also majorly alter AMC's current brand identity and operation structure. Hence, it is crucial for AMC to analyze the practicality of applying the technology of AR/VR to the market before applying the technology. First of all, it is fundamental for AMC to investigate the market's interest and reaction to the change after analyzing the results. After receiving the results of the public survey, AMC should indicate whether the public shows at least 60% of expectations to watch movies with AR/VR. Then, in one month, AMC should build a private cinema that implements the technology for a room of 20 audiences in a major city like New York in the United States. Then, AMC will set up a focus group questionnaire process by inviting 10-20 moviegoers to the new AMC private cinema to watch a 10-minute film clip with the virtual reality equipment and rate their experience using a detailed questionnaire.

Procedure

In order to gain representative results from the focus group, AMC will schedule interviews with five to six communication professionals to design a pretest and posttest questionnaire that fully reflects the advantages and potential challenges after the audiences watch a movie with virtual reality.

Sample Questions of the Questionnaire:
● On a 10-point scale, how would you rate your viewing experience?

- What is the most memorable point from the experience?

- What are the things that you expect to see but are not included in today's viewing

  experience?

- How would you further enhance your experience?

If the questions are applicable to observe the trend of people's perceptions of utilizing

virtual reality equipment to watch films, the questionnaire will be distributed to other focus

groups. The process of the focus group investigation will be held for three rounds with different

focus groups with a sample size of 10 to 20 participants in one month. After AMC's research

department collects the answers from the focus groups, AMC will collaborate with the

communication specialists to analyze the results and implement the technology and make

improvements based on the findings.

After the Implementation of AR/VR and AMC's Private Cinemas

Although the innovation of applying virtual reality to movie-watching differentiates

AMC from other competitors in the market, it is undoubtedly that other theaters would

implement the same equipment and approach to generating profit from the market share. Hence,

AMC will build a program, "Innovators' Camp," to gather independent and innovative

filmmakers to produce interactive films and premiere the movie in AMC's private cinemas. In

this case, this would increase the uniqueness of AMC as it constantly provides innovative and

independent films to the audience from creative filmmakers. From this process, it would not only

expand options for the viewer but also raise awareness of independent filmmakers to the public,

which also helps AMC align with corporate social responsibility.

According to *Corporate Communication A Guide To Theory and Practice*, Cornelissen

mentions that "the outward presentation of an organization through symbolism, communication

and behaviour, should emerge from an understanding of the organization's core mission, strategic

vision and the more general corporate culture of an organization" (p. 240). With the innovation

of AR/VR, AMC should also organize its operation configuration to encourage innovations and

avoid internal bifurcations. In this case, AMC should utilize the Stakeholder Model of Strategic

Management developed by Joep Cornelissen (2020) to further rebuild the management and

communication structure with both external and internal stakeholders for AMC. Then, AMC will

consult the communication professionals to discover the potential issues in managing the

communication with the key stakeholders and measure the practicability of incorporating the

model for AMC's new business structure.
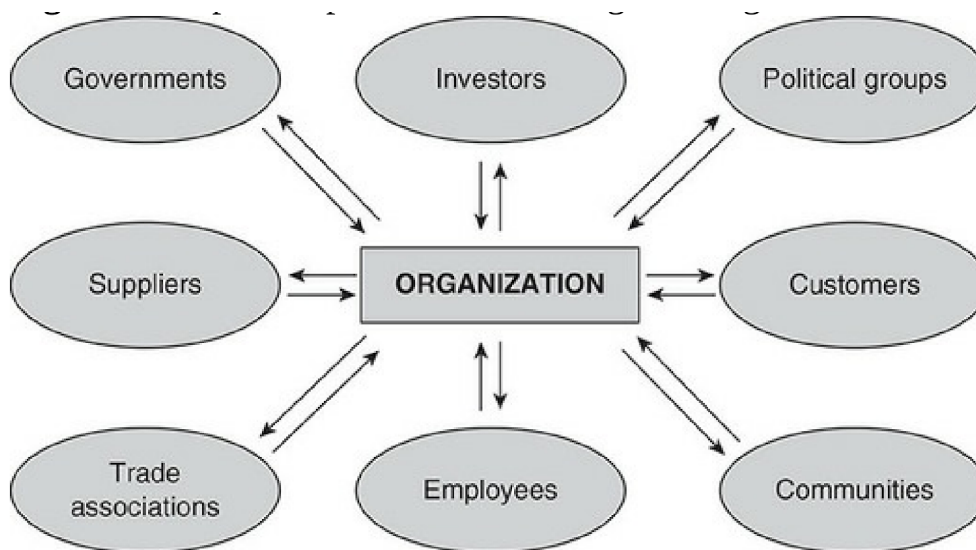
Source: Figure 1.2 Stakeholder model of strategic management

Cornelissen, J. (2020). *Corporate communication: A guide to theory and practice*. SAGE.

Based on the model, AMC should first build two-way symmetrical communication

channels between its internal stakeholders, like employees, and external stakeholders, including

local public groups and suppliers, to maintain alignment between brand identity and brand

image. Hence, during the first month of installing AMC's private cinemas, AMC will hold

monthly seminars between the Research and Development department of AMC with local

communities and customers to build two-way connections and receive reflections regarding the new technology from the public. AMC will also utilize these opportunities to reinforce its mission and brand image by presenting the market with the latest innovations to enhance the audience's viewing experience. Furthermore, each branch's manager will implement bottom-up communication by setting up a communication channel with AMC's core management department. When an employee has any feedback, complaint, or innovative concepts, the employee can use this channel to meet with a communication leader from AMC's headquarters. In order to avoid the bifurcation between AMC's creative exhibition department and the cluster for exhibiting traditional films, AMC will also hold annual podcast events after adjusting the operation structure for all of AMC's employees to join. During this event, every member can host or join the podcast with the professional areas they are interested in. From this experience, employees can gain knowledge from different professional backgrounds, and managers can discover talented members to join the team and create innovations. Most importantly, all members from different departments in the corporation would build collaborative and effective external networks for their teams.

Undeniably, the implementation of augmented and virtual reality is challenging for the exhibition companies and the public to accommodate. Nevertheless, by applying the research of pretest and posttest surveys and focus group questionnaires, the prediction of using the new technology will become more explicit and definite for AMC to track. Even more, by building two-way symmetrical communication channels with various internal and external stakeholders, AMC will be able to build up its brand awareness and change brand identity by constantly accomplishing the stakeholders' needs and expectations. Overall, by applying sharing and collaborative events, AMC will be able to maintain alignment with employees' vision and the

brand image and alter AMC from a movie exhibition company to an innovative company

aspiring to provide and enhance the movie-watching process for the audience with immersive

experiences.

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