

# BURN RATE

How MoviePass Spent \$100 Million  
to Sell You \$10 Tickets



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# Chapter 1: The Rise of MoviePass

In the age of streaming and digital content consumption, **MoviePass revolutionized** the movie-going experience. For just \$9.95 a month, consumers could watch a new movie every single day. This chapter explores how the vision of MoviePass emerged amid the growing demand for convenience and value in entertainment, setting the stage for one of the most ambitious business models of the decade.

## The Vision Behind MoviePass

MoviePass was born out of a desire to transform the movie-watching experience. Founded by entrepreneurs Mitch Lowe and Hamet Watt, it introduced a bold idea that promised consumers an unprecedented opportunity—unlimited movies for a low monthly fee. This section explores the initial vision that fueled the company's rapid growth and attracted millions of subscribers.

The rise of subscription models in consumer services

The surge of subscription models in recent years has significantly reshaped consumer services, establishing a new paradigm for businesses. Companies across various industries have adopted this approach, utilizing recurring revenue as a stable financial foundation. In the context of

MoviePass, the subscription model was both revolutionary and timely. It directly addressed consumer desires for affordable and flexible access to entertainment.

With so many digital services springing up, consumers found themselves craving convenience and value. MoviePass seized this opportunity, presenting a compelling offer that allowed movie lovers to experience theaters without breaking the bank. The notion of a monthly fee for unlimited access tapped into a broader trend of subscription-based models, from streaming services like Netflix to music platforms such as Spotify.

This trend illustrates a psychological shift in consumer behavior: people are increasingly willing to subscribe for services that enhance their lifestyles while providing economic advantages. MoviePass's success initially exemplified this shift, capitalizing on the subscription wave that was transforming how people accessed entertainment.

### A response to declining theater attendance

In the years leading up to the launch of MoviePass, theaters nationwide faced a stark reality: declining attendance. Multiple factors contributed to this trend, including the rise of streaming services, changing entertainment consumption habits, and shifting demographics. As people embraced on-demand viewing, cinemas struggled to attract audiences, leading the industry to search for innovative solutions.

MoviePass emerged as a direct response to this challenge, seeking not only to revive interest in theater attendance but to generate a paradigm shift within the industry. By offering unlimited access to films for a low monthly price, MoviePass aimed to entice new viewers and re-engage those who had drifted away from the box office.

This strategy was not merely reactive; it was a bold attempt to enhance the cinematic experience amid a changing landscape. By lowering the financial barriers associated with moviegoing, MoviePass attempted to re-invigorate the love for theater experiences, creating a new generation of moviegoers who would appreciate the collective experience of watching films on the big screen.

The democratization of entertainment

At the heart of MoviePass's vision was a commitment to democratizing entertainment. By making access to films more affordable, MoviePass empowered consumers who were previously priced out of regular cinema visits. This concept resonated strongly in a culture increasingly focused on inclusivity and access regardless of socioeconomic background.

Through its subscription model, MoviePass furnished a tangible opportunity for families, students, and movie enthusiasts to indulge in multiple films without financial strain. In effect, the service blurred the lines that typically

separated affluent moviegoers from those who limited their outings to one or two films a year.

This democratization coincided with wider social movements advocating for equitable access to cultural experiences. By putting the power back into the consumers' hands, MoviePass positioned itself as a champion of the public's right to enjoy entertainment, promoting the idea that films should be accessible to all, regardless of their financial means.

Capitalizing on the convenience of mobile technology

The rise of mobile technology has profoundly changed how consumers interact with entertainment options, and MoviePass was quick to capitalize on this trend. The success of the service was largely predicated on its sleek mobile application, which allowed users to browse movie listings, reserve tickets, and check-in at theaters conveniently from their smartphones.

This seamless integration of technology into the moviegoing experience not only appealed to a tech-savvy audience but also aligned with evolving consumer expectations for instant gratification. With the MoviePass app, all aspects of the movie experience became streamlined and user-friendly—an absolute must in today's fast-paced environment.

Furthermore, the app provided valuable data to MoviePass about user preferences, allowing for personalized

recommendations and targeted marketing initiatives. This focus on leveraging mobile technology not only enhanced customer satisfaction but also empowered MoviePass to adapt quickly in a competitive landscape. The combination of convenience, ease of access, and personalized user experiences contributed to the initial explosive growth of MoviePass, solidifying its place in the market.

## **The Business Model That Captured Attention**

At its core, MoviePass's business model was captivating yet flawed. By charging users \$9.95 monthly to watch one movie a day, it attracted massive interest and subscriptions. However, the underlying economics were precarious. This section examines the attractiveness and inherent risks of the business model that made headlines and drew millions into the fold.

### High consumer demand for affordable entertainment

The dawn of the streaming era highlighted consumers' insatiable craving for affordable entertainment. Many viewers were eager to find ways to watch films without exceeding their budgets. MoviePass seized this opportunity by offering an irresistible deal: access to unlimited movies for just \$9.95 a month. This pricing strategy captured significant attention, as it immediately appealed to cost-conscious consumers looking for a value-driven experience. The convenience of being able to watch a new movie each day for a nominal fee transformed movie-going from a

costly outing into an everyday activity, thereby revolutionizing the industry.

Moreover, the subscription model catered to younger audiences, who valued flexibility and had developed a taste for subscription services across various digital content formats. MoviePass's unique proposition resonated with this demographic, prompting millions to sign up excitedly. It provided not just a service but a sense of belonging to a new, vibrant community of movie enthusiasts. However, this overwhelming demand also set the stage for severe operational challenges, as the company's model fundamentally depended on incentivizing heavy usage while balancing revenue streams from ticket sales.

Full reimbursement to theaters raised sustainability questions

A crucial flaw in MoviePass's innovative business model was its commitment to fully reimburse theaters for each ticket sold. The company would pay exhibitors the average ticket price, which equated to roughly \$12, irrespective of the subscription fee collected from users. This incongruity created an unsustainable economic situation where the more subscribers used the service, the larger the losses incurred by the company.

This full reimbursement strategy raised substantial sustainability questions, as it became increasingly evident that the model would not be profitable in the long run. The

operational costs quickly escalated, leading to a horrific burn rate that would eventually become one of the defining issues for MoviePass. As the number of users surged, executives were forced to examine whether the service was viable or merely a ticking time bomb. Without a strategic plan to adjust the pricing or the reimbursement structure, MoviePass was caught in a precarious balance between consumer desire and the harsh realities of financial viability.

The allure of unlimited access versus operational costs

While the promise of unlimited movie access captivated subscribers, the operational costs associated with this model proved to be untenable. MoviePass's marketing focused heavily on the appeal of a single, low monthly fee that allowed users to indulge in their cinematic passions. However, behind this facade of affordability lay a complex web of costs that spiraled out of control as user engagement grew.

This disparity between consumer allure and economic reality led the company to explore emergency measures to control usage. For instance, the implementation of limits on the number of screenings per month and blocking access to specific films were attempts to mitigate losses, but these moves often backfired, leading to discontent among users. Ultimately, this situation exemplified a classic conflict within subscription models: balancing user satisfaction with financial sustainability. The success of MoviePass

highlighted just how alluring it was to offer seemingly infinite access, but it also raised critical questions about the viability of such business models in highly competitive, cost-sensitive markets.

### Investing heavily in marketing to drive subscriptions

To achieve rapid growth and secure market dominance, MoviePass invested aggressively in marketing initiatives aimed at attracting a vast subscriber base. This approach included a multi-channel strategy that levered social media, influencers, and traditional advertising to amplify their message. The marketing campaigns emphasized the affordability and convenience of the service, portraying it as a must-have for any movie lover.

However, this heavy investment in marketing was not without its risks. While the initial response was overwhelmingly positive, drawing millions of subscribers in a short time, it placed immense pressure on MoviePass's bottom line. The company spent substantial resources in pursuit of aggressive growth, fueling the unsustainable financial model already in place. Ironically, the more subscribers MoviePass gained, the more they needed to spend on marketing just to keep pace with their operational losses. This cycle of expansion and expense served as a critical lesson in understanding the complexities associated with "growth at all costs" — a mantra that ultimately contributed to their downfall.

## **Rapid Growth and Market Penetration**

MoviePass quickly became a sensation, achieving unprecedented growth within its first year. The allure of unlimited movies drew in an extensive subscriber base, almost overnight. This section analyzes the strategies that facilitated its rapid expansion and the implications of such aggressive growth tactics.

The impact of viral marketing strategies

In its early stages, MoviePass capitalized on the power of viral marketing to capture the attention of moviegoers. By leveraging social media platforms, the company encouraged users to share their experiences and invite friends to join the service. Quick and engaging content, such as testimonials and user-generated videos, amplified its reach dramatically.

This approach not only attracted new subscribers at an astonishing rate but also created a community of dedicated users who felt invested in the brand. The buzz surrounding MoviePass fueled its rapid growth, as each new subscriber potentially brought in more through word-of-mouth. Additionally, as consumers began to perceive MoviePass as a must-have service, the social proof became a compelling factor driving even further adoption.

However, the sustainability of such aggressive viral tactics is often questioned. The rapid influx of users also meant

heightened operational challenges, as MoviePass struggled to keep up with the demand and maintain profitability.

Leveraging partnerships with theaters to enhance visibility

MoviePass understood that collaborating with theaters was integral to its success. By forging partnerships with various cinema chains, they not only gained visibility but also legitimacy within the industry. These alliances allowed MoviePass to present itself as an ally to theaters, even as it disrupted traditional revenue models.

Through negotiated terms, MoviePass could offer users access to numerous cinemas, enhancing the perceived value of the subscription. These partnerships were pivotal in convincing consumers that the service was not just a fad, but a viable option for their movie-going habits. However, the complexities of these collaborations became evident as MoviePass's business model clashed with theater interests, leading to ongoing tensions.

While these partnerships initially boosted market penetration, they also foreshadowed the financial strain of fulfilling subscription promises, revealing the inherent risks in relying on cooperative strategies in a disruptive business model.

User acquisition as the primary focus

From its inception, MoviePass adopted a user acquisition strategy that prioritized rapid subscriber growth above all

else. The company was willing to offer substantial incentives to attract new users, including aggressive pricing and promotional campaigns. This strategy, however innovative, led to a relentless pursuit of subscriber numbers at the cost of long-term sustainability.

The focus on user acquisition meant that MoviePass often overlooked important metrics such as customer retention and profitability. As new users signed up, the company scrambled to find ways to financially support its model, struggling to adapt to the reality that they were burning through cash with every ticket purchased at full price from theaters.

This emphasis on user growth underscores a common pitfall in Silicon Valley—a belief in the importance of scaling quickly, which at times leads startups to disregard the fundamental tenets of financial viability and market balance.

Early successes leading to unrealistic expectations

MoviePass experienced explosive early successes that set unrealistic benchmarks for growth and profitability. Initially, the company's ability to attract millions of subscribers painted a picture of an unstoppable runaway success. Vivid headlines and commendable subscriber metrics underlined a narrative of triumph that quickly became enshrined in Silicon Valley lore.

However, these initial successes created pressure within the organization to continue accelerating growth, which fueled a risky "growth at all costs" mentality. The progression of this mindset ignored the potential consequences of their business model—namely, the financial liabilities associated with servicing an ever-growing user base.

This internal confusion ultimately led to strategic missteps, as the leadership doubled down on growth expectations, pressing for further innovations that were not necessarily aligned with sustainable practices. The departure from prudent business planning would soon reveal the tension between rapid growth and sound economic management in the startup world.

## **The Data-Driven Dream**

Data mining and analysis became central to MoviePass's operations as the company sought to understand user preferences and behaviors. By leveraging subscriber data, the company aimed to craft personalized offerings and optimize its service. This section covers the importance of data in shaping business decisions and the unforeseen challenges that accompanied this focus.

Understanding consumer behavior through data analytics

At the heart of MoviePass's strategy was a keen focus on **understanding consumer behavior**. By employing advanced data analytics, the company sought to gain

insights into its subscribers' movie-watching habits, preferences, and trends. This information was vital for tailoring their offerings, enabling MoviePass to anticipate user interests and adjust its marketing accordingly.

The analytics team utilized various metrics, including viewing frequency, genre preferences, and time of day for movie attendance. By analyzing this data, they aimed to create a comprehensive picture of their customer base. However, the reliance on these metrics also created challenges, as rapid changes in user behavior could complicate the predictions made by the data models.

Ultimately, while data analytics allowed for strategic decision-making, the inherent unpredictability of consumer behavior highlighted the limitations of relying solely on data. The enthusiasm for harnessing this technology showcased a progressive approach but served as a precursor to the challenges that would later unfold.

The potential of personalized marketing strategies

Personalized marketing strategies are a powerful tool for enhancing consumer engagement. For MoviePass, leveraging subscriber data meant the opportunity to tailor communications and offers specifically to individual preferences. By using demographic and behavioral data, MoviePass could categorize users and send targeted promotions that resonated with them.

The goal was to not only retain existing subscribers but also to convert potential customers through highly relevant messaging. For instance, users who frequently attended action movies might receive notifications about upcoming blockbuster releases in that genre. Such targeted strategies are designed to foster brand loyalty and enhance the overall customer experience.

Despite the advantages, executing personalized marketing effectively requires a careful balance. Poorly targeted campaigns can backfire, leading to customer dissatisfaction or attrition, which is why MoviePass's ambitious vision had to tread cautiously as it navigated these waters.

### Data as a double-edged sword for user retention

While data-driven insights have the potential to enhance user retention, they can also create unforeseen complications for companies like MoviePass. The initial enthusiasm for data utilization encouraged rapid adaptation and experimentation with subscription offerings. However, as the user base grew, the complexity of retaining this large audience intensified.

For example, the company attempted to implement measures such as changing passwords to prevent abuse of their service, which backfired and alienated a portion of their devoted subscribers. This approach illustrated the precarious nature of data reliance; what began as a

strategy to enhance user retention inadvertently eroded trust.

The lesson learned is that while data can guide decisions, it is essential to remain adaptable and considerate of the consumer's voice. Retention strategies must evolve alongside the insights derived from data to ensure that the company's vision aligns with user expectations.

Privacy concerns associated with data mining practices

In an increasingly data-driven world, privacy concerns have become a crucial topic for any business that engages in data mining practices. MoviePass's approach to collecting and analyzing user data raised several red flags among consumers, particularly regarding how their personal information was stored and utilized.

As the company aimed to optimize its services and personalize user experiences, the potential for data misuse or breaches created anxiety for subscribers. The ethical implications of constant data tracking also sparked debates about consent and transparency. Consumers became wary, questioning whether their privacy was adequately safeguarded.

Ultimately, this environment of distrust can lead to significant repercussions for businesses. Companies like MoviePass found themselves walking a tightrope, seeking to maximize data-driven insights while simultaneously addressing legitimate privacy concerns. This balance is

critical in maintaining customer trust and ensuring long-term sustainability in any data-focused business model.

## **The High Cost of Growth**

As MoviePass grew rapidly, it faced immense pressure to sustain its subscriber base while managing mounting operational costs. This constant tussle defined the company's tumultuous journey. In this section, we explore how the desire for exponential growth often came at a price that threatened the company's survival.

The unsustainable nature of subsidized pricing

The pricing model that MoviePass adopted was built on the enticing notion of access—\$9.95 per month for unlimited movies was appealing to consumers, but it was fundamentally flawed. This model relied heavily on the assumption that a vast majority of subscribers would not take full advantage of the service, thereby allowing the company to profit from the difference between subscription fees and ticket costs.

However, as word spread and the subscriber base exploded to millions, this assumption proved disastrous. MoviePass was obligated to pay theaters full price for every ticket claimed by users, which meant that the more patrons took advantage of the service, the greater the financial strain on the company became. With every movie ticket redeemed, the operational costs swelled, leading to an imminent cash flow crisis. This situation highlights the peril of relying on

subsidized pricing strategies without a sustainable operational framework.

Strategies to limit usage as subscriber numbers soared

In an effort to curtail the overwhelming demand and keep the business afloat, MoviePass implemented several controversial strategies aimed at limiting users' ability to exploit the service. Changes to subscription terms and conditions became frequent; one drastic measure was to change passwords of high-frequency moviegoers or restrict access to certain films altogether.

Such strategies not only raised consumer frustration but also illustrated the desperation within the company as it tried to balance growth with operational viability. Efforts to cap the number of movies a subscriber could watch or to block access to popular Hollywood releases backfired, leading to negative press and disengagement from loyal customers. This marked a pivotal realization that a subscriber-centric model must evolve without resorting to restrictive measures that alienate the very users the business sought to retain.

The tension between profitability and user satisfaction

This section delves into the inherent conflict between seeking profitability and ensuring user satisfaction. As MoviePass' subscriber base grew at an unprecedented rate, the financial realities of their business model became increasingly untenable. The company attempted to provide

an appealing and addictive service, yet every ticket issued substantially eroded their margins.

In light of this, MoviePass implemented measures that jeopardized user experience, such as confusing pricing tiers and limitations on popular films. Such decisions reflected a reactive approach to the pressing need for financial health at the cost of consumer satisfaction. This tug-of-war between sustaining growth and maintaining a loyal user base exemplifies the critical challenges startups often face when they prioritize scale over service quality.

### Consequences of prioritizing growth over sustainability

The relentless pursuit of growth without a plan for sustainability inevitably led to devastating consequences for MoviePass. The company was initially lauded for its rapid expansion, but this growth was achieved at the expense of financial prudence and strategic foresight. Rapid scaling without solid infrastructure or sustainable revenue streams resulted in a consumer backlash, operational mismanagement, and an impending bankruptcy scandal.

The fallout from prioritizing short-term growth over long-term sustainability serves as a cautionary tale for entrepreneurs. Companies must strive to create a business model that not only attracts users but ensures financial viability. MoviePass's trajectory highlights the risks associated with a "growth at all costs" mentality, where

ignoring operational fundamentals in favor of expansion can lead to eventual collapse.

## **Lessons from the Rise of MoviePass**

The journey of MoviePass serves as a cautionary tale for entrepreneurs and innovators. It highlights the critical balance between ambition and feasible business practices. This concluding section of the chapter reflects on the key lessons learned from MoviePass's rapid ascent and inevitable decline.

Understanding the limits of disruptive business models

The rise and fall of MoviePass showcases the vital importance of recognizing the limits inherent in disruptive business models. While the innovative subscription service aimed to attract customers through an unbeatable offer—one movie daily for only \$9.95—it was fundamentally unsustainable. This business strategy, designed to disrupt the traditional cinema experience, overlooked essential market fundamentals.

Many startups, inspired by the visionary success stories of companies like Uber or Airbnb, often disregard the economic realities governing their industry. MoviePass's failure to account for the high operational costs of paying theaters full price for tickets illustrates a crucial lesson: enthusiasm should not overshadow practical budgeting and financial modeling. Disruptive concepts can indeed capture public interest and generate rapid user adoption. However,

without a clear pathway to profitability, even the most promising ventures can implode under their weight.

The importance of financial sustainability in startup growth

Financial sustainability is paramount for any startup aiming for long-term success. MoviePass's dramatic trajectory underlines the consequences of neglecting this critical aspect. Although the company set records for user growth and market presence, it failed to establish a viable revenue model that could support its expansive vision. Paying theaters full price for every ticket, coupled with a flat-rate subscription, resulted in unsustainable losses.

Entrepreneurs should prioritize a sound financial framework that allows for growth without sacrificing stability. Recognizing the balance between scaling up and maintaining fiscal health is crucial. Financial models must not only attract customers but also ensure that operational costs are manageable and growth can be sustained. In essence, transformative ideas must embrace financial prudence to thrive in competitive landscapes.

Learning from customer feedback and market conditions

MoviePass's journey illustrates the significant value of adapting to customer feedback and prevailing market conditions. Despite its initial success, the company struggled to effectively respond to users' needs and industry trends. As customer grievances emerged about restricted screenings and unexpected policy changes, the

company's failure to prioritize customer satisfaction became evident.

Entrepreneurs should see customer feedback not just as data but as a vital influence shaping their strategic direction. Continuous engagement with customers in the form of surveys, focus groups, and direct feedback channels can provide insights that help refine offerings and improve user experience. By remaining agile and responsive to the ever-changing market landscape, businesses can create more robust models that align with consumer expectations and capitalize on emerging opportunities.

Embracing transparency with investors and users

Transparency is a critical factor in fostering trust and credibility with both investors and users. The downfall of MoviePass faced severe backlash as it obscured the realities of its financial struggles and operational changes. The company's evasive communication strategies led customers to feel deceived, undermining brand loyalty and driving users away.

For startups, clear, open communications about business challenges, financial returns, and strategic pivots reinforce the entrepreneur's commitment to integrity. Embracing transparency cultivates a supportive environment where users and investors feel informed and valued. By sharing both successes and setbacks, entrepreneurs can build a

loyal customer base and instill confidence among their investors, ultimately enhancing sustainability and long-term success.