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## **Business plan: a new Drive-in Cinema in Lisbon**

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Master in Management

Supervisor:

PhD Renato Telo de Freitas Barbosa Pereira, Assistant Professor,  
ISCTE Business School

October, 2022





BUSINESS  
SCHOOL

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Department of Marketing, Strategy and Operations

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## Business plan: new Drive-in Cinema

## **ABSTRACT**

The present project's goal is to execute a business plan for the creation of a new Drive-in cinema in Lisbon.

As of today, no Drive-in cinema of continuous operation has been established in Lisbon nor Portugal, existing a gap in the cinematic market. Considering the increasing demand for leisure activities in today's society the entrepreneurship of such project can be beneficial.

Having as support a literature review that covers the concepts of a business plan allied to industry's trends and resorting to a methodology that consists of secondary data (statistic data of de industry's performance and the strategical study of the external environment in which the company is found), supplemented with primary data from a survey about the cinema consumption habits of the respondents, the project will be developed to the point to where it is possible to assess its economic and financial viability.

Considering a predictive period of 5 years (while resorting to a continuity value that will allow to contemplate the following operational years), and a set of assumptions that will enable realistic forecasts, the project's initial investment will be 168.034€. After the proper calculations, an NPV of 2.527.476,33€ was obtained, which combined with a Profitability Index of 16,07 and a Payback Period of 2 years and 11 months, demonstrates the economic and financial viability of the project. It's additionally important to mention the IRR of 112%, also being a positive indicator for the investment, although being inflated by the heavy weight of the considered continuity value.

**Keywords:** Business Plan, Entrepreneurship, Financial Viability, Cinema, Strategy

**JEL Classification System Codes:** M13 – New Firms; Z10 – General





## RESUMO

O presente projeto tem como objetivo a realização de um plano de negócios que visa a criação de um novo cinema *Drive-in* no distrito de Lisboa.

Até ao momento, não se estabeleceu em Lisboa, nem em Portugal, nenhum cinema *Drive-in* de funcionamento permanente, existindo esta lacuna no mercado cinematográfico. Considerando-se a crescente procura de atividades de lazer na sociedade de hoje poder-se-á beneficiar do empreendedorismo de um projeto destes.

Suportando-se numa revisão de literatura que cobre os conceitos de um plano de negócios aliados às tendências da indústria e numa metodologia que consiste em dados secundários (dados estatísticos sobre o desempenho da indústria e estudo estratégico do ambiente externo da empresa), complementada com dados primários de um inquérito sobre os hábitos de consumo dos inquiridos no que toca ao cinema, o projeto desenvolver-se-á até à averiguação da sua viabilidade económica e financeira.

Considerando um período previsional de 5 anos (com recurso a um valor de continuidade que permitirá contemplar os seguintes anos de exploração), e um conjunto de pressupostos que possibilitarão a formulação de projeções realísticas, o projeto contará com um investimento inicial de 168.034€. Após efetuados os devidos cálculos, foi obtido um VAL de 2.527.476,33€, que aliado a um IRP de 16,07 e um *Payback Period* de 2 anos e 11 meses, demonstra a viabilidade económica e financeira do projeto. É também importante mencionar a TIR do projeto de 112%, sendo também um indicador positivo ao investimento, ainda que seja bastante inflacionada pelo peso do valor de continuidade considerado.

**Palavras-chave:** Plano de Negócios, Empreendedorismo, Viabilidade Financeira, Cinema, Estratégia

**Códigos do Sistema de Classificação JEL:** M13 – Novas Empresas; Z10 – Geral



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## **1 - IDENTIFICATION OF THE INNOVATIVE PROPOSAL**

### **1.1 – Project description**

The investment project to be further presented is promoted by the author, Mónica Filipa Gomes Martins under the scope of the Master in Management at ISCTE Business School. Aims to analyze the economic and financial viability of the implementation of a Drive-in movie theater – the Athena Drive-in –, in which customers are able to watch the movies displayed from the inside of the car.

The Drive-in movie theater concept originated in the United States of America and peaked in the 1950s (Fox, 2018). Throughout the years the number of active Drive-in theaters has fallen radically across the world, a consequence of technological evolution which has brought more quality of audiovisual content in various other forms – evolution of traditional movie theater experiences with IMAX and similar screenings, the creation of DVD rental services such as Blockbuster and later the emerging of streaming platforms.

After the Covid-19 outburst and all the restrictions that it brought, the general population has the desire to not only return to pre-pandemic leisure activities but also to experiment new entertainment forms, exploring the gap that the quarantine created between customers and recreational events providers. Allied to this, the nostalgic and even vintage feel of the Drive-in theaters perceived by the customers is very favorable to the reentrance of this concept amongst the main players of the film distribution industry.

Given the little offer that Portugal has had of Drive-in movie screenings – all of those being during festivals or very sporadic sponsored events without continuity –, the permanent establishment of a Drive-in theater is an innovative concept to be introduced both in Lisbon's metropolitan area and the country. In a primary stage, the aim of the project is to establish one permanent location for a Drive-in theater continuously working, nevertheless, the company intends to expand the business in the long term to simultaneously hold a permanent location and other sporadic events at different locations, approaching new cities and communities.

### **1.2 – Mission, Vision and Values**

Mission: To bring and elevate the cinema experience to everyone and everywhere.

Vision: Athena Drive-in intends to be a cultural focal point in the Lisbon district, where friends and family can gather to enjoy one of the most traditional forms of entertainment – cinema – in an unconventional fun way.

Values:

- Cultural diffusion and promotion – This project extends the reach of the specific cultural experience that the cinema is to more communities and geographic areas, giving the viewers a new perspective on cultural consumption and the new ways to engage in this and even other forms of expression.
- Inclusivity/integration – Athena Drive-in wants to provide accessible forms of culture to disabled audience, by bringing cinema outside of the conventional movie theaters – taking advantage of its flexible mobility to get closer to motor-disabled spectators – and also by offering inclusive programming to sensory impaired people, resorting to subtitling and audio description.
- Proximity – The base of the company is to be able to reach as much people as possible, in a sense that it wants to extend the range of cinematic culture to audience that may have shortage of movie theater supply (reduced number of infrastructures) in certain locations, getting closer to the spectators.

## **2 - LITERATURE REVIEW**

### **2.1 – Business Plan**

Given the type of Project in question, it is only logical to start with the definition of the concept of Business plan. Watson and McGowan (2019) state that a business plan is the gathering of the current state and the predictable future of a business in a written document. Within this document is an overview of market researches, products and/or services offered, resources and operational details as well as financial forecasted details.

Naturally, the elaboration of a business plan is advised before implementing a new project, which directs its focus to new ventures, but although this may seem the most intuitive thinking, business plans are also of great help to already-established companies, since the elaboration of a business plan requires “big business thinking” (Watson & McGowan, 2019, p. 424).

With the help of a business plan, companies can have – as previously stated – an overview of their position in the market as well as an introspective point-of-view. But even with, what seems, a good number of positive advantages, it is still debated among authors the positive usability of a business plan. As the positive impacts of a business plan were already pin pointed, it is also important to address the case of those who are against its application.

According to Karlsson and Honing (2009), the elaboration of a business plan is no more than a figurative act that is almost not ever executed, since the reality of the company often differs from what has been planned. Furthermore, Bridge and O’Neill (2013) suggest that elaborating a business plan before the actual start of the business is to skip a step, insofar as in many cases, a business must start before it is possible to make any type of plan. Having this premise in mind, new companies can prepare and prevent future flaws, since this should be the timeframe in which they are supposed to encounter weaknesses and to deal with those ahead of time. Watson and McGowan (2019) suggest that some new ventures produce business plans with the intent not to put it to practice but to be more attractive to possible investors, since having a business plan represents more legitimacy to create future value.

Having that said, the symbolism of a business plan should not be of greater relevance than its actual application, since as defended by Lourenço et al. (2013) a business plan can be a very important first step in the development of “key entrepreneurial competencies” (Watson, 2019, p. 3), contributing to the improvement of companies’ performance and success.

In short, business plans are of great value and should be perceived as such, because if there are no intentions of putting it to practice, no benefits will be availed after spending time, effort and resources in the making of the said plan.

## 2.2 – Entrepreneurship

The notion of entrepreneurship comes in perfect timing, after reviewing the concept of business plan, since – especially in this innovative project’s specific case – it will prompt the main idea or initiate the process that it is to develop a new business.

Although it may seem that the concept of entrepreneurship has very clear defining lines, that idea could not be furthest from the truth. According to Hurst et al. (2008) it is hard to clearly describe the profile of an entrepreneur or the right path to follow to become one. Having said that, it is logical to state that entrepreneurship is a term that combines multiple factors that may vary from situation to situation as well as from individual to individual.

According to Scott (2012), and as already mentioned, entrepreneurship is closely associated with innovation. As so, to quantify a business as an entrepreneurial occurrence, it must check the box of “innovation”, containing new and original features. Of course, innovation only does justice to its meaning, when there is a gap on the applied field, that is, it is only possible to innovate when there is an opportunity to do so.

Authors argue that entrepreneurial development is an outcome of three main processes. As Zelekha et al. (2018) state, those shall be:

- Identification of opportunities;
- Development of those same opportunities – problem-solving;
- Implementation, through resources.

Combining previously-existing resources in a new-fangled way, could be the right path to attain entrepreneurial development.

In order to consider every facet of the definition of entrepreneurship it is necessary to address other fields besides the economic one. Lepoutre (2013) discusses entrepreneurship in the scope of social behavior, which emphasizes sociologic intakes on the concept. Adding this social viewpoint helps to humanize the concept a little more, in a sense that, according to the same author, entrepreneurs seek value creation through new combinations of resources, but the final intent is to exploit the opportunities that will somehow create *social value* (other than just economic value). After all, entrepreneurs’ behavior is not only prompted by economic ideologies but also by psychological and social values.

Having an integrated perspective on the concept of entrepreneurship is the first impulse to a better development of both economy and society, since it can be a starting point to new businesses, innovation, job creation and wealthiness. In this sense, it is also very important to have this concept explored in this project, because it will be the supporting foundation of the introduction of a new Drive-in Cinema in Lisbon.

## **2.3 – Film Industry**

Early film distribution was not a very well-defined activity and “entrepreneurs had to invent the profession” (Bakker, 2010, p. 172). Nowadays the working path of this industry is much clearer, starting with the purchase or rental of films by film distributors (from producers), who will then sell or rent those to movie exhibitors. The same author argues that film distribution is the activity from which the industry can capture capital from producers and exhibitors (through rents).

In this regard, Salvador et al. (2019) defend that the film industry can be sectioned in three (investment-wise) different pillars: production – film development; distribution – logistical support for copy circulation; and exhibition – screening.

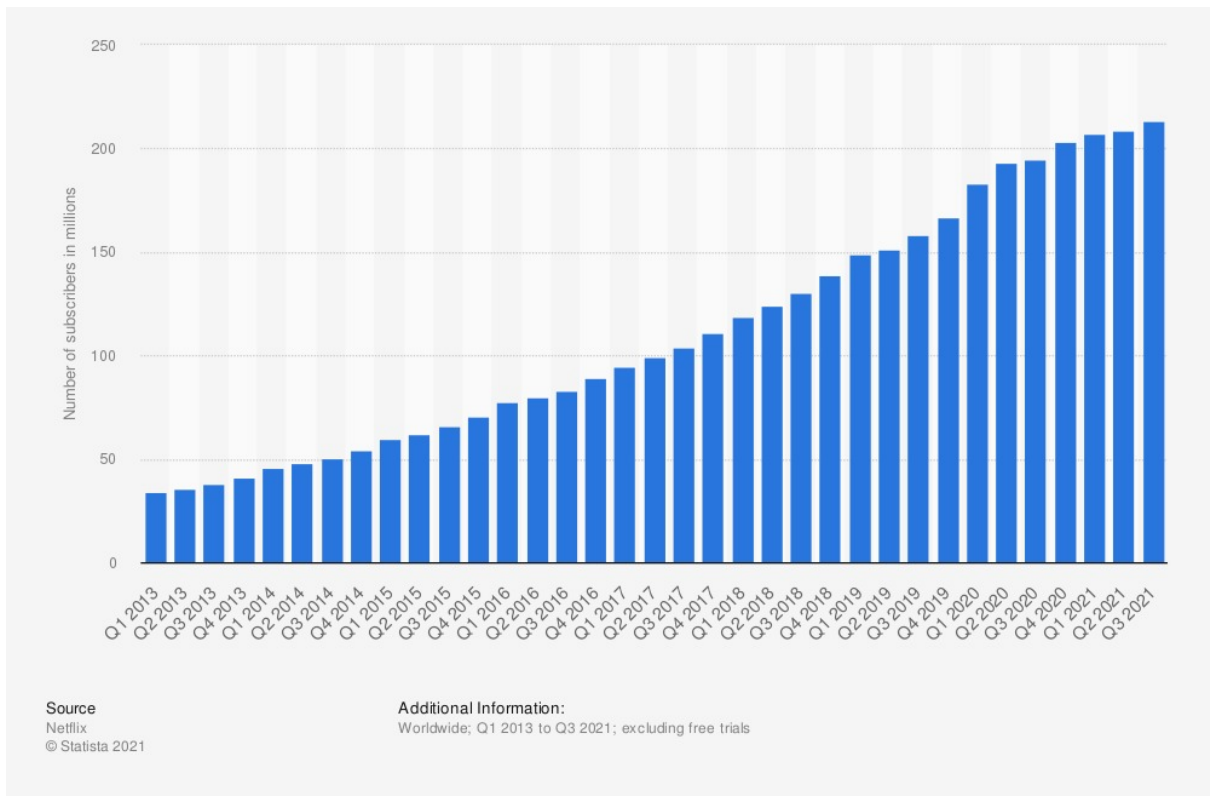
Although there is a clear structure of the film industry in the modern times, this same industry still faces threats that become more and more evident as time goes by. The home cinema industry poses one of the biggest threats to the traditional movie theaters and consequently to box-office performance.

### **2.3.1 – Trends and innovation in cinema**

Cinema has always had a very close relation with innovation, specifically technological innovation. Currently, this industry is facing the “disruptive consequences of the digital revolution” (Salvador et al., 2019, p. 29). While technological advances once seemed so positive for the cinema industry, nowadays the opposite is witnessed, with the appearance of streaming platforms and similar services that steal the spotlight from movie theaters.

Netflix, being the most popular competitor to movie theaters, is the perfect example of the innovative business model brought to the industry. Streaming platforms became very popular because they redefined the way of providing content to consumers. Over the years we witnessed the evolution of content delivery, from the big screens, television, DVD sales and even through DVD rental. It is safe to say that the current trend is consumption through streaming platforms, with the continuous emerge of Netflix and similar services.

On the graph below, it is possible to see the increasing tendency of the number of Netflix subscribers worldwide.

**Figure 1** - Number of Netflix paid subscribers worldwide from 1st quarter 2013 to 3rd quarter 2021 (millions)

Source: Statista

According to Markides (2006), innovation on the business-model level is not driven by the discovery of new products nor services, but by the redefinition of the way the existing products/services are provided to consumers. Taking this into account, the same author defends that despite encountering disruptive business models (such as Netflix's), the traditional business ways are not completely bound to be overtaken. This means that, in the specific case of the film industry, cinemas are not doomed to disappear, but are forced to reinvent themselves and redefine their business models.

### 2.3.2 – Movie theaters versus home cinema: consumers' preference

As before mentioned, consumers now have a large variety of modes to access motion picture entertainment. In order to understand what are the consumers' motivations for traditional movie watching – theater attendance – versus opting for home cinema, it is relevant to consider real testimonies.

According to Tefertiller (2017), movie theaters have the distinctive ability to “monopolize the viewer's attention” since this modality of movie showing provides more than just the motion

picture, converting it into a whole experience, with large screens, the characteristic darkened ambience and dominant sound systems.

All in all, as Tefertiller's (2017) study suggests, consumers are driven to attend movie theaters because of the expectations regarding the experience of movie-watching in the specific conditions that movie theaters provide. These above-mentioned conditions "may produce more excitement and be more enjoyable" (Tefertiller, 2017, p. 29) than watching the same movie in a smaller screen at home, as mobile screens are less prone to emotional impact and physiological stimulation.

Literature suggests that theaters are facing progressively satisfactory alternatives for movie-watching, being that home viewing is improving consumers' experience, getting closer to the unique experience that only movie theaters were once providers of. This growing improvement by home cinema watching alternatives, enhances the need of theater owners to further differentiate the "theatrical viewing experience from the home viewing experience" (Tefertiller, 2017, p. 42).





### **3 - METHODOLOGY**

Concerning the research context of this project, this study will be focused on the film industry, particularly in the Portuguese market – with bigger emphasis in Lisbon’s metropolitan area.

#### **3.1 – Secondary data**

In order to obtain the most reliable data for the project, secondary data will be the main pillar of the research design that is intended for the accomplishment of the expected results. Relying on information collected for other purposes than the investigation problem in question and by different entities will allow for a wider outlook of the proposed project and the studied environment in which it fits.

Bearing in mind, the statistics regarding cinema consumption and previous similar-projects’ success in Portugal, this specific design is exactly appropriate to further explore the cinema market’s trends, which will be of great help to accomplish the established research objectives.

To collect all the data that is needed to evaluate the viability of this project, sources such as Pordata, Statista and similar statistic entities will be the supporting foundation of data collection throughout the market analysis further presented. As for the variables resorted to, yearly movie theater attendance in Portugal; number of streaming platforms’ subscribers; and box office revenues, are some of the most relevant ones for the matter, in a sense that those will allow for a better understanding of the market’s performance.

#### **3.2 – Primary data**

As complementary research, primary data will be gathered in the form of quantitative investigation – through surveys – as a mean of confirmation of the secondary data already collected and as a starting point for operational and financial assumptions, such as customer engagement and acceptance, in order to support the Athena Drive-in’s objectives.

The survey consists of 20 questions distributed in 3 different sections, being structured as follows:

Section 1 – Cinema Consumption Habits – intends to perceive consumers’ consumption habits regarding movie-watching, through questions such as: average number of movies watched per month; average number of movie theater attending per month and food consumption at the movie theater.

Section 2 – Concept presentation and general preferences – tests the acceptance of the concept among potential customers by asking: willingness to go to a Drive-in Cinema; travel distance importance; value perception and logistics.

Section 3 – Demographic questions – aims to characterize the respondents by gender, age, marital status, education level and area of residence.

### **3.2.1 – Results' analysis**

Through the survey, the company aimed to gather the opinion of the respondents on the traditional movie theaters and their habits of cinema consumption. The 84 responses obtained will be considered when assuming different variables throughout the development of the project (further in this document) and can be found in full in Annex A.

With the results' analysis it is possible to conclude that 96,4% (81) of the 84 respondents enjoy movie watching and 35,8% of those watch an average of 5 or more movies per month while only 2,5% have a monthly viewing average under 1 movie. Of the 81 movie enjoyers, 40,7% attend the movie theater for an average of 1 to 2 times per month, 30,9% once in a few months, 13,6% 3 to 4 times and 4,9% 5 or more times, while only a combined 9,9% attend the movie theater once or less in a year, demonstrating the general positive engagement of the public with the cinema sector.

Of the same 81 movie enjoyers, only 2,5% attend movie theaters with no company, while the remaining prefer to be accompanied by the respective partners (32,1%), by friends (23,5%), by family (21%) and by colleagues (18,5%), which supports the Drive-in concept of car-sharing to watch the movies.

When it comes to the concept's presentation, 86,4% of the respondents have shown interest in a Drive-in concept of movie-watching, 94,3% of which have, indeed, opted for the use of cars versus the possibility of individual outdoor seating. Regarding the willingness of travel distance, 31,4% has shown availability to travel a distance of 10km to 15km to access an event of Drive-in cinema, which is a good indicator of the Lisbon's radius to be considered when choosing a location (25,7% are willing to travel from 15km to 20km; 22,9% from 5km to 10km; 14,3% are willing to travel 20km or even more; and 5,7% are only willing to travel 5km or less).

Regarding pricing, the majority of the respondents (58,6%) have set the maximum value to pay at 7€, being willing to accept values starting from 5€.

As to what concerns the demographic characteristics of the respondents, 59,5% are females and 38,1% males (2,4% - other), with ages between 18-24 (34,5%), between 25-34 (27,4%),

between 35-44 (19%), under 18 (11,9%), between 45-54 (3,6%) and between 55-64 (3,6%), conferring not only the difficulty in reaching older respondents, but also the juvenile positive response to the concept. Moreover, 48,8% of the respondents have an education level of bachelor's degree (32,1% - high school; 14,3% - master's degree; 3,6% - some high school; and 1,2% - PhD or higher), and are distributed across the country with 41,7% living in – resorting to the Portuguese defined NUTS – *Área Metropolitana de Lisboa*, 21,4% living in *Centro*, 17,9% living in *Norte*, 9,5% living in *Algarve*, 7,1% living in *Alentejo* and 2,4% living in *Região Autónoma da Madeira*. Although not 100% illustrative, due to the relatively small number of people reached, the demographic characteristics show the representativeness of the sample, with respondents of various ages, different levels of education and from various locations.

### **3.3 – Economic and financial viability**

Lastly, the collected data will be interpreted and treated so that conclusions can be drawn in what concerns this project's viability, mainly by resorting to a set of different indicators, such as NPV (Net Present Value), IRR (Internal Rate of Return) and Payback period.



## **4 - MARKET ANALYSIS**

### **4.1 – Contextual external environment**

#### **4.1.1 – PEST analysis**

- Political Context:

After the last legislative elections at the beginning of 2022, Portugal has reassured its governmental stability. Nevertheless, political risk continues to pose one of the biggest threats to existing enterprises and even bigger to emerging ones. After its invasion, Ukraine becomes a good exemplar country in which companies are severely exposed to political risk, where there is a high possibility of disturbance of regular operations, not only in Ukrainian territory but also across Europe.

As far as tax policy, Portugal is one of the least attractive countries to invest in, since its tax burden is perceived by companies to be excessive. According to Deloitte's 2021 Tax Competitiveness Observatory, the investment tax incentives is one of the areas that the surveyed companies highlight when it comes to the areas that are considered to be most important to maintain and capture investment.

Investment in Culture represents one of the most important factors for the matter of the project in question. The Portuguese Prime Minister considers, (as cited in Portugal.gov.pt, accessed on September 14<sup>th</sup> 2022), that investing in Portuguese patrimony “means investing in the preservation of our culture, of what are the marks of our identity that has been built over centuries”. After the outburst of the pandemic, the government created the Recovery and Resilience Plan (RRP), with the aim of converging with Europe's indicators, by reinstating sustained economic growth. This RRP includes 243 million euros of investment in culture – 25% to be used in Lisbon and the remaining 75% to be invested across the country.

With the aim of developing and promoting Europe's cultural diversity and patrimony, the Creative Europe programme 2021-2027 was created (giving continuity to the previously instated 2014-2020 programme). The European support of arts and culture encourages both the creation and consumption of cultural entertainment, which works as a booster for investment, further development and increasing interest on this specific sector.

- Economic Context:

After two full years suffering from the negative impacts that the covid-19 pandemic has brought, Portugal is finally recovering its economy.

According to projections made by Banco de Portugal for the period of 2022-2024, the Portuguese economy has reflected a continued recovery after the effects of the pandemic and

is estimated to grow by 6,3% in 2022. While the tendency may appear to be a continuous growth, it is expected that the progression of economy undergoes a deceleration at the end of the year, but especially in 2023 and 2024, when growth rates of 2.6% and 2% are anticipated.

Although the optimistic statistics that show that Portugal's economy is growing at a good pace in 2022, two important aspects must be considered when looking to the medium-term prospects: the first being the starting point of the growth, which is frankly lower than it would be under normal circumstances, i.e., if there had not been a pandemic with colossal negative impact on the last two years, and the second is the recent strike of the ongoing war in eastern Europe which represents the most threatening circumstance to Europe's economy, both for each country individually or as a continent in a whole, at the moment.

Portugal undergoes "increased uncertainty, higher inflation rates and sharper disruptions in global production chains" ("Press Release of the *Banco de Portugal* on the June 2022 issue of the Economic Bulletin", 2022), which clearly demonstrates the obstruction that the external environment is causing to the development of economic activity. Banco de Portugal anticipates an increase of inflation to 5.9% in 2022, which is justified by the escalation of the prices of imported goods, with special emphasis on energetic and food industries. Although the increasing trend of inflation is set to last, the medium-term projections indicate less accentuated increases in 2023 and 2024 (2,7% and 2,0%, respectively). Even though the projections for 2022 had already shown unfavorable circumstances, the uncertainty of the unwarranted invasion of Ukraine by the Russian military forces, is impeding, even more, economic developments. According to the Press Release of *Banco de Portugal* on the June 2022 issue of the Economic Bulletin, if the war lasts longer and its effects worsen, activity may grow less and the rise in prices may be stronger in 2022 and 2023 than currently projected.

The unemployment rate in Portugal has registered a decreasing tendency since 2013 according to Pordata, but 2020 was an atypical year on that matter also, registering the first increase of the last seven years. Nevertheless, from that moment on, Portugal is slowly restoring the previous decreasing trend. Banco de Portugal expects the employment growth to be less accentuated as well as a decrease in private sectors' wages, resulting in a decay on the purchasing power of Portuguese citizens. "The unemployment rate will decline to 5.6% in 2022 and 5.4% in the following years. Real wages per employee in the private sector will fall by 1% in 2022." ("Press Release of the *Banco de Portugal* on the June 2022 issue of the Economic Bulletin", 2022).

- Social Context:

It is clear that nowadays education is becoming increasingly more accessible to population in general. According to Pordata, despite being on the bottom of Europe's countries ranks, Portugal is positively evolving when it comes to literacy, with evidence indicating the continuous decrease of illiterate citizens, with 11,01% of the population being illiterate in 1991 and only 5,2% as of 2001 (see Annex B). Higher levels of education are associated with the increasing consumption of culture-related content, which in turn, leads to higher demand levels of available offer. A study conducted by the business consultant Qmetrics in 2022, demonstrates that the majority of the Portuguese population, circa 75%, wishes for the government to invest more in the culture sector, but this percentage rises when considering respondents with college degrees alone, being 81,8% of those.

The demand for leisure activities is also directly correlated to the minimum wage that consumers receive. Pordata illustrates the positive evolution of Portugal's minimum wage, with a base salary starting at 348,01€ in 2002 and the current base salary of 705€, 20 years later (see Annex C). Regardless of Eurostat showing that Portugal is far from the optimal gross monthly minimum wages when comparing with other member countries of the European Union – being in the group of countries with national minimum wage below 1.000€ per month, the third lowest group of the scale (see Annex D) – it is clear that, as previously stated, Portugal is – although slowly – going in the right direction.

After the pandemic outburst, one of the mainly affected sectors was the culture sector, among others. With quarantine restrictions it was almost impossible to maintain the levels of consumption stabilized, since consumers were confined to their homes and only enabled to consume digital at-home forms of entertainment. Although many businesses struggled with the lack of attendance, after almost two years confined, the public shows the will to return to its prior consumption habits, with special emphasis on leisure activities. According to the previously mentioned study conducted by Qmetrics on how the Portuguese population advocates for investment in the culture sector, culture is firmly present in the lives of the Portuguese, since the results of the study have demonstrated that 100% of the respondents have consumed at least one form of culture during the last year, being a very culture-driven population.

- Technological context:

When it comes to technological innovation, it is easy to conclude that it has been taking a very important part in today's society, being transversal to every sector. With the emerging of new

available means of entertainment, the cinema sector specifically benefits directly from technological advances that allow consumers to maximize their consumption experiences to full potential.

Within the cinema sector there's a wide panoply of technological means to consume cinematic content, from online at-home streaming platforms, to the classic big screens. Today's offer intensifies the movie-watching (and even other digital forms of entertainment) experience, with technologies such as surrounding sound systems, 3D movies, Imax, immersive 4DX – a multidimensional and sensorial technology, which is able to reach all human five senses – and ScreenX technology – a 270° screen. Since 2013 Portugal offers three movie theaters with IMAX technology, since 2016 two movie theaters with 4DX technology and since 2019 one movie theater with ScreenX technology.

#### - Conclusion

After a thorough analysis of the factors that compose the external environment in which this project is inserted, the author considers said environment to be favorable for the development of a cultural venture such as the concept in question.

Although facing some challenging times – being affected by the ongoing Ukraine's war and consequential recession period that lies ahead of Europe and the world – the Portuguese citizens will certainly benefit from the investment in cultural activities across the country. Despite the difficult economic outlook ahead, governments are still investing in cultural events – even if not in an optimal quantity – not leaving behind leisure activities and new forms of entertainment for the population.

All in all, there is a connection between culture and economy, where cultural companies are supported by European funds, so that the country's cultural background doesn't fade off as a consequence of the difficult economical period that the world is fronting, thereby, the creation of new companies in the sector continues to be an appealing option for entrepreneurs, bearing in mind the population's increasing interest in such area – especially after covid-19 restrictions – and the above-mentioned macro-economic conditions.

## **4.2 – Specific external environment**

### **4.2.1 – Sector Overview**

#### - Market's trends

In order to better understand the current operation of the sector, it is important to assess potential clients as well as their behavior within this market.



It is not new that nowadays consumers are prioritizing at-home entertainment when it comes to audiovisual consumption, and for a few years now. With the emerging offer of content provided by television operators, social media and especially streaming platforms, it is easy to perceive the consumer's choice of at-home audiovisual use, since it is easily accessible, quick, cheaper and at the comfort of their own homes – a key aspect since the covid-19 outburst.

A study from Statista, “Share of internet users watching content via streaming services each month worldwide as of 3rd quarter 2021, by country” shows that 84,7% of the Portuguese internet-users watch content via streaming services each month. A table with the data can be found in Annex E.

According to Statista, even though consumers are increasingly using at-home digital options, box office revenue in Portugal has only severely decreased since 2020 – the year in which economy was put on hold –, meaning that despite the crescent indoor preference, people were still enjoying the experience of movie theaters before. With the new reality of a pandemic, consumers' preference for indoor activities has increased, but the Drive-in cinema concept is capable of preserving the social distancing that the population demands while granting the big screen experience from a traditional movie theater.

- Market's offer

As of 2022, the market's offer of Drive-in movie sessions is null in Portugal, being that the current most similar offers correspond to outdoor movie sessions, sporadically held by promoters or sponsored by private companies from different sectors, and the occasional times in which Portugal has experienced Drive-in cinema sessions were in these same conditions.

Besides the occasional events, the only company providing movie Drive-in services in Portugal – by the name *cinemaaoliveira* – is directed to enterprises interested in hosting such sessions – again, occasionally – providing the needed resources and solutions for a host. Therefore, the existing gap on the market for a project as the present is clearly evidenced.

#### **4.2.2 – 5 Forces of Porter**

The attractiveness of the market in which cinema organizations are incorporated in will be further analyzed, resorting to Porter's five forces method. According to Michaux (2015), this analytical method is key to define a company's positioning on the market, as well as to stand against competitors.

A set of different indicators will be further explored in order to better understand the external context of this business.

a. Threat of new entries – **3** (Medium)

The geographic flexibility of the Drive-in Cinema concept is one of the attractive points for the entrance in this type of industry, considering the possibility of reaching various communities/locations by its associated mobility. Considering the addressed flexibility when it comes to location, it is also important to mention that the simple infrastructure that is required to run such business makes the concept vulnerable and easily replicated.

Nonetheless, there are a few unattractive points to the entrance in this sector, such as the need to invest in advanced and specific audiovisual equipment, and also in Research & Development and new technology, in order to maintain competitive advantage.

The cinema sector is also characterized by the impossibility to achieve economies of scale, which could represent a dissuasive factor to investment in the industry.

b. Bargaining power of suppliers – **2** (Low threat)

The main suppliers to cinema-related organizations are mainly film right owners, logistical services providers and technological equipment companies on the other. Regarding film right owners, given the amount of different Hollywood studios and other possible intermediates to choose from, the negotiation power lowers. When it comes to logistics, these suppliers are quite accessible, with a fairly large range of different providers of very similar services with different price points. Regarding technological companies, considering the advanced audiovisual equipment that is needed, the bargaining power increases, given the commonly associated high value of these products, and their specific suitability to the industry, – i.e., exclusively designed for film distribution at cinema levels, being useless to minor consumption such as at-home movie screening – there are not very many suppliers of such, given the specificity of the products.

c. Threat of substitute products – **5** (Very high threat)

Cinematographic reproduction is nowadays at high demand, and with high demand there has been crescent offer along the years. Starting with film consumption, there are numerous platforms, services and exhibitions that fulfill consumers' needs – from streaming platforms, television, movie theaters and even piracy –, being able to choose from paid to free entertainment. But the substitutes of movie watching are not as few as enumerated above. As forms of entertainment, concerts, theater plays, museums and festivals are some legitimate alternatives to any form of movie display and are representative threats to this industry too.

d. Bargaining power of customers – 3 (Medium)

Switching costs in the cinema industry are not very significant on the customer's side, since different competitors have very similar price bases, setting the price for the market in general. Concerning outdoor movie screenings specifically, being Drive-in or traditional seating, given the narrow range of existing offer, the bargaining power of customers is highly affected – very low to almost none in this case.

On the other hand, considering that there are very many other alternatives to audiovisual consumption, such as the referred at-home options, the switching costs previously mentioned will lower, since the alternatives are in majority cheaper.

e. Competitive rivalry – 2 (Low threat)

Considering the current low offer of Drive-in cinemas in Portugal, there is not significant rivalry in this specific cinema segment. The few Drive-in screenings that Portugal has had in the past are either one-time sponsorships or part of cultural/movie festivals – which are also short period editions – meaning that there is not a strong presence of this concept of movie displaying.

Despite the existence of sporadic outdoor movie screenings, the nature of those events differs from the concept of a Drive-in experience, which also creates a gap in what could concern rivalry.

f. Overall attractiveness – 3 (Medium)

The overall attractiveness of the industry is medium, with a final average score of 3. Considering the positive and negative aspects of the sector, the author considers that entering such market, despite some difficulties, will be rewarding in the future.

### **4.2.3 – Opportunities and Threats**

Opportunities:

- Lack of offer of similar cultural activities in certain regions: Portugal is characterized by the centralization of the main socioeconomic activities in its most developed cities, such as Lisbon and Oporto, which leaves behind many other regions with less offer of cultural activities, creating a gap that can be fulfilled by bringing the studied concept to those regions;

- Increase of decentralization during summer: during summer season Portugal registers a larger fluctuation of population through its many regions and cities, meaning that the main cities may have fewer potential consumers but other cities will become more attractive to the establishment of a Drive-in cinema during this season;
- Rising of cultural promotion by local administrations: with special emphasis after the covid-19 pandemic, local administrations have become great advocates for cultural consumption – once most of those events were negatively hit by quarantine – being excellent agents of promotion of the concept in question, with little to no costs associated;
- Growing demand of new experiences/leisure activities: quarantine was marked by the lack of contact with the outside world, which has increased, after a long period of impediment, consumers' demand of new experiences and leisure activities, creating an opportunity of fulfillment that cinematic experiences like Drive-in theaters can attain.

Threats:

- Inconstant weather conditions: the Drive-in cinematic concept relies on an outdoor basis and since weather conditions can be unstable, unpredictable (unless closer to date) and uncontrollable, future events may be compromised by unfavorable weather;
- Prevalence of at-home cinema consumption: the increase of at-home cinema consumption represents a great threat to any form of cinematic display, since streaming platforms and television have a wide range of different content and are very easy to access, making audiovisual consumption not only available at home but also on the go with the use of any mobile device;
- Concept based on vehicle need: since a Drive-in cinema is based on a viewing logistic that requires cars, this could represent a threat in the matter of accessibility to the events, since non-car users may be also interested in accessing such experiences;
- Decrease of general purchasing power and household disposable income: with the current inflation that the world, but more specifically, Portugal is facing, families have less disposable income, losing purchasing power and consequently their availability to spend money on non-essential products/services, such as leisure activities.

## **5 - INTERNAL ANALYSIS**

### **5.1 – Strengths and Weaknesses**

#### Strengths:

- Underexplored concept: even though there have been a few events of the sort, Portugal does not yet have an established Drive-in theater culture, meaning that the intention of the implementation of this project, is to go from a sporadic concept to a more permanent hosting, being one of very few players in this potential monopoly;
- Concept's mobility: the ability to host Drive-in cinema events in different locations represents much added value to the concept, since it becomes easier to reach different audiences and brings communities closer;
- Adaptability to various audiences: the concept is based on movie exhibition, but other forms of audiovisual content can also be presented, furthermore, there is a wide range of movie categories that can be displayed, being easy to appeal different types of consumers;
- Simplicity of its infrastructural needs: since to hold events of this sort it is only needed a large area and the audiovisual equipment (which is, despite the big size, portable), it is easier to find new locations where no big logistical requirements are in place;
- Highly consumed form of culture: cinema is one of the most popular forms of culture consumption, being considered the seventh art for many years now, it is a well-established form of entertainment that people resort to.

#### Weaknesses:

- Need for low light environment (ideally nighttime): screenings are commonly characterized by the need of low light environments in order to avoid screen reflection and allowing for the maximization of quality transmissions, which compresses event scheduling to nighttime periods only, being even more evident during summer season, where nighttime is the shortest of all seasons.
- Lack of initial recognition: new businesses commonly struggle with the lack of initial recognition, starting with fewer customers and having to grow their client wallet from very little customers to an eventually solid customer base, being hard to create the needed rapid awareness of said new business;
- High costs of audiovisual equipment: the initial investment on specific audiovisual equipment may be a very unattractive point of the development of such projects, since the equipment's specificity and required quality upturns the price to pay;

- Continuous location changing: to be able to change locations continuously, there are transportation and venue costs associated, since although needing simple infrastructures, it is needed to find and attractively negotiate new venues with different suppliers – being either rented or bought.

## **6 - COMPETITIVE ANALYSIS**

### **6.1 – SWOT analysis**

The SWOT analysis is an important management tool used for the strategic planning of new projects. According to Helms and Nixon (2010), SWOT analysis is a key tool for the enhancement of decision-making, by diminishing the amount of information that results from complex strategic circumstances.

Through the analysis of new ventures' strengths, weaknesses, opportunities and threats, it is possible to have a complete overview of the key factors that can determine the success of the project in question. Strengths and weaknesses are the two factors that are mainly under the control of the company and these represent its internal environment. On the other hand, opportunities and threats pose the external environment, which is out of the company's control. Nevertheless, companies should explore the external environment's opportunities to the fullest while also trying to neutralize threats, resorting to both its strengths and weaknesses, in order to take advantage of the full potential of its internal and the market's positions.

On the table presented below, there is the carried-out analysis, where possible strategies to face the internal and external factors are enhanced.

Table 1 - SWOT Analysis Matrix

SWOT Analysis matrix		Strengths	Weaknesses
		<ul style="list-style-type: none"> <li>- Underexplored concept</li> <li>- Concept's mobility</li> <li>- Adaptability to various audiences</li> <li>- Simplicity of its infrastructural needs</li> <li>- Highly consumed form of culture</li> </ul>	<ul style="list-style-type: none"> <li>- Need for low light environment (ideally nighttime)</li> <li>- Lack of initial recognition</li> <li>- High costs of audiovisual equipment</li> <li>- Continuous location changing</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>- Lack of offer of similar cultural activities in certain regions</li> <li>- Increase of decentralization during summer</li> <li>- Rising of cultural promotion by local administrations</li> <li>- Growing demand of new experiences/leisure activities</li> </ul>	<ul style="list-style-type: none"> <li>- Explore regions with underexplored markets</li> <li>- Vary the audiovisual offer to reach a wider range of audience segments</li> <li>- Partnering with local administrations for diffusion</li> </ul>	<ul style="list-style-type: none"> <li>- Cost reducing by partnering with administrations for advantageous venue rental/ceding agreements</li> <li>- Explore the fullest of the best climate conditions' seasons by increasing event days on those periods</li> </ul>
	Threats	<ul style="list-style-type: none"> <li>- Inconstant weather conditions</li> <li>- Prevalence of at-home cinema consumption</li> <li>- Concept based on vehicle need</li> <li>- Decrease of general purchasing power and household disposable income</li> </ul>	<ul style="list-style-type: none"> <li>- Creating spaces for consumers without vehicles</li> <li>- Price attractiveness (e.g. price packs for full cars instead of per-person charging)</li> <li>- Membership deals</li> </ul>

Source: Author



## **7 - PLAN'S OBJECTIVES**

The investment project has emerged from the author's interest in the cinema industry, mainly as a movie consumer, and its main goal is to assess the economic and financial viability of the implementation of a permanent Drive-in Cinema in the Lisbon metropolitan area, resorting to a financial and operational plan, and detailing the resources needed to proceed with a project as such.

The establishment of a concept like this aims to enrich both the city's and the people's cultural scope, by bringing communities closer through entertainment. The main goal, is to fill an existent gap, in Portugal, of similar events as the one proposed by this project. Despite the fact that past alike events have been sporadically brought to Portugal, a Drive-in Cinema is not an established concept in the country, which creates the opportunity to permanently bring a known concept that is so rarely hosted.

Although not immediately, a future goal for the company is to regularly being able to bring the concept to different locations, as a mobile model. In the future, it will be possible to have agreements with different local autarchies to temporarily give up spaces in exchange for the promotion that an event of this such could bring to those same municipalities.

To gain visibility and achieve notoriety is also one of the company's goals, to pursue the future expansion of the business, spreading more and more awareness on the concepts' benefits for the national culture and population's contentment.



## **8 - DEVELOPMENT STRATEGY**

The success of any company, either growing or already well established, heavily depends on a well-defined development strategy, that will ensure good planning and future stability.

In a primary phase, it is necessary to enter the market and trying to perceive its accessibility, especially in regards of needed resources. In Athena Drive-in's case, there is a concern when it comes to the acquisition of the main resource of the operational activity of the company – the procurement of movies to display. After assessing the possibility to access movie distribution rights, the company is ready to perform the remaining needed market research, in terms of industry players, potential customers and the surrounding environment.

The second phase consists of location research and technical and basic equipment acquisition. This is the phase in which the company will physically establish itself and is ready to take off from paper to reality.

On the third phase, the company will start to diffuse its concept among the public, with publicity, presenting the new initiative and engaging with potential future customers.

The last phase will consist of the sustainable maintenance of the business, since the kickoff is not the only important step when growing a new business. The continuous feedback pursuit is an essential initiative to keep modernizing a company that is inserted in a fast-evolving technological industry. By adapting itself to the changing needs of the consumers, the company intends to keep up to date with latest market trends while looking forward to provide the best possible experience to the public.



## **9 - IMPLEMENTATION PLAN**

### **9.1 – Segmentation, target and positioning**

#### **9.1.1 – Segmentation**

This project's aim is to offer different audiovisual-consumption experiences to Lisbon. Although the first step of the project is to be successfully established in the Lisbon district, the overall objective is to continuously invest in culture, expanding in the future to not only the large city centers, but also throughout the whole Portuguese territory, including smaller and more isolated regions.

The sessions hosted at the Drive-in, are intended to be perceived as more than traditional movie-watching, being recognized as unique leisure experiences adapted to all age groups with the vast film catalog that it has to offer. Attracting diversified audiences, the purpose of the project is to reach the four typically identified age groups:

- children (from 3 to 14 years old) - according to Decree Law 23/2014, of February 14<sup>th</sup>, with modifications introduced by the Decree Law 90/2019, of July 5<sup>th</sup>, the minimum age to attend shows of cultural nature starts at 3 years old, meaning that the children age group starts from 3 years old;
- youth (15 to 24 years old);
- adults (25 to 64 years old);
- seniors (from 65 years old on).

It also aims to reach audience within different regions of the country and even foreign potential clients, with clear interest in culture and cinema and that seeks untraditional ways to experience movie-watching.

#### **9.1.2 – Target**

After identifying the segments which Athena Drive-in is set to reach, the definition of its main target audience is also of relevance.

The target of audiovisual entertainment providers are essentially youth and adult users interested in the cinema sector. In the specific case of the Drive-in theater, the target audience are residents of the metropolitan area of Lisbon, over the age of 18 with access to automobiles and interest in culture-related events.

#### **9.1.3 – Positioning**

Yen Liu (2022) argues that a brand's success heavily relies on the enterprise's acknowledgement of positioning and purpose. Therefore, the Athena Drive-in positions itself

not as a movie distributor but as a movie-experience provider. In order to attract its target market, it is important to define a business strategy that is also capable of obtaining competitive advantage when facing other market players, appealing audience's interest over competitors.

The company will adopt a differentiation strategy in which the aim is to produce/distribute products or services at an acceptable cost with the intention to lead customers to perceive the business to be different from its competition, thus providing a competitive advantage. By choosing differentiating attributes in the development of the business, Athena Drive-in is set to deliver unique movie-watching experiences designed to promote cultural diversity.

## **9.2 – Marketing mix**

### **9.2.1 – Product**

The Drive-in theater concept aims to elevate the cinema experience to a new level. Athena Drive-in intends to create a permanent location for its events, scheduled to work most of the year, alongside with various other temporary locations to host these events occasionally throughout most favorable seasons in the medium-long term.

With a simple infrastructure and the needed audiovisual equipment, the permanent Drive-in theater site will be located in Lisbon's district and it will offer capacity for 80 cars and a sitting area for 20 people that will be car-free. Similarly to traditional movie theaters, during these events, food stands will be available for the customers.

When it comes to audio distribution two options are going to be available: radio frequency transmission (FM) and individual sound systems available at the parking spots.

### **9.2.2 – Price**

To hold each of the scheduled events a variety of audiovisual equipment is required (Screen, projector and audio systems) as well as a set of other logistical concerns.

Contemplating the requirements to hold such events allied with the objective to deliver affordable cultural events to the audience, Athena Drive-in sets its prices in line with the market, although still trying to acquire competitive advantage by offering discounts when buying ticket packages, also meeting customers' preferences from the survey.

Therefore, the prices practiced will vary from 8,99€ to 19,96€, with the following conditions:

Prices for Drive-in customers:

- Double ticket (2 people, 1 car): 13,99€
- For every additional person in the car: 1,99€

Prices for outdoor cinema customers (no cars):

- Individual ticket (1 chair): 8,99€

### **9.2.3 – Promotion**

Effective communication poses a decisive marketing strategy when entering a competitive market/industry, since it is the easiest and quickest way to acquire new users and to introduce the business to the market. As promotion is such an important factor, this project contemplates a set of different communication channels.

Being at the age of internet, society is taking advantage of the great technological advances of the last decades, especially when it comes to online content. Users are continuously and unconsciously consuming direct and indirect advertisement, through social media and internet in general. As so, Athena Drive-in will partner with online content creators to promote and diffuse the brand, as a whole, and for upcoming events, reaching bigger audiences than traditional media advertisement and for lower costs.

Commonly, social media stars make ad posts in exchange for free trials, discounts, PR packages and actual payments, being that the bigger their audience range, the more expensive the partnership. Thereby, the company will resort to 5 Instagram influencers with 30 to 60 thousand followers to publicize Athena Drive-in, offering each of them free entrances at the next two movie sessions where they will be able to invite up to 4 more friends (maximum of 1 car for each influencer), summing up to a maximum total of 50 free entries divided by the two next sessions. Additionally, it will resort to 2 social media personalities, with a follower base of circa 200 thousand people, for 2 different promoting moments (the 2 first movie sessions to be hosted), in return for 500€ each and free entrances for 2 dates of their choice with possibility to invite 4 more friends (maximum of 1 car each), summing up to a total of 1.000€ and 20 free entries divided by two separate movies of choice.

Besides the direct approach to social media influencers, Athena Drive-in intends to be actively present on social media through ad posts (e.g. Instagram's feature to promote posts from businesses' accounts to reach different ranges of audiences through their feeds). Platforms such as Instagram charge values that start at 2€/per day, reaching very few users, and can go up to thousands of euros, being that the higher the investment the bigger the reachability. For the matter, the company aims to reach 160.000 to 430.000 clicks per month with a cost of 420€/month – the ideal investment would be of two months, in order to actively present the

concept to the public, totalizing 840€. A table summarizing publicity costs can be found in Annex F.

Lastly, as a communication strategy, after a press release announcing the opening of a Drive-in cinema in Lisbon, NiT – a digital lifestyle magazine which focuses on what's new at a national level – has already shown interest in editorially covering an article presenting the new concept, free of charge, considering that this innovative project would represent enough relevance for the magazine to promote (bearing in mind the magazine's nature).

#### **9.2.4 – Distribution**

For the project in matter, distribution consists of solely ticket sales. In order to access each event, customers that want to attend will need to buy ticket entries.

To simplify the process of distribution and reduce its inherent costs, Athena Drive-in will resort to a direct distribution channel, where customers can purchase their tickets directly at the event's precinct, and online at the Athena Drive-in's website. Additionally, a short and indirect distribution channel will be available – by partnering with local administrations, customers will be able to purchase their tickets at the City Hall within pack deals that may be in effect.

#### **9.2.5 – Process**

Optimizing costs and time is an important measure to ensure the business' success. In order to guarantee this optimization, it is needed to clearly define the system of distribution of the products/services that the company proposes to deliver.

The inherent process of the Drive-in events consists of ticket sales, logistics of customer arrival – car parking and seat allocations –, and appetizer/beverage sales.

Ticket acquisition will be held both online and in-person on event days, where a ticket booth will be at disposition at the entrance and a staff member will sell and validate already purchased tickets to allow entry.

The allocation of parking spots will be at consumers' choice, but the entrance is by standard made between 1 hour and 10 minutes prior to the movie start (50-minute window), leaving 10 minutes minimum of no-traffic before the movie begins. A staff member will indicate the path to take to find parking spots, notifying customers when no more spots are available at each row, if necessary.

For each two parking spots, one pole with two speakers to place inside the car will be available (see Annex G for example figure).



From the opening of enclosure's doors until the movie starts, guests will be able to purchase their appetizers at the food stands. Two will be available, each being located at the left and right sides of the screen.

### **9.2.6 – Location**

The primary location of the Drive-in cinema will be set in Lisbon's outskirts, more specifically in Amadora, very close to Alfragide, a county that is connected to what is considered to be Lisbon's lung – Monsanto –, known as one of the biggest leisure/outdoor activities hosting area to.

The choice of location was based on different aspects, starting by the option of renting the space instead of purchasing, in order to reduce initial capital investment. Relying on this first choice, Lisbon's municipality was no longer a viable option, considering the lack of available land (being either rented or bought) and the higher costs that the location would represent, especially with the need for a large area. Therefore, the outskirts of Lisbon became the best option, maintaining great road accessibility, being a relatively close and cheaper option.

Athena Drive-in was able to find a rental option for a private land of 5.025m<sup>2</sup>, for the price of 5.000€/month for the period of 25 years (rental contracts for the exploration of land are usually long-term). This plot of land already has the legal permit for services and commerce, leaving out the need to incur in further bureaucratic expenses. It is located right beside IC19, one of Lisbon's most important roads and Cabos d'Ávila, connecting the Drive-in with the heart of Lisbon within circa 15 minutes – 10km (see Annex H for geographic context). Considering the survey's results, potential clients are most likely willing to travel an average distance of 10km to 15km to access an event of Drive-in cinema, which positively weights the location choice.

Considering the location's conditions, it is necessary to carry out some construction work, although being marginal. It is necessary to clean the land, install entrance/exit gates, mark the parking spots, install toilet zones and food stands, and assemble audiovisual equipment (such as screen and projector). All of the above-mentioned expenses will be further ahead considered in the costs' maps.

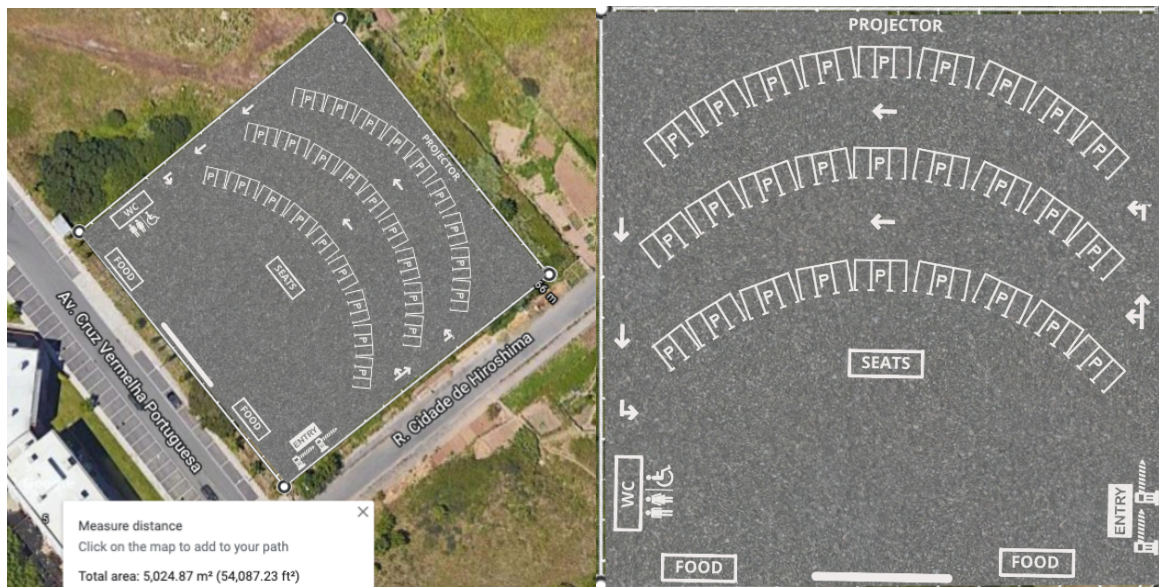
### **9.2.7 – Physical evidence**

One of the main factors of starting a new venture is the need for a pleasing brand image. Now, as the building of said new venture lacks physical marks just yet – even being perceived as abstract –, it may be hard for customers to picture the concept to which it is being introduced

to, as it is common for consumers to rely on physical evidence to perceive value. Therefore, detailed descriptions, physical models, building documents or 3D conceptualizations, among others, are crucial elements when presenting new projects to potential clients, being strategic measures to ensure an early pleasant brand/concept perception.

After a brief explanation of the layout of the area on the Process section, the permanent location site for the Drive-in theater will be displayed as the following figure.

**Figure 2** - Display of the Athena Drive-in movie theater



Source: Author (Adapted from Google Maps)

It is important to notice that the layout of the space may vary according to the different venues at different locations that will eventually host more of these events.

### 9.3 – Technology

As previously stated, to carry out a project of this sort, it is necessary to acquire specific audiovisual equipment. Among said equipment is a large screen, a digital projector and speakers.

For some years now, the majority of film studios have been releasing movies exclusively in digital format, meaning that the success of a new Drive-in theater will be highly dependent on the choice of projection equipment to stay relevant nowadays. Additionally, said equipment must meet some specifics, such as being DCI compliant – Digital Cinema Initiatives, LCC (DCI) is an entity created to determine uniform specifications for Digital Cinema exhibition, ensuring that “all parties involved in the practice of Digital Cinema must be confident that their

products and services are interoperable and compatible with the products and services of all industry participants” (DCI, 2005).

Therefore, the Athena Drive-in will acquire a Christie CP2309-RGB projector, which is, according to the brand, an advanced, yet affordable, cinema projection equipped with Christie Real|Laser™ technology and that is DCI compliant, appropriate for screens up to 13 meters wide. Christie is one of the main cinema projector manufacturers, assuring DCI compatibility. The projector is sold by a reseller – DC projection – by the price of €62.662<sup>1</sup>.

Concerning the screen used to project the movies on to, the company opted for an inflatable type of screen, for its practicality (regarding mobility and assembly). The chosen model is the AIRSCREEN classic 40 ft (12 m), manufactured and sold by the AIRSCREEN company. This model retails for €20.010<sup>2</sup> and is able to exhibit to up to 150 cars with its 12 meters (horizontally), its setup time is of only 2 hours (see Annex I for screen and setup specifications).

Regarding the sound system there are two considerations. The first is the need for an FM transmitter for the original Drive-in sound to the radios of the cars and/or the speakers available. For the matter, the chosen supplier is the same company of the screen, AIRSCREEN, which also provides FM transmitters. The chosen model is the L3 Full Stack, which is the most adequate to the size of the screen and consequently of the parking area, being able to reach the whole precinct. The equipment is priced at €5.495,5<sup>3</sup>. The second aspect to consider are the speakers (being an available alternative to the car’s radio system at the Drive-in), which will resemble the old traditional speakers used in Drive-in theaters in the late 50’s around the United States of America, for a nostalgic sense of the concept. The speakers will be bought from DetroitDiecast, in sets of two for 130€/pair<sup>4</sup>, and 25 pairs will be purchased, enough to assure availability to the first (interested in this audio option) 50 arrivals.

## 9.4 – Organization

### 9.4.1 – Societal structure

Within Portuguese legislation, all commercial activity companies must be structured according to one of the 5 forms of legal constitution. According to *Código das Sociedades Comerciais*, organizations may be constituted as sole proprietorships by shares, as general partnerships, as private limited companies, as public limited companies and as limited partnerships.

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<sup>1</sup> Based on September 14<sup>th</sup>'s exchange rate USD/EUR=1,001. Original price was \$62.599.

<sup>2</sup> Based on September 14<sup>th</sup>'s exchange rate USD/EUR=1,001. Original price was \$19.990.

<sup>3</sup> Based on September 14<sup>th</sup>'s exchange rate USD/EUR=1,001. Original price was \$5.490.

<sup>4</sup> Based on September 14<sup>th</sup>'s exchange rate USD/EUR=1,001. Original price was \$129,9.

The societal structure adopted by Athena Drive-in is the sole proprietorship by shares, in which a single member – the author – holds the entire share capital. As the legal framework does not establish a minimum value, the share capital shall be of 29.586,37€, corresponding to the sum of the shares subscribed by the shareholders (which belong entirely to the sole society owner).

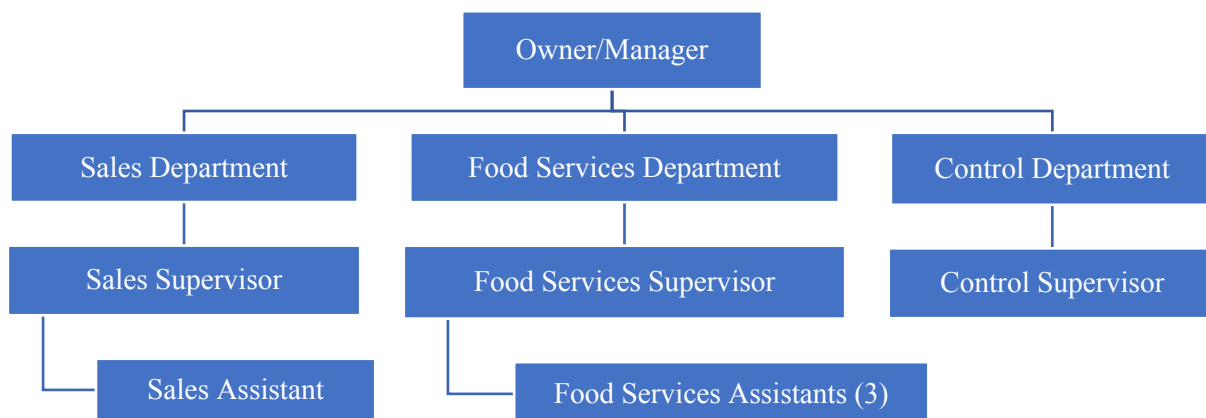
### 9.4.2 – Organizational structure

The minimal operation of a Drive-in theater allows the need for few people on site to run on an average movie night, as opposed to traditional movie theaters. Therefore, the Drive-in will be employing a total of 8 people, being allocated to the different working stations as follows:

- 1 manager (the owner)
- 2 employees managing the entrance/at-the-door ticket selling
- 4 employees selling food and beverages
- 1 employee supervising car parking and helping with parking spot allocation if needed

The optimization of the organizational structure is an important step to achieve efficient operation, by reducing communication costs between departments and avoiding operational risks. Thereby, the organization chart is structured as presented below.

Figure 3 - Athena Drive-in's Organization Chart



Source: Author

- Owner/Manager: as the sole proprietary of the business, the owner will assume the role of Manager, being the maximum responsible of the company. The functions associated with this position undergo the introduction of the company to its market, the preparation of the movie projection logistics as well as any other logistical issues associated with

the company, and will ensure the continuous work of each department by bearing functions across all of them if needed.

- Sales Supervisor: the sales department is responsible for the in-person ticket sales (upon entrance) and pre-sold ticket validation. The Sales supervisor is the person in charge of the department and must assure the efficient process of selling tickets in one of two lines, forwarding the customers to the inside of the enclosure, validating tickets pre-bought online as well as leading the sales assistant.
- Sales Assistant: must support the sales supervisor, contributing to the efficiency of ticket selling, being able to quickly respond to customers on a second line to access the precinct, also assuring the functions of ticket selling, customer forwarding and ticket validation if needed.
- Food Services Supervisor: as it is traditional when movie-watching, appetizers and beverages may be in order, hence the need to develop a food services department, to assure the offer of food and drinks inside the precinct. Now, as every department, a supervisor must be selected, not only to supervise and guarantee the good performance of the inherent tasks of the department, but to also perform said tasks, such as register or prepare customers' orders.
- Food Services Assistants: it is expected that food services assistants are able to register and prepare customers' orders, bringing efficiency to the process of food selling and delivery in an orderly but fast way. The assistants shall be the foundation of the department, together with the supervisor, by handling customers' orders in all aspects.
- Control Supervisor: is the single member of the control department, being responsible by the supervision of any extra activity during the events, such as orientating the customers inside the precinct, ensuring the respect of usage policies and acting as a problem solver.

## **9.5 – Financing plan**

To finance the initial investment needed to go forward with a new project like so, two different options were considered, the first being self-funding and the second being a long-term debt financing solution.

Regarding self-funding, savings of circa 30.000€ will pose the first form of capital of the company, decreasing – in that same amount – the volume of borrowed capital needed.

As for the second financing solution, a bank loan will be considered for the matter. After research on the market for the most advantageous option, Novo Banco has offered a line of credit, with the following conditions:

- Effective Annual Rate of 6,118%;
- Maximum maturity of 8 years with a maximum grace period of 2 years;
- Constant installments of yearly frequency;
- Opening commission of 1,30% levied on the contracted amount (4% of stamp duty);
- Management commission of 2,15% every year levied on the amount owed at each year (4% of stamp duty).

Accepting the listed conditions, a loan of 143.600€ was taken out for the duration of 8 years with a grace period of 1 year. The table below represents the debt service map throughout the maturity of the loan.

**Table 2 - Debt service map per year**

DEBT SERVICE MAP								
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Principal at Beginning	143 600,00 €	152 385,45 €	134 296,22 €	115 100,30 €	94 729,96 €	73 113,38 €	50 174,28 €	25 831,78 €
Installment	- €	27 412,17 €	27 412,17 €	27 412,17 €	27 412,17 €	27 412,17 €	27 412,17 €	27 412,17 €
Interest	- €	9 322,94 €	8 216,24 €	7 041,84 €	5 795,58 €	4 473,08 €	3 069,66 €	1 580,39 €
Amortization	- €	18 089,23 €	19 195,93 €	20 370,33 €	21 616,59 €	22 939,09 €	24 342,51 €	25 831,78 €
Other Charges	4 954,20 €	3 087,40 €	3 087,40 €	3 087,40 €	3 087,40 €	3 087,40 €	3 087,40 €	3 087,40 €
Stamp Duty	198,17 €	123,50 €	123,50 €	123,50 €	123,50 €	123,50 €	123,50 €	123,50 €
Principal After Amortization	143 600,00 €	134 296,22 €	115 100,30 €	94 729,96 €	73 113,38 €	50 174,28 €	25 831,78 €	- €
<b>CASH FLOW</b>	<b>138 447,63 €</b>	<b>(30 623,06) €</b>	<b>(30 623,06) €</b>	<b>(30 623,06) €</b>	<b>(30 623,06) €</b>	<b>(30 623,06) €</b>	<b>(30 623,06) €</b>	<b>(30 623,06) €</b>

Source: Author

## 9.6 – Costs and revenues maps

### 9.6.1 – Main assumptions

In order to predict, in the most realistic method possible, some of the variables to be further presented, assumptions such as the following were taken as a base for calculations.

**Table 3 - Main base assumptions**

MAIN ASSUMPTIONS	
Car spots available per event	80
Individual seats available per event	20
Number of movie sessies per month	22
Staff Salary Growth Rate per year	0,2%
Income Tax borne by the Manager	11,3%
Income Tax borne by the Supervisors	10,10%
Income Tax borne by the Assistants	7,90%

Source: Author

### 9.6.2 – Staff expenses

The salary policy of Athena Drive-in is as follows:

**Table 4 - Staff expenses per year**

STAFF EXPENSES						
		Year 1	Year 2	Year 3	Year 4	Year 5
Manager (1)	1 000,0 €	14 000,0 €	14 028,0 €	14 056,1 €	14 084,2 €	14 112,3 €
Department Supervisors (3)	850,0 €	35 700,0 €	35 771,4 €	35 842,9 €	35 914,6 €	35 986,5 €
Department Assistants (4)	780,0 €	43 680,0 €	43 767,4 €	43 854,9 €	43 942,6 €	44 030,5 €
State Charges	23,75%	22 177,8 €	22 222,1 €	22 266,5 €	22 311,1 €	22 355,7 €
Meal Allowance (8x)	4,77€/day	10 074,2 €	10 074,2 €	10 074,2 €	10 074,2 €	10 074,2 €
Workplace Accident Insurance (8x)	2,0%	1 867,6 €	1 867,6 €	1 867,6 €	1 867,6 €	1 867,6 €
<b>TOTAL STAFF EXPENSES</b>		<b>127 499,6 €</b>	<b>127 730,7 €</b>	<b>127 962,3 €</b>	<b>128 194,3 €</b>	<b>128 426,8 €</b>

Source: Author

Every staff member has a full-time contract with indefinite duration, being entitled to a daily meal allowance for every day of work (4,77€) and to the usufruct of a workplace accident insurance if needed (which costs 2% of the total base annual salary to the company). When it comes to the mentioned contracts, the company faces state charges of 23,75% of the salaries paid.

The salaries are yearly reviewed and are expected to increase 0,2% every year.

### 9.6.3 – Initial investment (CAPEX)

The company’s investment will be based in 4 main categories: the land rental (2 months before operational activity); infrastructural work (concerning the construction and space preparation); technological equipment (concerning all the needed equipment to the projection of the movies); and basic equipment and tools (concerning the permanent assets acquired for the operation of the company).

**Table 5 - Investment details**

INVESTMENT (CAPEX)		
<b>Land rental</b>		<b>10 000 €</b>
Rent - 5.000m2 (2 months before operational activity)	1€/m2	10 000 €
<b>Infrastructural Work</b>		<b>54 757 €</b>
Cleaning and preparation of the land (5.000m2)	0,5€/m2	2 500 €
Paving of the land (Tar 5.000m2)	8,04€/m2	40 200 €
Paint for parking spots	25kg bucket	365 €
Entrance and exit gates (2x)	1599€/un.	3 198 €
Food stands (2x)	2495€/un.	4 990 €
Toilets	1 large container	3 504 €
<b>Technological Equipment</b>		<b>90 418 €</b>
Christie CP2309-RGB projector	1	61 662 €
AIRSCREEN classic 40 ft	1	20 010 €
L3 Full Stack FM Transmitter	1	5 496 €
DetroitDiecast speakers (25 pairs)	130€/pair	3 250 €
<b>Basic Equipment and Tools</b>		<b>12 860 €</b>
Popcorn Machine (2x)	4429€/un.	8 858 €
Soda Dispenser (2x)	1651€/un.	3 302 €
Cinema chairs (30x)	35€/un.	700 €
<b>TOTAL INVESTMENT</b>		<b>168 034 €</b>

Source: Author

Considering the acquired assets and the corresponding lifespan, the following table demonstrates the depreciation rates and costs to which they are subject.

**Table 6** - Depreciation rates per asset

DEPRECIATION RATES				
	Initial Value	Lifespan	Depreciation Rate per year	Depreciation per year
Basic Equipment and Tools	12 860 €	7	14%	1 837 €
Technological Equipment	90 418 €	10	10%	9 042 €
Infrastructure	54 757 €	20	5%	2 738 €
<b>TOTAL DEPRECIATION</b>				<b>13 617 €</b>

Source: Author

#### 9.6.4 – Forecasted revenues

As previously defined, the ticket price points will start at 8,99€ up to 19,96€, as presented below.

**Table 7** - Ticket prices by pack

TICKET PRICE TABLE					
Ticket Packs	1 (no car)	Double ticket	Triple ticket	4 Ticket pack	5 Ticket pack
Individual Sitting	8,99 €	-	-	-	-
Price per car	-	13,99 €	15,98 €	17,97 €	19,96 €

Source: Author

After defining the ticket prices, the sales were forecasted based on the total capacity of the venue. Assuming a total of 22 movie sessions a month, the venue holds 21.120 cars and 5.280 individual seats each year. As a starting point to the forecast it was considered an average occupancy rate of the car spots of 51% on the first year, being incremented by 3 percentage points every following year.

Considering the surveys' results, the distribution of attendees buying each ticket pack was also forecasted in percentage, being that from the average total car spots occupied throughout the year, 34% have only 2 passengers (meaning that 34% of the cars attending bought a double ticket); 20% have 3 passengers (which are triple ticket buyers); 24% have 4 passengers (4 ticket pack buyers); and 22% have 5 passengers (5 ticket pack buyers). Throughout the years, to keep the forecast realistic the percentages of each car holding each number of passengers will slightly vary.

Regarding the individual seats (with individual ticket price), an average occupancy rate of 40% was considered on the first year, being incremented by 5 percentage points every following year.



The final outcome of the ticket sales forecast is a ticket revenue of 198.336,95€ on the first year with 38.073 attendees. Considering the industry in question, the ticket revenue is characteristically low, since film exhibition rights are undoubtedly always part of the equation, and charge around 80% to 95% upon box office revenue. Thereby the final revenue will consist of the ticket sales revenue deducted of 90% of its value – sequence of the contracted film distribution rights –, originating a final ticket revenue of 19.833,70€ on the first operational year, as presented below.

**Table 8-** Ticket revenue per year

TICKET REVENUE PER YEAR					
Total car capacity per year	21 120 cars				
Total individual seat capacity per year	5 280 seats				
	Year 1	Year 2	Year 3	Year 4	Year 5
Average occupancy rate of car spots	51%	54%	57%	60%	63%
Average number of car spots occupied	10 771	11 405	12 038	12 672	13 306
Growth rate of activity per year	-	6%	6%	5%	5%
Average rate of cars with 2 passengers	34%	30%	29%	30%	31%
Average number of cars with 2 passengers	3 662	3 422	3 491	3 802	4 125
Total revenue of 2 passenger cars	51 231,38 €	47 873,78 €	48 839,09 €	53 189,98 €	57 708,75 €
Average rate of cars with 3 passengers	20%	20%	19%	19%	19%
Average number of cars with 3 passengers	2 154	2 281	2 287	2 408	2 528
Total revenue of 3 passenger cars	34 420,92 €	36 450,38 €	36 546,26 €	38 479,84 €	40 397,44 €
Average rate of cars with 4 passengers	24%	26%	27%	27%	26%
Average number of cars with 4 passengers	2 585	2 965	3 250	3 421	3 460
Total revenue of 4 passenger cars	46 452,45 €	53 281,05 €	58 402,50 €	61 475,37 €	62 176,20 €
Average rate of cars with 5 passengers	22%	24%	25%	24%	24%
Average number of cars with 5 passengers	2 367	2 737	3 010	3 041	3 193
Total revenue of 5 passenger cars	47 245,32 €	54 630,52 €	60 079,60 €	60 698,36 €	63 732,28 €
Average occupancy rate of individual seats	40%	45%	50%	55%	60%
Average number of individual seats occupied	2 112	2 376	2 640	2 904	3 168
Total revenue of individual seats	18 986,88 €	21 360,24 €	23 733,60 €	26 106,96 €	28 480,32 €
<b>TOTAL TICKET REVENUE</b>	<b>198 336,95 €</b>	<b>213 595,97 €</b>	<b>227 601,05 €</b>	<b>239 950,51 €</b>	<b>252 494,99 €</b>
<b>TOTAL TICKET REVENUE AFTER RIGHTS</b>	<b>19 833,70 €</b>	<b>21 359,60 €</b>	<b>22 760,11 €</b>	<b>23 995,05 €</b>	<b>25 249,50 €</b>
Total attendees per year	38 073	41 608	44 533	46 621	48 807

Source: Author

Once the total of attendees per year was defined, the forecast of the food and beverages sales was conducted.

Considering the surveys' answers, the sales will consist of popcorn, assorted snacks and beverages. The pricing will be as follows.

**Table 9 -** Food and beverages prices

FOOD PRICE TABLE	
Small popcorn pack	3,99 €
Medium popcorn pack	5,49 €
Large popcorn pack	5,99 €
Small drink	2,99 €
Medium drink	4,49 €
Large drink	4,99 €
Average snack price	2,99 €

Source: Author

To forecast each of the available items' sales, it was assumed that from the total of attendees, different percentages would buy different items and sizes. Considering the advantages of the relation price to portion, it was assumed that in the first year (for both popcorn and beverages size packs), 18% of the attendees would buy small sizes; 32% would buy medium sizes; 38% would buy large sizes; and – according to the surveys – 12% would not buy food at the events. It was also assumed that regardless of popcorn or beverage buys, 10% of the attendees would buy assorted snacks, with an average price set at 2,99€.

To keep the forecast realistic the percentages of each item's consumption will slightly vary throughout the years, based on the premise that the larger sizes are more advantageous. A detailed table can be found in Annex J.

The forecast totalizes 333.664,46€ of food and beverages revenue on the first year, being that this source of revenue is the most representative among the both available (tickets and food/beverages).

The total amount of revenue (from both sources) forecasted on the 5-year period is as presented below.

**Table 10** - Total revenue forecast per year

TOTAL REVENUE PER YEAR					
	Year 1	Year 2	Year 3	Year 4	Year 5
Total Ticket Revenue	198 336,95 €	213 595,97 €	227 601,05 €	239 950,51 €	252 494,99 €
Total Food and Beverages Revenue	339 664,46 €	358 086,77 €	391 712,27 €	415 197,30 €	440 756,49 €
<b>TOTAL REVENUE PER YEAR</b>	<b>538 001,41 €</b>	<b>571 682,74 €</b>	<b>619 313,32 €</b>	<b>655 147,81 €</b>	<b>693 251,48 €</b>

Source: Author

### 9.6.5 – Forecasted expenses

When it comes to the operational expenses (food supply), the forecast was based on the expected car occupancy, which was then normalized to an average of 4 people per car (more than enough attendees to base demand on, since it increases the forecasted number of attendees from 38.073 to 43.084 on the first year, so the company is able to assure enough stock in case the real number of attendees surpasses the forecasts).

The annual forecasted expenses are presented on the next table and the detailed assumptions for purchases/other expenses as well as the cost of goods sold can be found in the Annexes K and L.

**Table 11** - Total forecasted expenses per year

YEARLY FORECASTED EXPENSES					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Food Supply</b>	<b>50 620,79 €</b>	<b>42 521,39 €</b>	<b>46 677,65 €</b>	<b>50 268,66 €</b>	<b>53 028,35 €</b>
Corn	6 741,50 €	5 649,99 €	6 203,02 €	6 681,10 €	7 048,80 €
Beverages	26 083,20 €	21 904,74 €	24 049,15 €	25 902,95 €	27 328,71 €
PopCorn buckets	9 897,36 €	8 288,12 €	9 099,33 €	9 800,60 €	10 339,95 €
Drinking cups	6 282,67 €	5 261,15 €	5 776,09 €	6 221,25 €	6 563,62 €
Assorted snacks	601,92 €	568,39 €	617,95 €	658,83 €	688,09 €
Salt	125,27 €	105,20 €	115,50 €	124,40 €	131,25 €
Sugar	888,86 €	743,80 €	816,61 €	879,54 €	927,94 €
<b>Rent</b>	<b>60 000,00 €</b>	<b>60 000,00 €</b>	<b>60 000,00 €</b>	<b>60 000,00 €</b>	<b>60 000,00 €</b>
Rental of the land	60 000,00 €	60 000,00 €	60 000,00 €	60 000,00 €	60 000,00 €
<b>Publicity Costs</b>	<b>1 840,00 €</b>	<b>420,00 €</b>	<b>420,00 €</b>	<b>420,00 €</b>	<b>420,00 €</b>
Instagram Ad Posts	840,00 €	420,00 €	420,00 €	420,00 €	420,00 €
Influencers' Ad Posts	1 000,00 €	-	-	-	-
<b>Cleaning Services</b>	<b>4 546,08 €</b>	<b>4 546,08 €</b>	<b>4 546,08 €</b>	<b>4 546,08 €</b>	<b>4 546,08 €</b>
Cleaning Assistant	4 546,08 €	4 546,08 €	4 546,08 €	4 546,08 €	4 546,08 €
<b>Film Distribution Rights</b>	<b>178 503,26 €</b>	<b>192 236,37 €</b>	<b>204 840,95 €</b>	<b>215 955,46 €</b>	<b>227 245,49 €</b>
Rights	178 503,26 €	192 236,37 €	204 840,95 €	215 955,46 €	227 245,49 €
<b>TOTAL EXPENSES</b>	<b>295 510,12 €</b>	<b>299 723,84 €</b>	<b>316 484,68 €</b>	<b>331 190,20 €</b>	<b>345 239,92 €</b>

Source: Author



## **10 - REQUIREMENTS FOR THE IMPLEMENTATION**

The first requirement for the implementation of a Drive-in Cinema in Lisbon is the initial capital that will catapult the project. No project of this such can be implemented without the necessary monetary resources.

As for the second implementation requirement, the company needs to research the market and reach out to the most relevant Hollywood Studios – owners of the majority of film rights. It is necessary to either obtain the rights or the actual digital film for display at the Drive-in exhibitions. As the option of obtaining the digital film is less advantageous (less cost-effective and can only be held for a limited amount of time), the Athena Drive-in intends to buy the film distribution rights of a variety of movies, at the exchange of a percentage of the box office revenue.

The third requirement is the physical establishment. Considering the necessary logistics to hold the events, it is key to find a venue with large capacity to receive a sizable number of customers. The optimal venue will grant space and comfort while being well located, allowing for quick and easy access. Considering Lisbon's characteristic overcrowding and overpricing, finding the most suitable location at a fair price is no easy task, which enhances the need for great search and cautious decision making – since the wrong financial decision regarding the contracted price can represent a big toll on the project's financial success.

As a final requirement, it is also necessary to establish good relations and beneficial agreements with local autarchies, for diffusion and potential event holding, promoting not only the concept on its own but also the municipalities in question.



## 11 - FINANCIAL ANALYSIS

### 11.1 – Income statement

Table 12 - Income statement forecast

INCOME STATEMENT						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Sales Revenue	- € 538 001,41	€ 571 682,74	€ 619 313,32	€ 655 147,81	€ 693 251,48	€
Cost of Goods Sold	- € 39 543,70	€ 43 699,96	€ 47 290,97	€ 50 050,65	€ 52 965,44	€
Film Distribution Rights	- € 178 503,26	€ 192 236,37	€ 204 840,95	€ 215 955,46	€ 227 245,49	€
<b>Gross Margin</b>	- € 319 954,46	€ 335 746,41	€ 367 181,40	€ 389 141,70	€ 413 040,56	€
External Supplies and Services	- € 4 546,08	€ 4 546,08	€ 4 546,08	€ 4 546,08	€ 4 546,08	€
Rent	10 000,00	€ 60 000,00	€ 60 000,00	€ 60 000,00	€ 60 000,00	€ 60 000,00
Marketing Expenses	- € 1 840,00	€ 420,00	€ 420,00	€ 420,00	€ 420,00	€ 420,00
Staff Expenses	- € 127 499,59	€ 127 730,71	€ 127 962,28	€ 128 194,32	€ 128 426,83	€ 128 426,83
<b>EBITDA</b>	<b>(10 000,00)</b>	<b>€ 126 068,79</b>	<b>€ 143 049,62</b>	<b>€ 174 253,04</b>	<b>€ 195 981,30</b>	<b>€ 219 647,65</b>
Depreciation and Amortization Costs	- € 13 616,72	€ 13 616,72	€ 13 616,72	€ 13 616,72	€ 13 616,72	€ 13 616,72
<b>EBIT</b>	<b>(10 000,00)</b>	<b>€ 112 452,07</b>	<b>€ 129 432,91</b>	<b>€ 160 636,32</b>	<b>€ 182 364,58</b>	<b>€ 206 030,93</b>
Interest Expenses	5 152,37	€ 12 533,84	€ 11 427,14	€ 10 252,73	€ 9 006,48	€ 7 683,97
<b>EBT</b>	<b>(15 152,37)</b>	<b>€ 99 918,24</b>	<b>€ 118 005,77</b>	<b>€ 150 383,59</b>	<b>€ 173 358,10</b>	<b>€ 198 346,96</b>
Income Tax (21%)	- € 20 982,83	€ 24 781,21	€ 31 580,55	€ 36 405,20	€ 41 652,86	€ 41 652,86
<b>NET INCOME</b>	<b>(15 152,37)</b>	<b>€ 78 935,41</b>	<b>€ 93 224,56</b>	<b>€ 118 803,04</b>	<b>€ 136 952,90</b>	<b>€ 156 694,10</b>

Source: Author

The Income Statement is the base of the Cash Flows Map which in turn, will enable the economic and financial analysis of the project. According to Terrigino (2022), an income statement is a source of helpful information for strategic decisions, which supports Choi's (2007) premise that this statement poses an effective measure of the financial health of small businesses, hence the importance of its consideration within the project.

The annual economic performance of Athena Drive-in is positive, considering the – also – positive net income in every year after the start of operational activity, which sustains the good economic health of the investment project.

### 11.2 – Financial Plan

Table 13 - Financial plan forecast

FINANCIAL PLAN						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Origins</b>						
Realized Capital (Self-funding)	163 186,37	€ 147 744,42	€ 144 175,28	€ 177 390,79	€ 195 981,30	€ 223 612,46
EBIT	(10 000,00)	€ 112 452,07	€ 129 432,91	€ 160 636,32	€ 182 364,58	€ 206 030,93
Depreciation and Amortization Costs	- € 13 616,72	€ 13 616,72	€ 13 616,72	€ 13 616,72	€ 13 616,72	€ 13 616,72
Financing (long term)	143 600,00	- €	- €	- €	- €	- €
Divestment in Working Capital Needs	- € 21 675,63	€ 1 125,66	€ 3 137,75	- €	- €	€ 3 964,82
<b>Applications</b>						
Fixed Assets Payment	158 034,00	€ 144 417,28	€ 130 800,56	€ 117 183,85	€ 103 567,13	€ 89 950,41
Amortization of Financing Payment (long term)	- € 18 089,23	€ 19 195,93	€ 20 370,33	€ 21 616,59	€ 22 939,09	€ 22 939,09
Amortization of Financing Payment (short term)	- €	- €	€ 28 547,74	€ 69 841,47	€ 68 021,55	€ 39 901,88
Income Tax Payment	- €	- €	€ 20 982,83	€ 24 781,21	€ 31 580,55	€ 36 405,20
Interest and Charges of Financing Payment (long term)	5 152,37	€ 12 533,84	€ 11 427,14	€ 10 252,73	€ 9 006,48	€ 7 683,97
Investment in Working Capital Needs	- €	- €	- €	- €	€ 341,19	- €
<b>Annual Financial Balance (before short term financing)</b>	<b>- € (27 295,92)</b>	<b>€ (66 778,92)</b>	<b>€ (65 038,80)</b>	<b>€ (38 152,19)</b>	<b>€ 26 731,90</b>	<b>€ 26 731,90</b>
Financing (short term)	- € 28 547,74	€ 69 841,47	€ 68 021,55	€ 39 901,88	- €	- €
Interest of Financing Payment (short term - 6 months)	- € (1 251,82)	€ (3 062,55)	€ (2 982,74)	€ (1 749,70)	- €	- €
<b>Annual Financial Balance (Cash and equivalents)</b>	<b>- €</b>	<b>- €</b>	<b>- €</b>	<b>- €</b>	<b>- €</b>	<b>€ 26 731,90</b>

Source: Author

To ensure the achievement of a company's goals, the Financial Plan represents an important tool for strategic decision making, since it is the base for the monitoring of expenses, sales and effective revenue, being an instrument to understand the financial capabilities through equity and the need for financing.

The Financial Plan is divided into two opposite groups, being the origins – representing the cash inflows – and the applications – representing the cash outflows. The financial balance results from the difference between the origins and the applications, meaning that higher inflows and lowers outflows will result in a positive balance, which, in turn, translates to liquidity.

A positive balance grants the company available cash and equivalents, whereas, a negative balance will create a need for a short-term debt financing solution, to cover the negative residue. Now, as it is possible to conclude from the forecasted financial plan for the company, the first four years of activity will result in a negative balance, evidencing the need for the company to recur to a credit. For that matter, Novo Banco has offered a short-term line of credit alongside with the long-term loan above detailed, which consists of a 6-month lend with an effective semiannual rate of 4,39%, that will be contracted on the years of under-zero balance, being fully paid on the next year's applications.

The company ends the 5-year period of analysis with a positive financial balance, assuring in that year the liquidity of 26.731,90€, that can be either turned into operational investment or financial investment.

As a support to the Financial Plan's assembly, a Working Capital Needs table was also made, detailing the cost of stocks maintenance and the subsequent needed financial resources while forthcoming both debt repayment and operational expenses – the table can be found in Annex M.



### 11.3 – Cash Flows Statement

Table 14 - Cash Flow Statement forecast

CASH FLOWS						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Sales Revenue	- €	538 001,41 €	571 682,74 €	619 313,32 €	655 147,81 €	693 251,48 €
Cost of Goods Sold	- €	39 543,70 €	43 699,96 €	47 290,97 €	50 050,65 €	52 965,44 €
Film Distribution Rights	- €	178 503,26 €	192 236,37 €	204 840,95 €	215 955,46 €	227 245,49 €
External Supplies and Services	- €	4 546,08 €	4 546,08 €	4 546,08 €	4 546,08 €	4 546,08 €
Rent	10 000,00 €	60 000,00 €	60 000,00 €	60 000,00 €	60 000,00 €	60 000,00 €
Marketing Expenses	- €	1 840,00 €	420,00 €	420,00 €	420,00 €	420,00 €
Staff Expenses	- €	127 499,59 €	127 730,71 €	127 962,28 €	128 194,32 €	128 426,83 €
<b>EBITDA</b>	(10 000,00) €	126 068,79 €	143 049,62 €	174 253,04 €	195 981,30 €	219 647,65 €
Depreciation and Amortization Costs	- €	13 616,72 €	13 616,72 €	13 616,72 €	13 616,72 €	13 616,72 €
<b>EBIT</b>	(10 000,00) €	112 452,07 €	129 432,91 €	160 636,32 €	182 364,58 €	206 030,93 €
IRC	- €	23 614,94 €	27 180,91 €	33 733,63 €	38 296,56 €	43 266,50 €
<b>EBIT (1-IRC)</b>	(10 000,00) €	88 837,14 €	102 252,00 €	126 902,70 €	144 068,02 €	162 764,43 €
Depreciation and Amortization Costs	- €	13 616,72 €	13 616,72 €	13 616,72 €	13 616,72 €	13 616,72 €
<b>OPERATIONAL CASH FLOW (CF)</b>	(10 000,00) €	102 453,86 €	115 868,71 €	140 519,41 €	157 684,73 €	176 381,15 €
CAPEX	(158 034,00) €	- €	- €	- €	- €	- €
Investment in Working Capital Needs	- €	(21 675,63) €	(1 125,66) €	(3 137,75) €	341,19 €	(3 964,82) €
Continuity Value						3 321 516,01 €
<b>PROJECT'S CF</b>	<b>(168 034,00) €</b>	<b>80 778,23 €</b>	<b>114 743,06 €</b>	<b>137 381,66 €</b>	<b>158 025,92 €</b>	<b>3 493 932,35 €</b>

Source: Author

The Cash Flows Statement poses the most important source of information to the project in question, allowing for the economic and financial viability analysis, emphasizing its potential feasibility. To evaluate an investment project in a financial perspective, it is necessary to assess the difference between cash inflows (revenue stream generated) and cash outflows (expenses stream incurred). In order for the amounts received and spent at different times to become equivalent, those shall be discounted at an interest rate – to be further detailed.

The Drive-in Cinema project shows consecutive positive operating results, even when considering investment in working capital needs in four out of the five years forecasted. Since the prediction period is reduced when trying to reach the most possible realistic scenario, to increase the precision of the forecasted cash flows, a continuity value of the business was calculated and added to the last year's cash flow, so that the future cash flows along the business' continuity can be considered within the 5-year time frame. Its calculation involves the perpetuity of the fifth year's cash flow assuming a constant long-term discount rate (for the matter a 1% growth rate was considered), resulting, in this case, in 3.321.516,01€.

### 11.4 – Economic Viability of the Investment Project

To evaluate the economic viability of the investment project, an unlevered discount rate of 5,9%– from now and so forth referred to as  $R_u$  – was calculated, using as foundation the assumptions summarized in Annex N.

After discounting the cash flows at  $R_u$  and summing them, an NPV of 2.874.704,47€ was obtained.

The NPV represents the added value generated by the project after repaying the invested capital remunerated at a rate of 5,9%. The positive NPV obtained demonstrates the economic viability of the investment project, encouraging its implementation.

Another measure for the economic viability of this project is the profitability index, which allows for the assessment of the generated profitability per unit of invested capital. The project's profitability index is 18,13, meaning that the investment generated more than 18 times its initial invested capital.

The payback period of the investment at the  $R_u$  is of 2 years, 10 months and 23 days, which indicates that the amount of the initial invested capital is recovered within this operational period of time.

### **11.5 – Economic and Financial Viability of the Investment Project**

To evaluate, this time, the economic and financial viability of the investment project a Weighted Average Cost of Capital – from now and so forth referred to as WACC – will be necessary. The WACC represents the average rate paid to finance a business' assets, and is calculated by computing the average of all the company's sources of capital while weighting each of those sources. Considering the two sources of capital utilized by the company, two different rates were considered for the calculation of the WACC: an equity rate, which was calculated based on the  $R_u$  previously obtained, and a debt rate, which is the same as the one applied to the long-term financing solution from Novo Banco, arriving at a final WACC of 8,69%.

After discounting the cash flows at WACC and accumulating them, an NPV of 2.527.476,33€ was obtained. The positive NPV obtained demonstrates, this time, the economic and financial viability of the investment project, encouraging its implementation.

As for the profitability index, when considering WACC, it is of 16,07, meaning that the investment generated more than 16 times its initial invested capital, being still very positive, although lesser than when considering  $R_u$ .

The payback period of the investment at WACC is of 2 years, 11 months and 18 days, increasing by only circa 1 month when compared to the discounted cash flows at  $R_u$ .

Considering the project's cash flows before discounting, the internal rate of return (IRR) is also a good indicator for the projects viability, being that it represents the discount rate that would make the NPV equal to zero emphasizing the maximum interest rate that an investor should be willing to accept for the remuneration of the invested capitals. In this project's specific case, the IRR is inflated by the continuity value in the fifth year, which increases very

much the cash flow of that same year. Nonetheless, the project's IRR is 112%, being higher than the rates considered for the viability of the project, which makes it attractive to the investor.

### **11.6 – Sensitivity Analysis**

In order to understand the sensitivity of a set of critical variables and the subsequent implications on the NPV it is key to perform a sensitivity analysis of those same variables. Evaluating the Cash Flows Statement, there are a few variables that seem to be more relevant for the final NPV due to their volume, such as: Sales, Film distribution rights, Staff Expenses and Cost of Goods Sold.

After an analysis of the behavior of the enumerated variables, it was concluded that the sensitivities of Film distribution rights and Staff Expenses when compared to Sales (the most sensitive one) turned out to be the most relevant.

When confronting the Sales and Staff Expenses variables, subjecting them to optimistic scenarios of 10% and 20% better forecasts and pessimistic scenarios of 10% and 20% worse forecasts, it is possible to conclude that the best-case scenario would positively vary the NPV in 87,7% (+2.215.329€), and that the worst-case scenario would negatively vary the NPV in 87,9% (-2.221.176€). A detailed table can be found in Annex O.

The break-even point of the sales variable is 392.515,60€, meaning that selling any less than that would result in a less than zero NPV. As for the staff expenses variable the break-even point is 307.295,6€, meaning that surpassing that value with staff expenses will result in a negative NPV.

Subjecting Sales to optimistic scenarios of 10% and 20% better forecasts and to pessimistic scenarios of same percentages worse scenarios, and simultaneously subjecting Film Distribution Rights contracted % upon box office revenue to 3 and 6 percentage points higher and lower scenarios will result on a best-case scenario of an NPV positive variation of 81,68% (+2.064.679€), and on a worst-case scenario of an NPV negative variation of 81,74% (-2.066.041€). A detailed table can be found in Annex P.

The break-even point of the film distribution rights variable is not as relevant since the ticket sales are not the only component of the total sales revenue, which means that even if the rights were to ascend to 100% of total ticket revenue, the company would still be able to make sales off of food and beverages, impeding the break-even point from being meaningful.

All in all, the analyzed numbers show that the company is subject to the high volatility of variables like, sales, staff expenses and film distribution rights, emphasizing the need for constant monitoring of those same variables, in order to maintain a sustainable business model.



## 12 - CONCLUSIONS

Audiovisual entertainment takes a big role in people's lives, as it is so consumed in today's society. This high consumption level of audiovisual content has triggered innumerable forms of informative and marketing-related diffusion, since society's current screen time takes such a big part of its daily basis.

This level of engagement with audiovisual entertainment has also increased population's demand for private and public investment in this same sector, especially after the lived monotony of the 2020's quarantine. In that sense, the Athena Drive-in intends to be a turning point in the course of cinematic consumption, by bringing back a fun way of experiencing movie-watching while providing comfort, accessibility and pure entertainment, with a starting point in Lisbon's district and bearing in mind the will to expand the business to other urban centers and even more remote regions.

Considering the innovative characteristic of this project it is essential to analyze a set of different indicators with the aim of predicting the feasibility and success of such implementation. Indicators such as NPV, Payback period and Profitability index, are considered to be the most reliable ones, even though the forecasts can never be 100% certain due to many different variables.

For this reason, the financial statements of Athena Drive-in were analyzed and conducted to the assessment of the yearly cash flows of the investment and their respective discounting at an  $R_u$  and a WACC, in order to calculate the above-mentioned indicators.

Assuming WACC as the most adequate discount rate for the project in question, being that it is more realistic due to its consideration of external capital as a financing solution, the NPV of the project is 2.527.476,33€, revealing its attractiveness for investors, being economic and financially viable. The payback period of the investment is of 2 years and 11 months, and its profitability index of 16,04, reinforcing the ability to move forward with the implementation of the Athena Drive-in.

In what concerns the limitations of the present project, it is noteworthy the high initial investment required, the lack of initial notoriety hardening the initial attraction of customers and dependence on weather conditions. On the other hand, the Athena Drive-in has a differentiating concept, is comfortable and accessible, posing an excellent alternative to the traditional movie screenings and an attractive leisure activity.



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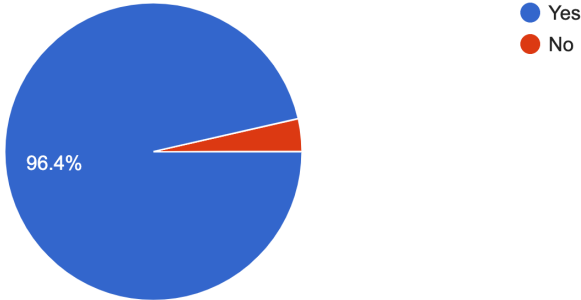


14 - ANNEXES

ANNEX A – Survey

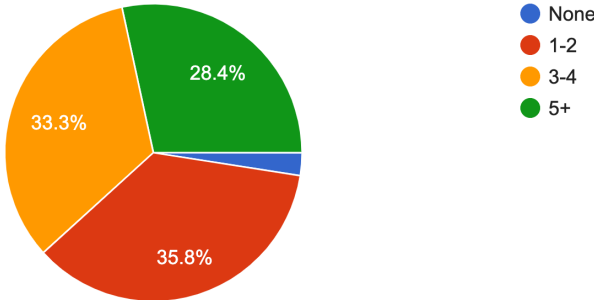
Do you like to watch movies?

84 responses



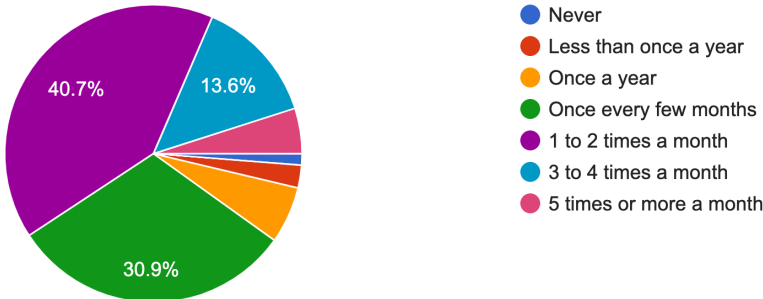
How many movies do you watch per month on average?

81 responses



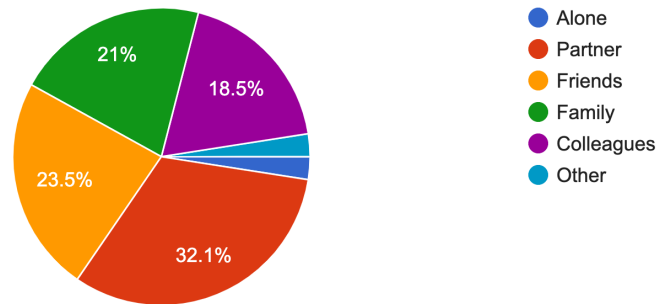
How many times do you go to the movie theater per month on average?

81 responses



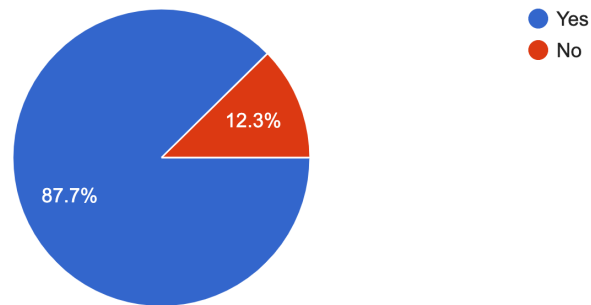
Usually, with whom do you go to the movie theater the most?

81 responses



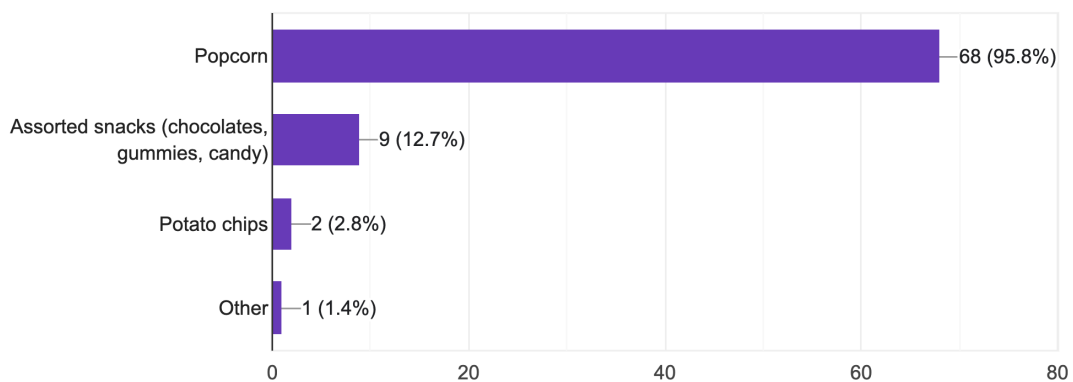
Do you usually consume any sort of food or beverages when going to the movie theater?

81 responses



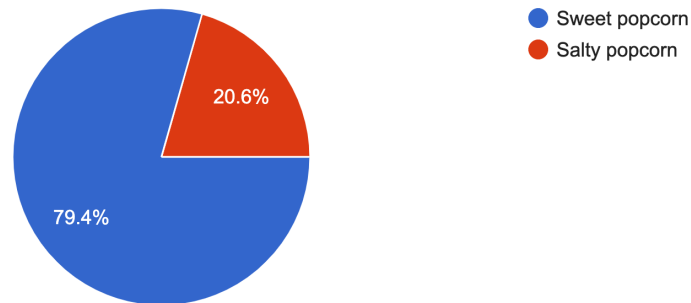
What type of food do you consume the most when going to the movie theater?

71 responses



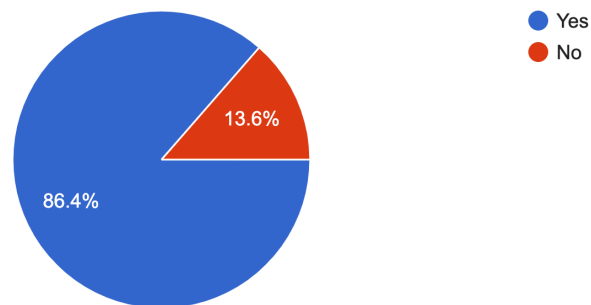
If you usually consume popcorn when going to the movie theater, which is your preference regarding flavoring?

68 responses



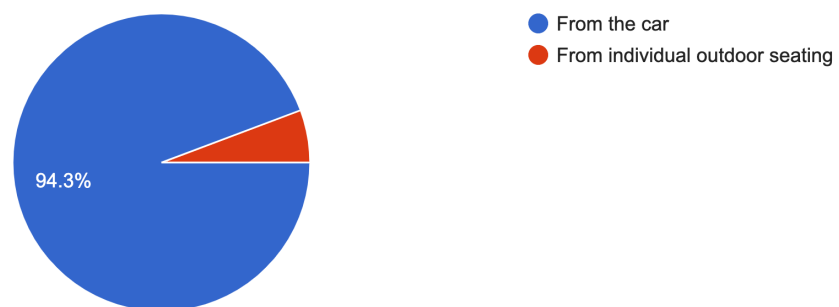
Would you be interested in watching movies in a Drive-in Theater?

81 responses



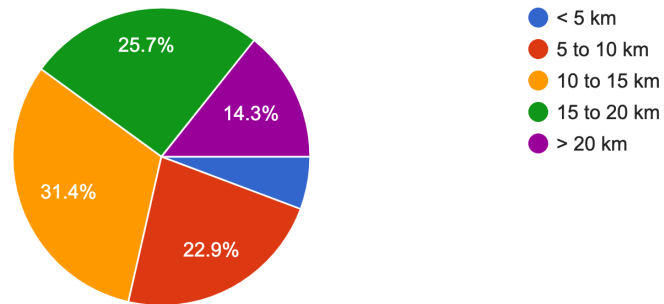
At the Drive-in Theater, having the possibility to choose between watching the movies from your car or at individual outdoor seating, which option would you choose?

70 responses



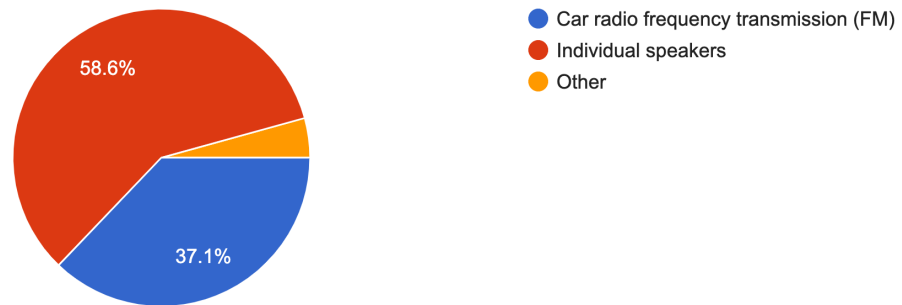
What is the maximum distance that you are willing to travel to get to a Drive-in Theater?

70 responses



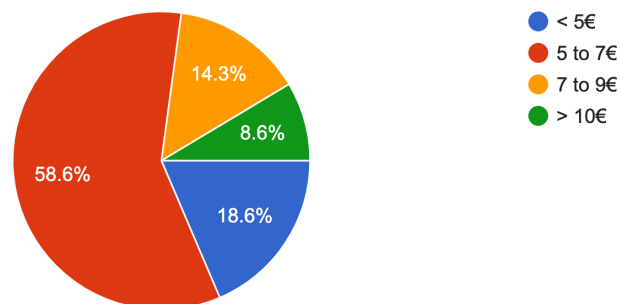
Which sound transmission system would you prefer?

70 responses

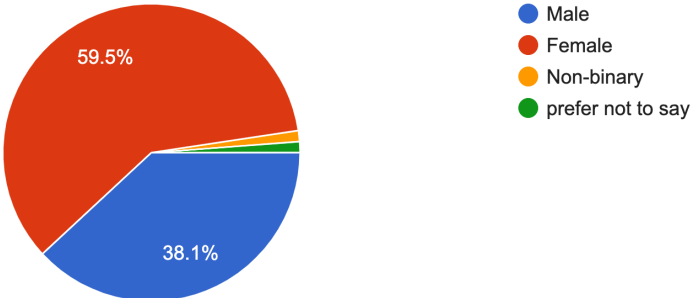


How much would you be willing to pay to access a movie screening at the Drive-In Cinema? (Price per person)

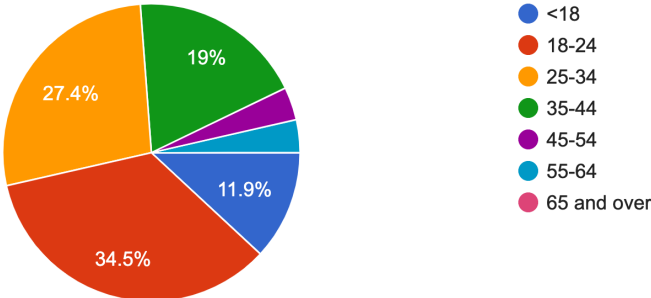
70 responses



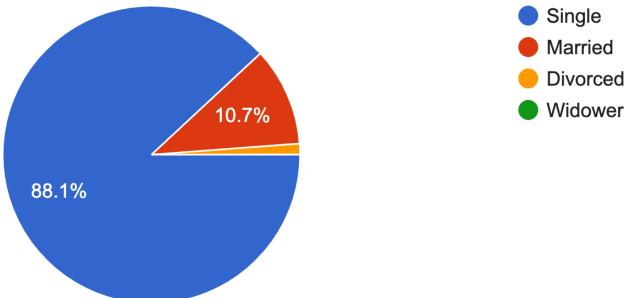
Gender  
84 responses



Age  
84 responses

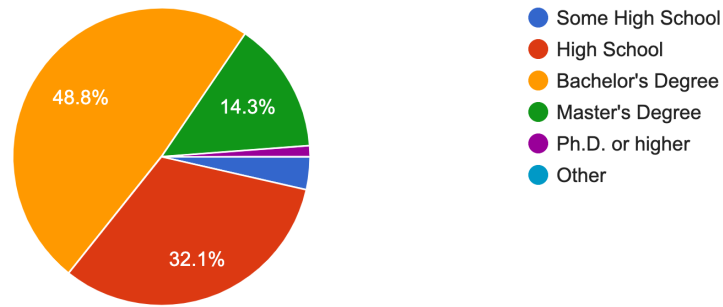


Marital status  
84 responses



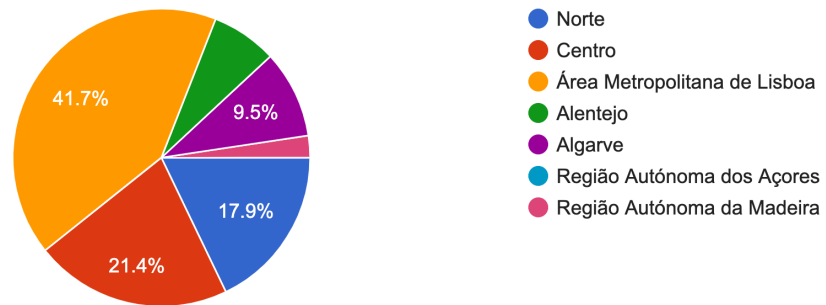
Education level

84 responses



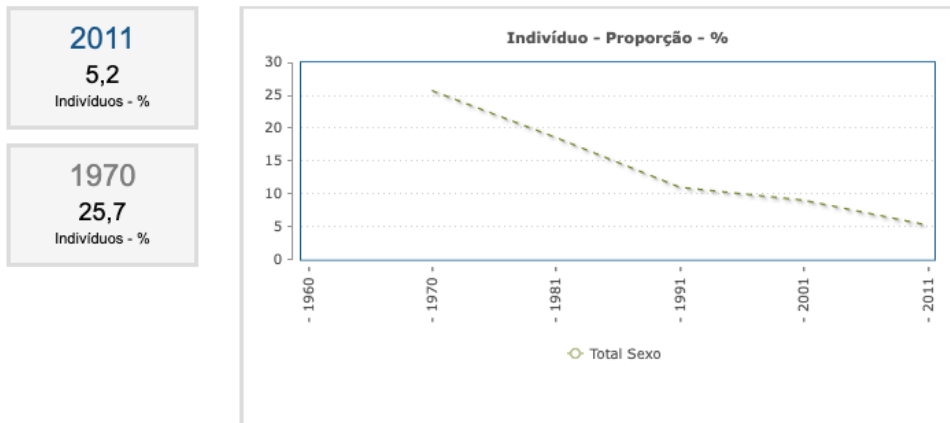
Area of residence (according with the Portuguese defined NUTS)

84 responses



### ANNEX B – Portuguese literacy rate according to the census

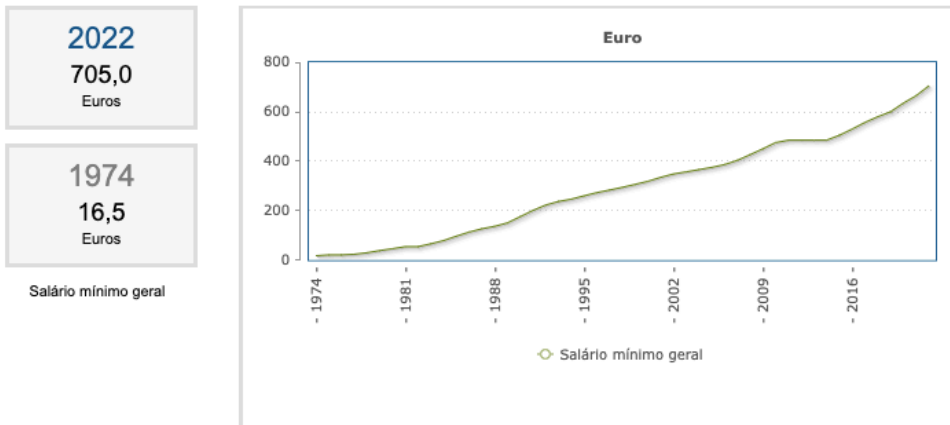
Portuguese literacy rate



Source: Pordata

### ANNEX C – Evolution of the Portuguese minimum wage

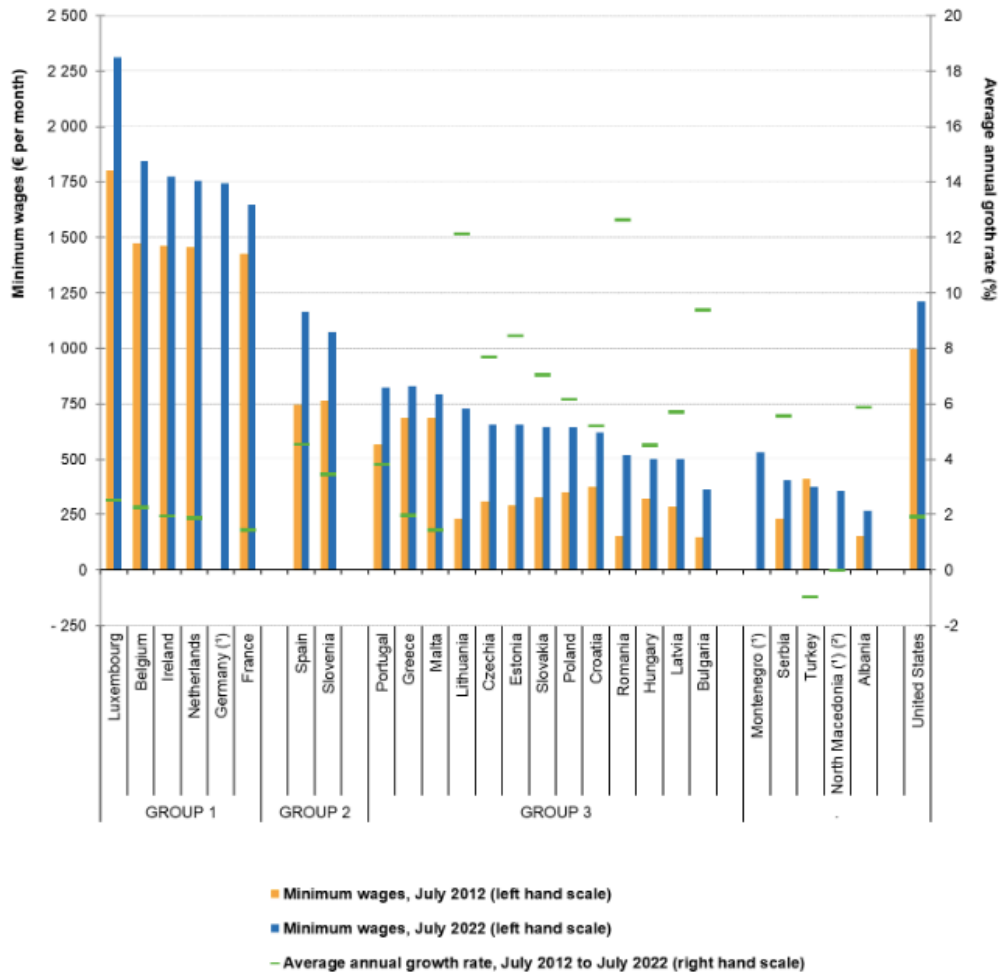
Evolution of the minimum wage in Portugal



Source: Pordata

**ANNEX D – Minimum monthly wages by European country**

**Minimum wages, July 2022 and July 2012**  
(€ per month and %)



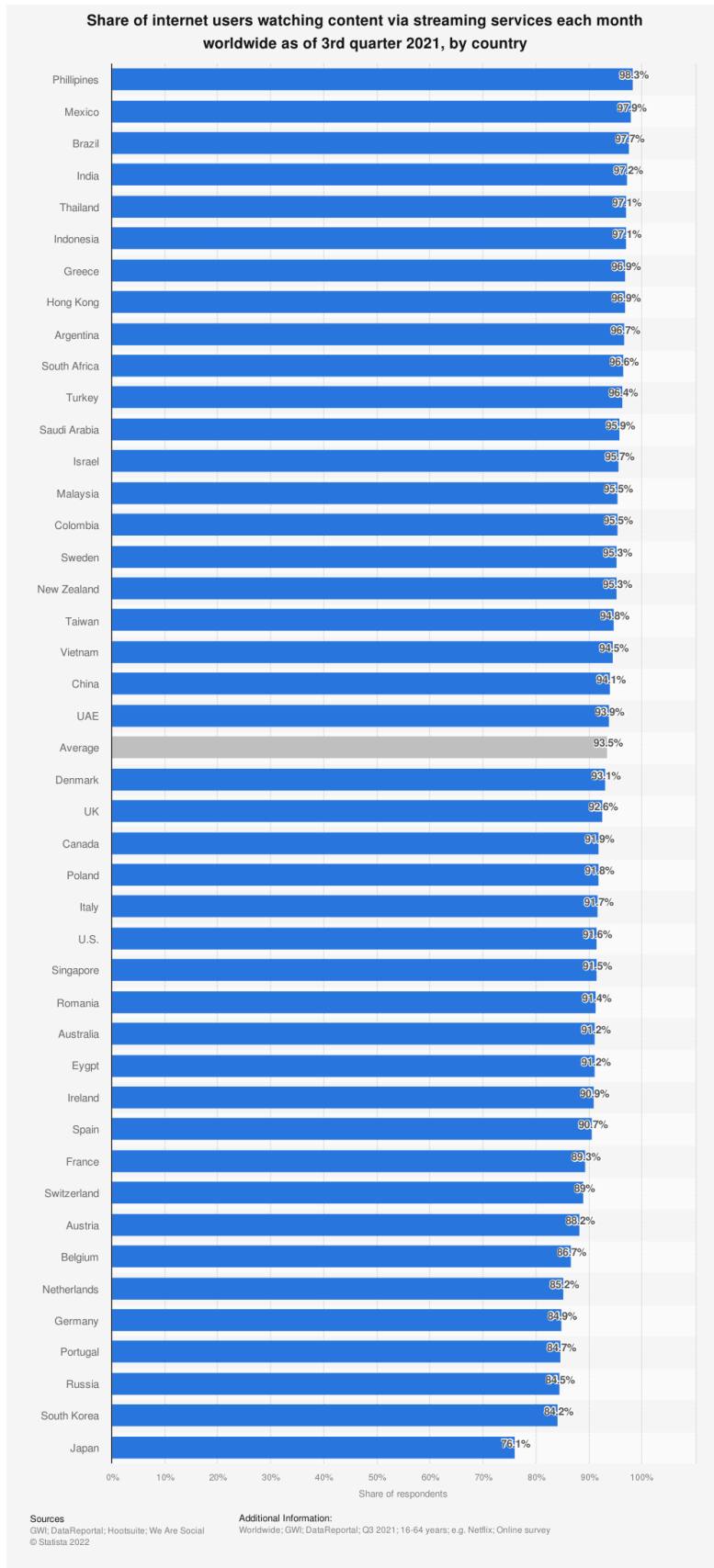
Note: Denmark, Italy, Cyprus, Austria, Finland and Sweden: no national minimum wage.  
 (\*) January 2012 data and average annual rate of change not available.  
 (\*\*) Minimum wage in force on 1 July 2021  
 Source: Eurostat (online data code: earn\_mw\_cur)



Source: Eurostat



**ANNEX E - Share of internet users watching content via streaming services each month worldwide as of 3rd quarter 2021, by country**



Source: Statista

**ANNEX F – Publicity costs detailed**

PUBLICITY COSTS (YEAR 1)					
	Free Tickets				Payment (€)
	Event 1	Event 2	Event X	Event Y	
Influencer 1	5 (max 1 car)	5 (max 1 car)	-	-	- €
Influencer 2	5 (max 1 car)	5 (max 1 car)	-	-	- €
Influencer 3	5 (max 1 car)	5 (max 1 car)	-	-	- €
Influencer 4	5 (max 1 car)	5 (max 1 car)	-	-	- €
Influencer 5	5 (max 1 car)	5 (max 1 car)	-	-	- €
Influencer A	-	-	5 (max 1 car)	5 (max 1 car)	500 €
Influencer B	-	-	5 (max 1 car)	5 (max 1 car)	500 €
<b>TOTAL</b>	<b>70</b>				<b>1 000 €</b>

<b>INSTAGRAM AD POSTS</b>	<b>840 €</b>
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PUBLICITY COSTS PER YEAR					
	Year 1	Year 2	Year 3	Year 4	Year 5
Instagram Ad Posts	840 €	420 €	420 €	420 €	420 €
Influencers' As Posts	1 000 €	-	-	-	-
<b>TOTAL PUBLICITY COSTS</b>	<b>1 840 €</b>	<b>420 €</b>	<b>420 €</b>	<b>420 €</b>	<b>420 €</b>

Source: Author

**ANNEX G – Pair of individual speakers**

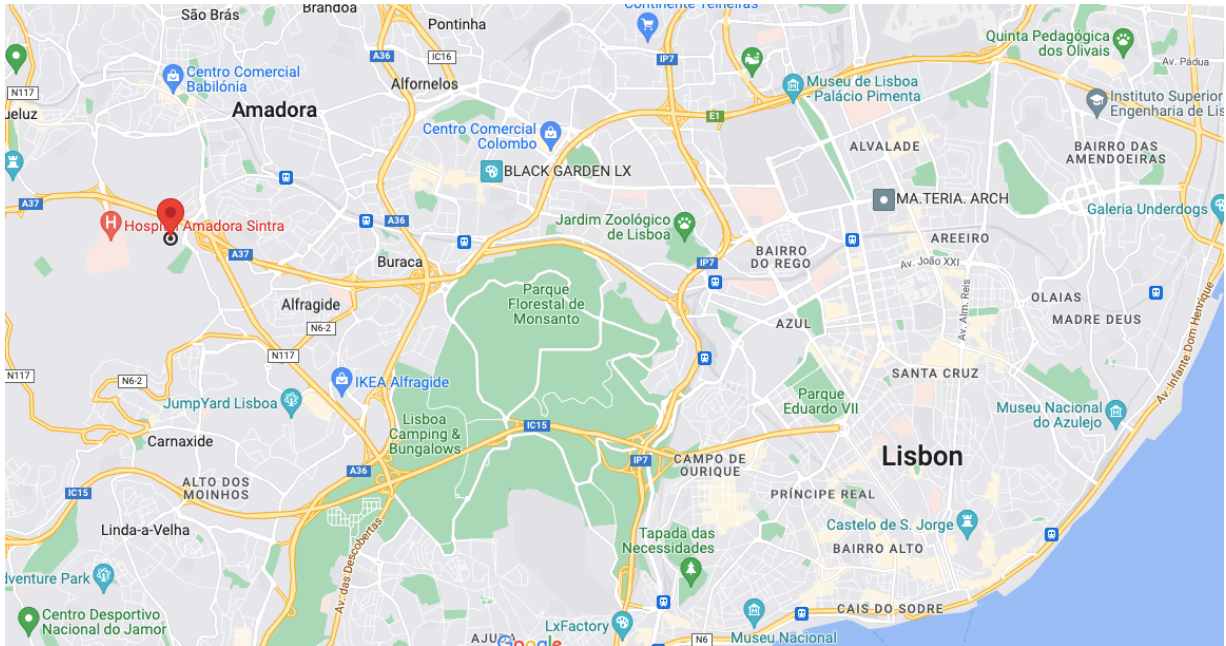
Pair of individual spears



Source: Detroit Diecast

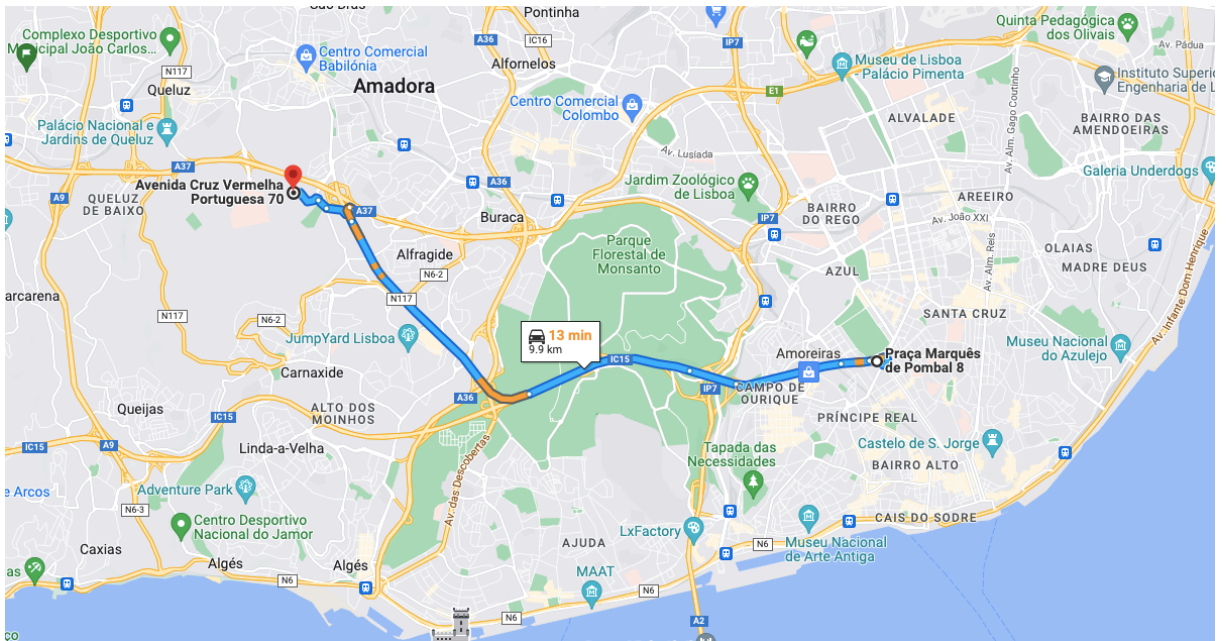
### ANNEX H – Geographical location of the Athena Drive-in

Athena Drive in's location mark



Source: Google Maps

Route from Lisbon's city center to Athena Drive-in and estimated time of arrival



Source: Google Maps

## ANNEX I – Screen and setup specifications

### Screen and setup specifications

#### THE CLASSIC MODELS



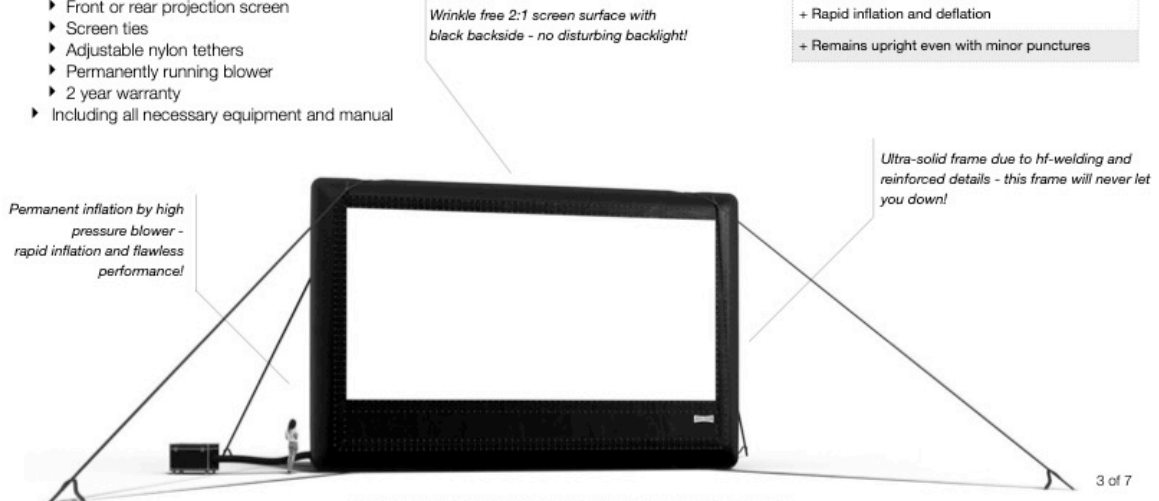
The **classic** model range covers sizes from 20ft (6.10m) all the way up to 52ft (16m) screen width. Permanent high pressure inflation and precise engineering result in a product which never let you down. Moreover it is designed to give you a number of options to adopt to different circumstances e.g. blower attachment points on both sides of the frame.

#### COMPONENTS

- ▶ AIRSCREEN classic
  - ▶ Inflatable frame
  - ▶ Front or rear projection screen
  - ▶ Screen ties
  - ▶ Adjustable nylon tethers
  - ▶ Permanently running blower
  - ▶ 2 year warranty
- ▶ Including all necessary equipment and manual

For constant users who seek for the most reliable screening solution for different kind of uses!

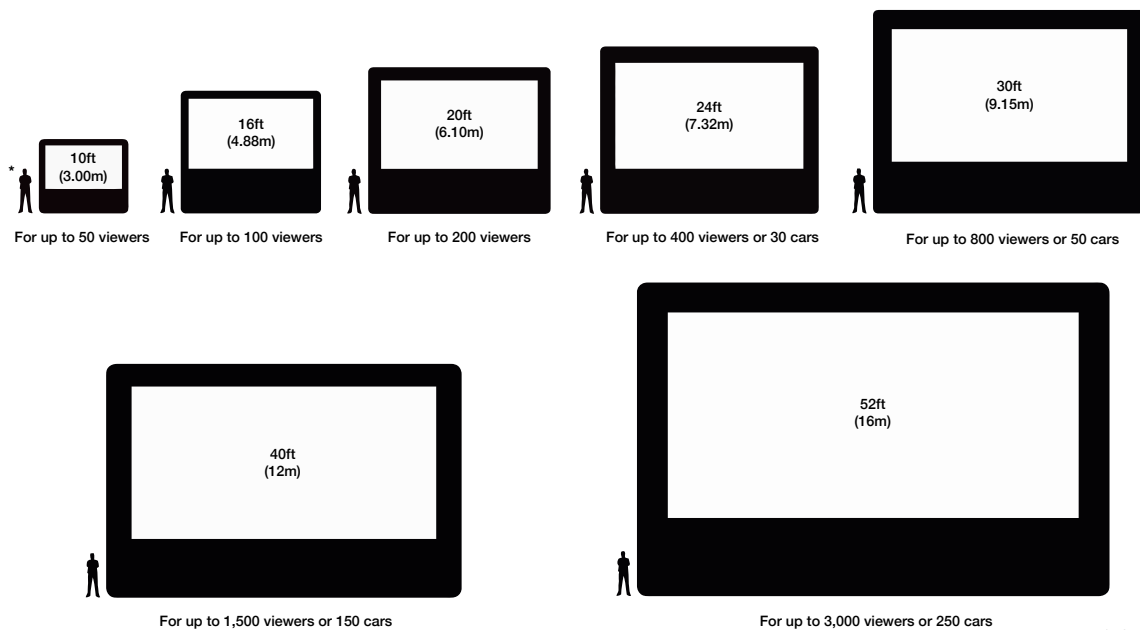
- + Extremely durable
- + Rapid inflation and deflation
- + Remains upright even with minor punctures



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#### SIZE OVERVIEW



\* Height of person illustrated: 5.7ft (1.75m)

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Source: Airscreen.com

**ANNEX J – Detailed forecast of food and beverages revenue per year**

Food and beverages revenue per year forecast

FOOD AND BEVERAGES REVENUE PER YEAR			Year 1	Year 2	Year 3	Year 4	Year 5
Popcorn	S	Average rate of attendees buying	18%	16%	14%	14%	13%
		Revenue of S popcorn packs	27 344,03 €	26 562,55 €	24 876,13 €	26 042,49 €	25 316,19 €
	M	Average rate of attendees buying	32%	33%	33%	33%	34%
		Revenue of M popcorn packs	66 886,65 €	75 381,21 €	80 680,44 €	84 463,27 €	91 103,15 €
	L	Average rate of attendees buying	38%	40%	43%	44%	45%
		Revenue of L popcorn packs	86 661,76 €	99 692,77 €	114 703,65 €	122 874,31 €	131 559,27 €
	None	Average rate of attendees buying	12%	11%	10%	9%	8%
		Revenue of no consumption	-	-	-	-	-
<b>Popcorn Revenue</b>			<b>180 892,44 €</b>	<b>201 636,53 €</b>	<b>220 260,22 €</b>	<b>233 380,06 €</b>	<b>247 978,61 €</b>
Drinks	S	Average rate of attendees buying	18%	16%	14%	14%	13%
		Revenue of S drinks	20 490,89 €	19 905,27 €	18 641,51 €	19 515,55 €	18 971,28 €
	M	Average rate of attendees buying	32%	33%	33%	33%	34%
		Revenue of M drinks	54 703,29 €	41 054,61 €	43 940,71 €	46 000,94 €	49 617,20 €
	L	Average rate of attendees buying	38%	40%	43%	44%	45%
		Revenue of L drinks	72 194,02 €	83 049,57 €	95 554,46 €	102 361,07 €	109 596,12 €
	None	Average rate of attendees buying	12%	11%	10%	9%	8%
		Revenue of no consumption	-	-	-	-	-
<b>Beverages Revenue</b>			<b>147 388,20 €</b>	<b>144 009,45 €</b>	<b>158 136,68 €</b>	<b>167 877,56 €</b>	<b>178 184,60 €</b>
Average rate of attendees buying assorted snacks			10%	10%	10%	10%	10%
Revenue of assorted snacks			11 383,83 €	12 440,79 €	13 315,37 €	13 939,68 €	14 593,29 €
<b>Assorted Snacks Revenue</b>			<b>11 383,83 €</b>	<b>12 440,79 €</b>	<b>13 315,37 €</b>	<b>13 939,68 €</b>	<b>14 593,29 €</b>
<b>TOTAL FOOD AND BEVERAGES REVENUE</b>			<b>339 664,46 €</b>	<b>358 086,77 €</b>	<b>391 712,27 €</b>	<b>415 197,30 €</b>	<b>440 756,49 €</b>

Source: Author

**ANNEX K – Forecasted expenses on the first year (base for the next years' forecast)**

Forecasted expenses for the first operational year

FORECASTED EXPENSES (YEAR 1)					
	€/un.	Average per person	Need per Event	Monthly need (22 events)	1st Year need (€)
<b>Food Supply</b>					<b>50 620,79 €</b>
Corn	2,24 €	70 g	11,42 kg	250,8 kg	6 741,50 €
Beverages	1,52 €	0,4 L	65,28 L	1430 L	26 083,20 €
PopCorn buckets	0,23 €	1 un.	163 un.	3586 un.	9 897,36 €
Drinking cups	0,146 €	1 un.	163 un.	3586 un.	6 282,67 €
Assorted snacks	2,00 €	70 g	1,14 kg	25,08 kg	601,92 €
Salt	0,73 €	20 g	0,65 kg	14,3 kg	125,27 €
Sugar	1,29 €	20 g	2,61 kg	57,42 kg	888,86 €
<b>Rent</b>					<b>60 000,00 €</b>
Rental of the land	-	-	-	5 000,00 €	60 000,00 €
<b>Publicity Costs</b>					<b>1 840,00 €</b>
Instagram Ad Posts (2 months)	420,00 €	-	-	-	840,00 €
Influencers' Ad Posts (2)	500,00 €	-	-	-	1 000,00 €
<b>Cleaning Services</b>					<b>4 546,08 €</b>
Cleaning Assistant (1)	8,61 €	-	2 h	44 h	4 546,08 €
<b>Film Distribution Rights</b>					<b>178 503,26 €</b>
Rights (% upon box office for each movie)	90%	-	1 movie	22 movies	178 503,26 €
<b>TOTAL YEARLY EXPENSES</b>					<b>295 510,12 €</b>

Source: Author

## ANNEX L – Cost of goods sold detailed forecast

Cost of goods sold detailed forecast

COST OF GOODS SOLD					
		Initial Stock	Purchases	Forecasted Consumption	Final Stock
Year 1	Corn	- €	6 741,50 €	5 253,43 €	1 488,08 €
	Beverages	- €	26 083,20 €	20 370,43 €	5 712,77 €
	PopCorn buckets	- €	9 897,36 €	7 705,92 €	2 191,44 €
	Drinking Cups	- €	6 282,67 €	4 891,58 €	1 391,09 €
	Assorted snacks	- €	601,92 €	532,98 €	68,94 €
	Salt	- €	125,27 €	97,83 €	27,43 €
	Sugar	- €	888,86 €	691,52 €	197,34 €
	<b>Cost of Goods Sold</b>			<b>39 543,70 €</b>	
Year 2	Corn	1 488,08 €	5 649,99 €	5 806,46 €	1 331,60 €
	Beverages	5 712,77 €	21 904,74 €	22 514,85 €	5 102,66 €
	PopCorn buckets	2 191,44 €	8 288,12 €	8 517,13 €	1 962,43 €
	Drinking Cups	1 391,09 €	5 261,15 €	5 406,53 €	1 245,71 €
	Assorted snacks	68,94 €	568,39 €	582,54 €	54,79 €
	Salt	27,43 €	105,20 €	108,13 €	24,51 €
	Sugar	197,34 €	743,80 €	764,33 €	176,82 €
	<b>Cost of Goods Sold</b>			<b>43 699,96 €</b>	
Year 3	Corn	1 331,60 €	6 203,02 €	6 284,54 €	1 250,08 €
	Beverages	5 102,66 €	24 049,15 €	24 368,64 €	4 783,17 €
	PopCorn buckets	1 962,43 €	9 099,33 €	9 218,40 €	1 843,36 €
	Drinking Cups	1 245,71 €	5 776,09 €	5 851,68 €	1 170,13 €
	Assorted snacks	54,79 €	617,95 €	623,42 €	49,31 €
	Salt	24,51 €	115,50 €	117,03 €	22,97 €
	Sugar	176,82 €	816,61 €	827,25 €	166,18 €
	<b>Cost of Goods Sold</b>			<b>47 290,97 €</b>	
Year 4	Corn	1 250,08 €	6 681,10 €	6 652,24 €	1 278,94 €
	Beverages	4 783,17 €	25 902,95 €	25 794,40 €	4 891,72 €
	PopCorn buckets	1 843,36 €	9 800,60 €	9 757,75 €	1 886,20 €
	Drinking Cups	1 170,13 €	6 221,25 €	6 194,05 €	1 197,33 €
	Assorted snacks	49,31 €	658,83 €	652,68 €	55,46 €
	Salt	22,97 €	124,40 €	123,88 €	23,49 €
	Sugar	166,18 €	879,54 €	875,65 €	170,07 €
	<b>Cost of Goods Sold</b>			<b>50 050,65 €</b>	
Year 5	Corn	1 278,94 €	7 048,80 €	7 040,63 €	1 287,11 €
	Beverages	4 891,72 €	27 328,71 €	27 300,42 €	4 920,01 €
	PopCorn buckets	1 886,20 €	10 339,95 €	10 327,46 €	1 898,69 €
	Drinking Cups	1 197,33 €	6 563,62 €	6 555,69 €	1 205,26 €
	Assorted snacks	55,46 €	688,09 €	683,34 €	60,21 €
	Salt	23,49 €	131,25 €	131,11 €	23,63 €
	Sugar	170,07 €	927,94 €	926,79 €	171,22 €
	<b>Cost of Goods Sold</b>			<b>52 965,44 €</b>	

Source: Author

**ANNEX M – Working Capital Needs forecast**

Total Working Capital Needs forecast

WORKING CAPITAL						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Working Capital Needs</b>	- €	11 077,09 €	9 898,52 €	9 285,20 €	9 503,21 €	9 566,12 €
Clients Receivable	- €	- €	- €	- €	- €	- €
Inventory	- €	11 077,09 €	9 898,52 €	9 285,20 €	9 503,21 €	9 566,12 €
<b>Working Capital Resources</b>	- €	32 752,72 €	32 699,81 €	35 224,24 €	35 101,06 €	39 128,78 €
Suppliers	- €	11 309,21 €	9 648,83 €	10 500,86 €	11 237,02 €	11 802,76 €
State and Other Public Entities	- €	21 443,51 €	23 050,98 €	24 723,37 €	23 864,04 €	27 326,02 €
<b>TOTAL WORKING CAPITAL NEEDS</b>	- €	(21 675,63) €	(22 801,29) €	(25 939,04) €	(25 597,84) €	(29 562,66) €
<b>Δ TOTAL WORKING CAPITAL NEEDS</b>	- €	(21 675,63) €	(1 125,66) €	(3 137,75) €	341,19 €	(3 964,82) €

Source: Author

**ANNEX N – Main assumptions for the unlevered rate’s calculation**

Unlevered Rate’s calculation base

Unlevered Rate's calculation base	
Levered Beta	3,04 (based on other players of the same sector)
Consequent Levered Beta	0,63 (grounded on the Debt/Equity ratio of the company and the considered levered beta)
Specific Risk Premium asked	3%
Equity Risk Premium	5,91% (Damodaran’s equity risk premium projections for the sector)
Total Risk Premium =	8,91%
Risk Free	0,30% (based on the government bond rate as of 2021 – latest update)
Unlevered Rate (Ru)	5,9%

Source: Author

**ANNEX O – Sensitivity analysis of the variables Sales and Staff Expenses**

Sensitivity analysis of the variables Sales and Staff Expenses confronted

NPV @ WACC						
		Staff Expenses				
2 527 476 €		153 000 €	140 250 €	127 500 €	114 750 €	102 000 €
Sales	430 401 €	306 300 €	488 062 €	667 029 €	844 469 €	1 021 910 €
	484 201 €	1 242 371 €	1 419 812 €	1 597 252 €	1 774 693 €	1 952 134 €
	538 001 €	2 172 595 €	2 350 036 €	2 527 476 €	2 704 917 €	2 882 358 €
	591 802 €	3 102 819 €	3 280 260 €	3 457 700 €	3 635 141 €	3 812 581 €
	645 602 €	4 033 043 €	4 210 483 €	4 387 924 €	4 565 365 €	4 742 805 €

Source: Author

**ANNEX P – Sensitivity analysis of the variables Sales and Film Distribution Rights**

Sensitivity analysis of the variables Sales and Film Distribution Rights confronted

NPV @ WACC						
		Film Distribution Rights				
2 527 476 €		96%	93%	90%	87%	84%
Sales	430 401 €	461 436 €	564 701 €	667 029 €	769 144 €	871 260 €
	484 201 €	1 393 021 €	1 495 137 €	1 597 252 €	1 699 368 €	1 801 484 €
	538 001 €	2 323 245 €	2 425 361 €	2 527 476 €	2 629 592 €	2 731 707 €
	591 802 €	3 253 469 €	3 355 585 €	3 457 700 €	3 559 816 €	3 661 931 €
	645 602 €	4 183 693 €	4 285 808 €	4 387 924 €	4 490 040 €	4 592 155 €

Source: Author