Cineplex entertainment – loyalty programs

Experience, Human Nature

S w 9B08A008 CINEPLEX ENTERTAINMENT: THELOYALTYPROGRAM Renee Zatzman wrote this case under the supervision of Professor Kenneth G. Hardy solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality. Ivey Management Services prohibits any form of reproduction, storage or transmittal without its written permission. Reproduction of this material is not covered under authorization by any reproduction rights organization.

To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Management Services, c/o Richard Ivey School of Business, The University of Western Ontario, London, Ontario, Canada, N6A 3K7; phone (519) 661-3208; fax (519) 661-3882; e-mailuwo. ca. Copyright © 2008, Ivey Management Services Version: (A) 2009-05-15 INTRODUCTION Sarah Lewthwaite, marketing director for Cineplex Entertainment, was approached by chief executive officer (CEO) Ellis Jacob in August 2006 to resume the development of a loyalty program.

The movie industry yielded inconsistent revenues each year, and Jacob wanted to increase and stabilize Cineplex's revenues. As chair of the Loyalty Steering Committee (the committee), Lewthwaite was scheduled to present her recommendations to the committee the following week. She would need to make a persuasive argument that included recommendations on program development, the reward structure and the type of promotional campaign that would be most effective under the existing budget constraints. Finally, she needed to suggest whether the rogram should launch regionally or nationally. Her recommendations would be reviewed by senior Cineplex executives to ensure that the recommendations aligned with their criteria. CINEPLEX ENTERTAINMENT Cineplex Entertainment (Cineplex) was founded in 1979 as a small chain of movie theaters under the Cineplex Odeon name. In 2003, under the direction of Onex Corporation, a Canadian private equity firm that held a major ownership claim in the company, Cineplex merged with Galaxy Entertainment Inc. (Galaxy). The CEO of Galaxy, Ellis Jacob, took over the newly merged company.

In late 2005, Cineplex Galaxy acquired its largest competitor, Famous Players, and became Cineplex Entertainment — Canada’s largest film exhibitor. With a box-office market share of 64 per cent, the chain enjoyed approximately 40 million visits per year under the Cineplex Odeon, Galaxy, Famous Players and Cinema City brands. 1 Cineplex’s corporate mission focused on offering movie-goers “ an exceptional entertainment experience. ” In addition to seeing a movie, customers could eat at various branded concession counters or play in the arcade.

In 2005, Cineplex expanded its strategy to focus on developing new markets, using the theaters’ 1 Cineplex Galaxy Income Fund 2005 Annual Report, http://dplus. cineplexgalaxy. com/content/objects/Annual%20Report%202005. pdf, accessed January 3, 2008. Page 2 9B08A008 large screens to showcase live events, such as major hockey games, wrestling matches and the Metropolitan Opera. These events contributed greatly to Cineplex’s success, which was measured primarily on customer traffic and revenue per guest (RPG), which was in turn composed of box-office and concession revenues.

In 2005, weak box-office attendance throughout the movie theater industry had affected Cineplex's operating performance (see Exhibit 1 for Cineplex's income statements for 2003, 2004 and 2005). Following the acquisition of Famous Players in 2005, Cineplex executives adjusted the pricing and products in thefoodand beverage concessions in 2006. With these moves, Cineplex was able to increase its average box-office RPG to $7. 73 and its average concession RPG to $3. 44 (see Exhibit 2).

A GROWTH OPPORTUNITY Like the entire industry, Cineplex faced variable attendance levels depending on the crop of new movies. Additionally, RPG fluctuated based on the film genre. Cineplex executives knew that audiences for actionthemed and children's movies purchased a high volume of concession items, which typically resulted in a higher RPG than dramas. From these viewing patterns, Cineplex executives were able to distinguish the groups of customers that were particularly valuable.

However, with no actual link to individual customers, they faced challenges targeting customers for specific movies and special events. Although market research was helpful on an aggregate level, Cineplex executives wanted to link box-office and concession purchases to a particular customer. Senior executives were supportive of Lewthwaite and the committee collecting this information through a customer relationship management program. FILM EXHIBITION The first Canadian film screening took place in 1896, in Montreal, Quebec, and the earliest cinema opened in 1906. Attending the cinemas, also known as theaters, became a popular social activity; by the 1930s, a variety of independent and studio-owned theaters competed for customer attention. In 1979, Canada's first 18-theater multiplex opened in Toronto, Ontario, with several other multiplexes following in subsequent years. After a series of consolidations, by 2005, only three major theater companies existed in the Canadian movie and event exhibition market. To showcase films, theaters required licensing from distributors who purchased rights from the production studios.

The licensing agreement stipulated the “ box-office split,” also known as the percentage of proceeds that the theater received from a given film over a specified duration. Although both parties were mutually dependent, distributors held the balance of power and theaters relied heavily on concession revenues, of which they retained 100 per cent of the receipts. The margins on customers’ purchases of concession treats and beverages were 65 per cent on average. 3 Table 1 (below) shows one way of characterizing the motivations and frequency of movie-going behavior according to various age segments. Marcus Robinson, “ A History of Film Exhibition in Canada,” Playback: Canada's Broadcast and Production Journal (2005), accessed December 30, 2007. 3 Janet Wasko, How Hollywood Works, Sage Publications, London, 2003. Page 3 9B08A008 Table 1 OBSERVATIONS ON THE MOTIVATIONS AND FREQUENCY OF MOVIE ATTENDANCE BY AGE Frequency, reasons for attendance* Age Segment Labels 13-15 “ Teenagers” 16-19 “ Young Adults” 20-24 “ Young Working” Medium (Special Movies) High (Routine) 36-54 “ Older Families” X Low (Special Events) 25-35 “ Young Families” 55+ “ Retirees” X X X X X These observations were drawn from an independent focus group study conducted in 2003. “ Teenagers” — Teenagers use the movie theatre and arcade for social gatherings because locations are accessible and movie-viewing is considered by parents to be an appropriate social activity. They are among the highest frequency of visitors. “ Young Adults” — This segment has access to a variety of other social venues because they can drive. Some in this segment are still in high school and others are post-secondary students; this segment visits theatres with high frequency. Young Working” — This segment has disposable income and they combine movies with socializing at other venues such as bars and restaurants. This segment has a high frequency of movie visits. “ Young Families” — This segment struggles to balancefamilyand work-related obligations; they take their children to special movies occasionally. “ Older Families” — With a busy work and family life and varying interests within the household, older families attend theatres only for special events, and seldom attend as a family unit. Retirees” — This segment has significant free time to attend movies. They attend movies at a medium frequency. CUSTOMER RELATIONSHIP MANAGEMENT (CRM) Customer relationship management (CRM) is a marketing approach in which a company collects individual purchasing information to improve its ability to understand and respond to customer desires and buying patterns. The information is typically stored in a central database from which the company managers can analyse trends and the purchasing behavior of particular market segments.

A better understanding of customers enables organizations to develop targeted campaigns to increase marketing effectiveness, such as restructuring its products and services. For Cineplex, a CRM program could also be Page 4 9B08A008 used to share valuable information with concession suppliers and movie distributors. Through the sharing of this information, partners would be better able to develop products for Cineplex’s customer base. Although several mechanisms were available to collect customer information, the most frequently used systems were point-of-sale systems, which scanned barcodes on wallet-sized cards or key chains.

A recent trend for CRM programs was to offer incentives such as discounts or points that could be collected and redeemed for merchandise in return for the customer’s permission for the company to collect data on the customer’s buying habits. Among the Canadian companies following this trend were Shoppers Drug Mart with the Optimum card program, Air Canada with the Aeroplan rewards program and Office Depot and Boston Pizza which both participated in the Flight Miles card campaign. CREATING LOYALTY Even with 65 per cent market share in Canada, Cineplex had to aggressively compete for customer attention.

Ongoing film piracy, rental movies, concerts and sporting events, combined with inconsistent box-office revenues encouraged Cineplex managers to explore ways to increase customer spending and frequency, particularly within the lucrative 16- to 24-year-old segment. Before merging with Cineplex Odeon, Galaxy Entertainment had established the Galaxy Elite card, which offered customers the opportunity to accumulate points toward free movie viewing. Although the program had no CRM capabilities, it had been successful in driving customer traffic.

During the merger with Cineplex, the program had been disbanded and Galaxy’s customer traffic had promptly waned. In a survey of Cineplex customers in May and June 2005, 95 per cent of respondents stated they were interested in joining a movie rewards program (see Exhibit 3). In 2004, a steering committee composed of different department representatives was established to investigate CRM opportunities for Cineplex. After being put on hold during the acquisition of Famous Players, the committee was anxious to move forward in investigating a joint loyalty/CRM program.

Senior managers had several concerns, primarily regarding data control and ownership, which would be relevant if the program were disbanded. Another criterion concerned resource requirements; a program this size would be a costly investment and would likely require new employees to manage it. Lewthwaite would need to prove that it was a worthy financial investment. Finally, the committee needed to consider the length of time required to establish a new database because most committee members believed that conclusive information on customer behavior could be drawn only from a minimum of 500, 000 members.

Further, although they thought that an investment in such a program could be largely beneficial for Cineplex, if implemented poorly, the organization’s image and its ability to deliver customer value could suffer widespread harm. Lewthwaite knew that although the following partner options might not meet all the committee’s criteria, she had to evaluate the most important considerations. LOYALTY PARTNER OPTIONS Internal Development Under this option, Cineplex managers would develop and operate the program; they would then know their brand best and would have complete control over the direction of the program and the data ownership.

However, the organization would incur the entire cost estimated at $5. 5 million in the first year with diminishing costs in subsequent years. The company would also be fully exposed to the financial risk of unredeemed points and could face difficulty in divesting the program if it proved unsuccessful; a new Page 5 9B08A008 department would need to be created to manage the exit of the program. This option would also require a new database, which, depending on promotional effectiveness, could take several years to create.

However, because of the unlimited data access and control, this option appealed to several members of the committee. Flight Miles Partnership With 72 per cent of Canadian households as active members, Flight Miles was the top Canadian loyalty program. 4 This program gave cardholders the opportunity to earn leisure and travel rewards by purchasing products at various retailers across the country. Flight Miles executives viewed Cineplex as an opportunity to increase its youth membership, and their executives approached Cineplex executives to propose a special joint program.

In this program, traditional Flight Miles cards would be used to collect points. Supplementary key tags would be issued for movie customers who opted to receive additional member benefits and rewards. Although the key tags might confuse other existing Flight Miles members, the proposal seemed to offer numerous benefits to Cineplex, including immediate entrance into a database of seven million people. Cineplex would also have the opportunity to access data from other Flight Miles partners, which would be beneficial in targeting specific retail buyers for niche films.

Lewthwaite estimated that access to the Flight Miles program would cost Cineplex yearly fees of approximately $5 million. Cineplex would also be required to pay $0. 09 for each point issued. Lewthwaite thought users of the program would expect each movie transaction to be worth a minimum of 10 Flight Miles points. Cineplex would also be required to pay each time it accessed the data, which Flight Miles would own. A commitment of three years would be required, and if Cineplex decided to leave the program, it would lose all access to accumulated data.

Lewthwaite recognized that Cineplex would be required to adhere to the partnership’s decisions; no easy out was available if she did not like some aspect of the program after they signed the deal. To make the proposal more attractive, Flight Miles executives offered to contribute $250, 000 to launch a Cineplex-designed and -initiated marketing campaign. Scotiabank Proposal Just as Lewthwaite and her committee sat down to examine the two options in further detail, Scotiabank executives approached Cineplex as a potential loyalty partner. The bank had a relationship with Cineplex derived from earlier corporate sponsorships.

As one of the Big Five banks in Canada, Scotiabank offered a diverse range of financial services, including domestic banking, wholesale banking and wealth management. Through 950 branches, Scotiabank served approximately 6. 8 million Canadians in 2005. 5 Because banks competed in an intensely competitive marketplace, many banks aligned their brands with sporting events, venues and other companies through corporate sponsorship. Scotiabank executives were interested in acquiring new youth accounts and increasing overall transactions, so they viewed a partnership with Cineplex as a means to achieve their objectives while sharing financial risk.

Scotiabank, which had prior experience with data management companies through its gold credit card program, proposed 50-50 cost-sharing. In return for partnering on the program, Scotiabank expected naming rights on three major theaters and an exclusivity agreement for Scotiabank bank machines in all Cineplex theaters. 4 5 “ Air Miles Rewards Program,” http://www. loyalty. com/what/airmiles/index. html. accessed November 2, 2007. Scotiabank, 2005 Annual Report, http://cgi. scotiabank. com/annrep2005/en/rbl_ov. html, accessed February 10, 2008. Page 6 9B08A008

Scotiabank proposed a three-card rewards strategy. The basic reward card would be Cineplex-branded and used at theaters; the Scotiabank debit and credit cards would act as reward accelerators that accumulated additional points based on customers’ purchasing habits. Any Scotiabank debit- or credit-card user enrolled in this program would be issued the Cineplex card, and holders of basic Cineplex theater cards would not be required to open an account at Scotiabank. Lewthwaite considered that the multiple card system might discourage some customers who disliked carrying additional cards.

Secondly, because it would be a 50-50 partnership, Cineplex’s decision-making power would be constrained, and the direction of the program would be subject to mutual agreement. Also, owing to privacy laws, Cineplex executives would not be able to access individual-level banking information on the Scotiabank program users, data that might be helpful in targeting specific retail consumers. However, this program could be promoted in theaters and bank branches across the country. The costs to develop and maintain Cineplex’s portion of the partnership were estimated to be $3 million, $1. million and $1. 9 million in years 1, 2 and 3 respectively. Lewthwaite had to fully consider the potential benefits and drawbacks of each proposal and weigh them against Cineplex’s criteria before recommending which partner to select. She also acknowledged other options were available beyond those that were presented. She knew that this decision could not be made without analysing the potential reward structure of the program because the committee would expect a detailed net benefit analysis to support her recommendation. STRUCTURING THE REWARD PROGRAM

Lewthwaite believed it was essential to create a program that would appeal to customers. However, creating a program with valuable and easy-to-gain rewards might be too costly to carry out for an extended period of time. If Cineplex went forward with the Flight Miles partnership, an offer of 10 Flight Miles points per transaction would be required to align with cardholder expectations and could be supplemented with Cineplex discounts. If Cineplex went forward with other loyalty partnerships, it would have full design control over the reward structure of the program.

Points could be earned based on box-office transactions, concession transactions, or both. The points could then be used towards movies and concession items. Determining the number and value of points to be given per transaction and the required price per transaction were aspects that Lewthwaite needed to determine. She also needed to decide on the number of points required for particular rewards and whether different reward levels should be created. Among the other options, Cineplex could reward cardholders with a permanent discount on theater tickets or concession items (or both) or possibly provide first access to special events.

If Lewthwaite went forward with free or discounted movies and concession items, she would need to estimate the extent to which she would be rewarding customers who would have attended without being offered any rewards, 6 the so-called cannibalization rate (see Exhibit 4). To determine the other potential revenues, Lewthwaite needed to perform a sensitivity analysis around any increases in the concession RPG, which she hoped might increase by five to 15 per cent for loyalty program members. She also had the option of charging a nominal one-time or annual membership fee of $2 to $5.

Finally, as with any loyalty point program, Lewthwaite knew that only 40 per cent of earned points would be redeemed annually. She drafted a preliminary list of four unique reward structures she thought could be effective, but was unsure which, if any, would maximize customer appeal through retail value while minimizing costs (see Exhibit 5). 6 Cannibalization refers to the number of free visits redeemed that would have been paid visits in the absence of a loyalty program. Page 7 9B08A008 SELECTING THE DATABASE VENDOR

If a recommendation were made to move forward with program development, the committee would need to select a database vendor to manage customer data and the e-communicationsite. This vendor would need strong website design capabilities and atechnologyplatform that could collect a variety of data on Cineplex’s customers. Because Canada had only a few such vendors, Cineplex released a request for proposal (RFP) to three major companies: Alpha, Kappa, and Gamma. Each company responded with a unique proposal for the project (see Exhibit 6). THE MARKETING COMMUNICATIONS CAMPAIGN

Cineplex executives wanted to enroll 500, 000 customers per year for the first three years in any loyalty program, After the first year, she believed the data bank would be large enough to derive meaningful customer information, and the organization could then focus on customer retention. To meet these targets, Cineplex would need to build substantial awareness of the program, particularly in markets where the Galaxy Elite card had previously existed. Launching the loyalty card would also require a marketing campaign to fit a variety of geographic markets, including Quebec, a province whose official language was French.

Lewthwaite had a budget of $300, 000, and she needed to make some creative decisions, including the name of the program, the marketing message to customers and the media to be used to deliver the message. In-Theater Advertising In 2005, Cineplex served 5. 3 million unique visitors annually with an average of 7. 5 visits per guest. No costs were associated with in-theater advertising, and Lewthwaite knew it was an excellent way to reach the market but she was unsure which media would be most effective without overwhelming movie-goers.

The program could be promoted on concession products, point-of-purchase displays, backlit posters or on the website. The program could also be advertised to a captive audience via the digital pre-show or during the presentation of upcoming attractions. Newspaper Advertising Lewthwaite wondered whether the target market would respond to regional newspaper advertisements. She knew that the committee was opposed to advertising in a national newspaper, such as the Globe and Mail, because it did not have strong reach in every market in which Cineplex operated.

However, Cineplex was accustomed to promoting events through half-page ads in regional papers. Although this option would be more costly than advertising solely in a national paper, several more movie-going markets could be reached. The average weekly cost per half-page ad in the small to medium markets was $1, 200, and $3, 600 for larger markets, with a development cost of $850 for eachadvertisement. If this option were selected, Lewthwaite would need to determine in which papers to advertise, and the message and frequency of the insertions (see Exhibit 7).

Radio Advertising Local radio advertisements could achieve significant coverage in key markets across Canada. The average weekly cost per 30-second commercial was $160 in small-and medium-sized markets and $225 in larger Page 8 9B08A008 markets. Development of local radio ads would cost approximately $1, 100 per city. Because Cineplex had used this medium for other events, particularly in rural theater markets, Lewthwaite was confident Cineplex could also negotiate free advertisement space on many radio station’s websites. Online Advertising

In addition to advertising on the Cineplex website, the program could be promoted through various websites, such asGoogle, Muchmusic. ca, MTV. ca and canoe. qc. ca, a French-language news site. Costs varied according to advertisement format and site (see Exhibit 8). Grass Roots Initiatives Lewthwaite had also considered smaller initiatives with the goal of spreading word-of-mouth publicity. Event teams could promote on college and university campuses or at highly visited attractions, thereby raising awareness for the program. Cineplex could also engage in corporate sponsorships.

She was unsure what costs would be associated with these options. LAUNCH Launching the program was the final recommendation to be made. Cineplex’s head office was located in Toronto, Ontario, and the company operated in six provincial markets — Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia — but none of the four Atlantic provinces. Lewthwaite would have to decide whether the program should be launched regionally or across all six provinces. In early 2006, Cineplex had completed the installation of a new point-of-sale platform, which had the technological capability to support a national loyalty rollout.

A national launch was appealing to Lewthwaite because it would be cost-efficient and would accrue revenues faster than a regional rollout. However, it was also riskier than a regional rollout: any problem would affect all markets. A regional launch would give Cineplex the opportunity to resolve problems before full implementation. The regional rollout would be more expensive at completion, but it would allow Cineplex to stretch funds over a longer time period. If Lewthwaite recommended the regional option, she would need to decide how the regional launch would be phased in.

Lewthwaite knew several complex decisions needed to be made, and she had little time before the steering committee’s meeting the following week. Having a more comprehensive understanding of customer behavior and demographics was important in improving Cineplex’s success, but could a loyalty program be implemented in such a way to fit senior management’s criteria? If she recommended going ahead with the program, which loyalty partner should she use? How should the rewards be structured and promoted? What would the promotional campaign entail, and how should the launch take place?

As she leaned back in her chair, she knew it was going to be a very long week. Page 9 9B08A008 Exhibit 1 CINEPLEX ENTERTAINMENT INCOME STATEMENTS 2003–2005 (Cdn$ in Thousands) Total revenue Cost of operations Gross income Amortization Loss on debt Impairment on assets Loss (gain) on disposal of assets Interest on long-term debt Interest on loan Interest income Foreign exchange gain Income taxes Income from discontinued operations Non-controlling interest Net Income 2005 490, 299 421, 529 68, 770 42, 948 4, 156 4, 296 122 2004 315, 786 248, 818 66, 968 22, 530 – (111) 2003 295, 540 242, 636 52, 904 18, 404 – – (92) 18, 401 8, 280 4, 020 14, 000 (378) – (1, 463) 14, 000 (473) – (1, 149) 1, 381 (922) (3, 696) 366 28, 116 6, 357 6, 184 1, 828 12, 976 – 30, 248 304 39, 323 Source: Cineplex Galaxy Income Fund 2005 Annual Report, http://dplus. cineplexgalaxy. com/content/objects/annual%20report%202005. pdf, accessed January 3, 2008. Page 10 9B08A008 Exhibit 2 CINEPLEX ENTERTAINMENT ATTENDANCE AND REVENUE PER GUEST DATA Attendance Box office RPG Concession RPG Film cost as a per cent of box-office revenue 2006E 61, 000, 000 - 2005 9, 945, 000 $7. 73 $3. 44 51. 7% 2004 28, 096, 000 $7. 45 $3. 04 51. 6% 2003 27, 073, 000 $7. 28 $2. 91 52. 1% Source: Cineplex Galaxy Income Fund 2005 Annual Report, http://dplus. cineplexgalaxy. com/content/objects/annual%20report%202005. pdf, accessed January 3, 2008. Page 11 9B08A008 Exhibit 3 HIGHLIGHTS FROM CINEPLEX EMAIL SURVEY OF CURRENT CUSTOMERS Survey Period: May–June 17, 2005 Respondents: 4, 261 • • • • • 95 per cent of respondents were interested in joining a Cineplex Entertainment movie rewards program 87 per cent of respondents currently elonged to the Flight Miles program, and 39 per cent identified Flight Miles as their " favorite rewards program" 31 per cent of respondents were interested in the opportunity to collect Aeroplan points 56 per cent of respondents indicated that they would be interested in receiving a 10 per cent discount at concessions The majority of respondents suggested that they would be more inclined to join if there were no additional card to carry Page 12 9B08A008 Exhibit 4 SUMMARY OF REVENUES AND CANNIBALIZATION RATES • • • •

Membership fee possibilities, a one-time fee of $2 to $5 Increase in concession RPG of from 5 per cent to 15 per cent Net increase in attendance (actual incremental attendance times 1- the estimated cannibalization rate) Cannibalization rate assumptions Worst: 50 per cent Most Likely: 25 per cent Best: 12. 5 per cent Page 13 9B08A008 Exhibit 5 PRELIMINARY REWARD STRUCTURE OPTIONS Option 1 Membership fee Permanent concessions discount Points? Sign-up points Points per adult movie transaction Points per concession combo transaction Option 2

Option 3 Annually $5 Option 4 No One-time $2 – 10% 15% 10% Yes Yes No Yes 500 100 – 250 100 100 – 100 – 75 – – No Reward Items and Maximum Retail Value Points Required 500 750 Free child admission $8. 50 Free concession combo $12. 37 – – – – – – 1000 adult Free adult Free admission admission $10. 95 $10. 95 – 1500 Free event Free event admission1 admission $19. 95 $19. 95 – Free adult admission/concession combo ($23. 32) – Free adult/2 children admission $27. 95 – – 2, 000 2, 500 – – – Night package2 Free adult admission $10. 95 out $37. 47 1 2

Includes admission to the following viewings: the Metropolitan Opera, NHL series, or WWE series. A Night out package includes two adult movie admissions, two large sodas and one large popcorn. Page 14 9B08A008 Exhibit 6 SUMMARY OF CINEPLEX'S REQUEST FOR PROPOSAL PROGRAM OVERVIEW Cineplex Entertainment is looking into the possibility of creating a new entertainment-focused loyalty program. Members will earn points that can be redeemed for free movies or other entertainment-related rewards. An ongoing marketing program requiring a member database and website is required. VENDORS TO PROVIDE • •

A proposed approach and high level design concept for the website that is creative and functional Pricing for the database and website build WEBSITEGOALS• • • • Acquire new customers and deepen relationships with existing customers by enticing them to sign up, then encouraging them to remain active in the loyalty program Provide an easy way to sign up, check status of points earned, get information on rewards that can be earned, redeem points, and interact with other members The site will be a major marketing channel to reach members. It will be used for viral and targeted online promotions

Provide an online community for members DATABASE USE • • • For program administration, analysis and reporting For analysis and reporting on moviegoer's behavior and preferences For marketing to customers THE TARGET MARKET • • • Is very comfortable with the onlineenvironment, text messaging, downloading, and browsing Wants and expects discounts and free offers in an attainable timeframe Wants simplicity and convenience WEBSITE REQUIRES • • • • • A public section accessible to all, a member's section accessible with member ID and password and an administrative site to be used for customer support

Site must connect to program database to collect, maintain, retrieve and report member data including demographic information and points data Integration with Cineplex's POS equipment and mobile channels for marketing Site will link to and from the sites of main partners and vendors Site must be available in English and French Page 15 9B08A008 Exhibit 6 (continued) VENDORS' RESPONSES TO THE CINEPLEX REQUEST FOR PROPOSAL Alpha Alpha was a leading marketing firm specializing in loyalty programs and performance improvement.

As a global company, Alpha's clients include American Express, Coca-Cola, Hewlett-Packard, and Microsoft. Alpha has served the Canadian marketplace since 1980, and its focus is helping organizations identify, retain, and build customer relationships in order to maximize profit and drive long-term success. With a history of designing and implementing loyalty programs, Alpha's technology platforms focused on customer behavior tracking and loyalty rewards fulfillment. In preparing its response, Alpha held focus groups to help determine what type of website appealed to Cineplex's target market.

These groups indicated the importance of security, easy navigation, and keeping site content up-to-date; they also spoke out against pop-up advertisements. All respondents were familiar with e-newsletters, and noted that loyalty members should have the option to opt in, because they do not want to be overwhelmed with promotional messages. Alpha used this information in conjunction with Cineplex's specifications to present how the website would be designed. The approximate investment cost for the program design was $500, 000 with $40, 000 per month required for website upkeep.

Kappa Known for managing data for the Royal Bank of Canada, Kappa was one of the largest global marketing agencies. With a strong focus on customer loyalty programs, Kappa offered a high standard in data privacy and security and was the undisputed industry leader in mobile marketing, which linked strongly to Cineplex’s target market. The Kappa proposal focused on creating a youth-driven brand identity that engaged viewers to join the program through program incentives and links to third-partysocial networkingsites, such as MySpace.

With a significant portfolio of integrated loyalty program solutions, Kappa also had entertainment industry experience, having previously worked on technology platforms with Famous Players, the Toronto International Film Festival and IMAX. Kappa’s main differentiating factor was its proposal to have two distinct sites, one for members and one for non-members. Although similar in nature, one site would focus on member acquisition and program information while the other would focus on member retention through contest promotions and access to personal account activity.

Approximate costs would be $1 million. Gamma Gamma, a competitor in the Canadian marketplace for four years, had vast experience in information technology strategy and a track record of developing CRM programs for leading organizations, such as Kaplan University and Citi Financial. Gamma’s response to the RFP included a proposal to plan, design, and manage Cineplex’s marketing and technology programs on its specialized marketing platform that supported all aspects of email management and e-communication campaigns.

This platform would also enable Cineplex to track members on an ongoing basis through different promotional mediums, such as web advertisements and search functions, and to respond instantly to member behavior through messaging for those leaving the site. Gamma's offer was appealing because it included a fixed-price, fixed-time model. Gamma was unable to provide costs for data management because it was unsure of Cineplex's technical capabilities, but preliminary planning and design costs were estimated at around $200, 000. Page 16 9B08A008 Exhibit 7

LARGE MEDIA MARKETS Market Calgary Edmonton Montreal Ottawa Toronto Vancouver Newspaper Calgary Herald Edmonton Journal Montreal Gazette Ottawa Citizen Toronto Star Vancouver Sun Radio VIBE 98. 5 Sonic 102. 9 Q92 BOB FM Mix 99. 9 Z95 FM SMALL- AND MEDIUM SIZED MEDIA MARKETS Market Barrie Cornwall Guelph Kitchener London North Bay Owen Sound Quebec City Regina Saskatoon Sault Ste. Marie St. Thomas Sudbury Thunderbay Windsor Winnipeg Newspaper Barrie Examiner Standard Freeholder Guelph Mercury Kitchener Record London Free Press North Bay Nugget

Owen Sound Sun Times Quebec City Journale Regina Leader Post The Star Phoenix Sault Ste. Marie Star St. Thomas Times-Journal Sudbury Star Chronicle Journal Windsor Star Winnipeg Free Press Radio Rock 95 FM Rock 101. 9 Magic FM KOOL FM Fresh FM EZ Rock Mix 106 Le 93. 3 Z-99 C95 EZ Rock 100. 5 Fresh FM Big Daddy 103. 9 FM Rock 94 89X Q94 Page 17 9B08A008 Exhibit 8 COST PER THOUSAND IMPRESSIONS (in Cdn$) Website google. ca mtv. ca muchmusic. ca yahoo. ca imdb. com canoe. qc. ca Big Box Advertisement 20 27 29 19 17 26 Banner Advertisement 12 35 32 13 9 –