BIG SCREEN BUSINESS
Part 1: Management & Change

A Case Study for Business Studies
HSC Course - Stage 6

WORLD’S BIGGEST SCREENS Pty Ltd
LG IMAX Theatre Sydney, Darling Harbour
1. BUSINESS MANAGEMENT & CHANGE

A PERIOD OF CHANGE

IMAX was first introduced to Australia in 1996 when the Sydney IMAX Theatre opened in Darling Harbour. Operated by Cinema Plus Limited, a publicly listed company, the Sydney IMAX Theatre was the first in a chain of theatres established around Australia.

At the time, the aim of Cinema Plus Ltd was to develop a chain of large format theatres in large population centres such as Sydney, Melbourne, Brisbane, Adelaide, Perth, and even Auckland in New Zealand and Bangkok in Thailand.

The company vision at the time was to "be widely recognised as the premier operator of IMAX Theatres (in the world)". As such, a plan for aggressively expanding IMAX theatres around Australia and also in the Asia Pacific region was the major priority of the company. Over the next 3 years, Cinema Plus Ltd opened 6 new theatres in Australia and overseas.

However, this phase of rapid expansion resulted in a cash flow problem for the company as a whole.

While the Sydney theatre was well on its way to establishing itself as a leading player in the out of home entertainment industry in Australia, other theatres in smaller locations were not performing to budgeted levels and therefore had difficulties in achieving financial targets. Theatre buildings were over-capitalised and the company had entered into rent agreements based on certain levels of theatre attendance, which were ultimately not achieved.

In particular, the Auckland and Bangkok theatres were a significant part of the demise of Cinema Plus due to their inability to contribute an adequate return on investment (ROI).

In 2000, administrators were appointed with a view restructuring the debt, coming to an agreement with creditors and setting the company on a path for rehabilitation. However, the proposals put before creditors were not regarded as credible options and as a result, Cinema Plus Ltd was liquidated.

It is important to point out that during this period, the theatres continued to trade as normal until new owners took control later in 2000, thus maintaining continuity with the general public. While the liquidation process damaged the company, importantly, it did not kill the business.

THEATRE LIFECYCLE: Determinants to Success or Failure

The following Theatre Lifecycle diagram illustrates how patterns of attendance fluctuate.

- **LAUNCH:** Honeymoon period of strong attendances because product is new, unique and attracts high consumer interest.
- **PEAK:** Attendances reach their peak rapidly.
- **PLATEAU:** After the peak, attendances drop, followed by a plateau effect which can either make or break a commercial IMAX theatre.
- **SUCCESS:** Attendances increase above 250,000 admissions, buoyed by new film product, effective management and a strong population base (i.e., located in cities with >3 million people). Successful theatre.
- **FAILURE:** Attendances decline below 250,000 admissions, the result of a combination of film product, management decisions and size of population base. Theatre finds it difficult to survive; eventually closes.
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With new ownership, there has been a significant change in management vision. Attention is now focused on consolidating the success of a smaller number of theatres in Australia only.

COMPANY MISSION
To operate giant screen IMAX® theatres as leading entertainment facilities and tourist attractions in the expanding out-of-home entertainment market and build theatre attendance to provide the highest profitable return on investment.

COMPANY VISION
To provide visitors to IMAX Theatres with a high-value, leading-edge entertainment experience in a consistently high-quality environment. To be recognised as a unique cinema experience that is both entertaining and educational.

Objectives
This vision is being achieved through the following objectives:
- High quality films;
- Regular release of new films throughout each year;
- Satisfied customers;
- Well-trained staff;
- Financial responsibility and accountability

WORLD’S BIGGEST SCREENS Pty Ltd
Staffing Structure
MANAGEMENT STRUCTURE

The management structure is very simple and features a streamlined, multi-functioned staff reporting through a limited chain of managers.

A Chief Executive Officer oversees a small team of 3 key areas:

- Marketing
- Operations
- Finance

The Chief Executive Officer also assumes the role of Marketing Director.

**Operations Manager:** Responsible for the day-to-day activities within the theatre. This includes box office & candy bar functions, financial reporting, cash handling, security & cleaning etc.

**Group Sales and Marketing Manager:** Responsible for marketing the theatre to schools and other groups, in addition to inbound tourists and smaller scale local marketing.

IMAX BUSINESS FUNCTIONS & OPERATIONS

**Operations:**
- Theatre management
- Duty managers
- Projectionists
- Cinema workers eg. box office, floor staff, candy bar staff
- Outsourced: cleaners, waste removal, security, technicians

**Marketing:**
- National Marketing
- Local theatre marketing
- Niche marketing eg. education, groups, tourism
- Outsourced: film publicist, advertising agency, graphic designers, printers, mailhouse, brochure distribution, catering etc

**Finance:**
- National financial control
- Local theatre financial systems
MANAGING CHANGE

The nature and sources of change in the IMAX business

<table>
<thead>
<tr>
<th>External influences</th>
<th>Internal Influences</th>
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</thead>
<tbody>
<tr>
<td><strong>Financial markets</strong>: exchange rate changes impact on</td>
<td><strong>Technological</strong>: expansion of e-commerce in marketing activities</td>
</tr>
<tr>
<td>profitability as film costs (eg. print fee, royalties etc)</td>
<td>Eg. Introduction of ticket purchasing via the internet has been extremely successful</td>
</tr>
<tr>
<td>are based in US dollars</td>
<td>since launching at the start of 2004.</td>
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<tr>
<td><strong>Economic factors</strong>: may reduce or increase spending</td>
<td><strong>New Systems &amp; procedures</strong>: introduction of e.</td>
</tr>
<tr>
<td>power of consumers</td>
<td>electronic link to bank for credit card transactions has increased productivity at</td>
</tr>
<tr>
<td><strong>Technological</strong>: advances in IMAX technology may</td>
<td>box office; new approach to timetabling films for schools to allow for greater</td>
</tr>
<tr>
<td>produce a new range of film product e. New “DMR” technology</td>
<td>teacher choice</td>
</tr>
<tr>
<td>Hollywood blockbusters to be enlarged to the giant IMAX</td>
<td><strong>Financial</strong>: changes to budget will impact on the degree of marketing undertaken</td>
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<tr>
<td>format, providing a completely new range of film product</td>
<td>for particular films</td>
</tr>
<tr>
<td>for some theatres.</td>
<td><strong>Product</strong>: changes in programming and film selection will influence attendance</td>
</tr>
<tr>
<td><strong>Social</strong>: changing patterns of leisure will impact</td>
<td>levels; development of new products</td>
</tr>
<tr>
<td>greatly on attendance</td>
<td>eg. education talks, will broaden the theatre market; targeting corporate sector</td>
</tr>
<tr>
<td><strong>Geographic</strong>: changes to theatre access, parking or</td>
<td>for theatre hire/ events and other groups such as seniors, can potentially create</td>
</tr>
<tr>
<td>public transport will impact on attendance</td>
<td>new ‘streams’ of business</td>
</tr>
<tr>
<td><strong>Consumer</strong>: flexibility in scheduling allows the theatre</td>
<td></td>
</tr>
<tr>
<td>to respond to changing consumer demand for films;</td>
<td></td>
</tr>
<tr>
<td>word-of-mouth is very important is influencing the</td>
<td></td>
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<tr>
<td>success of any new film</td>
<td></td>
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Structural Responses to change

One of the key changes that have occurred in the operation of IMAX theatres in Australia has been the streamlining of management structures and consolidation of operational and marketing activities into a range of core essentials.

As part of this process, the company has responded by introducing:

- Flatter management structures
- Outsourcing of some roles formerly undertaken in-house, such as publicity
- Enhanced alliance with tourism networks to leverage awareness through joint promotional activities

Rather than resisting change, the company has embraced changes with a view to increased profitability and overall success of the company.
Managing Change – A Case Study

1. Local Theatre Attendance Patterns

One of the main features that remain constant in the IMAX business is CHANGE.

Fluctuations in attendance patterns are probably the most visible element of change experienced at the theatre. The fact that attendance levels change is not a concern in its own right, but it is the company’s ability to manage those changing attendance patterns which sets it apart from competitors.

As a result, knowledge of peak trading periods is crucial in the planning process.

The key focus of the marketing strategy is to maximise returns during the four peak trading periods of the year:

- January holidays
- Easter
- Mid winter holidays
- Spring Holiday

During these periods our strategy is ‘to fish while the fish are biting’.

Major film releases are timed to coincide with these periods and the lion’s share of marketing funds are directed to maximising attendance.

During the non-peak periods the strategy aims to maximise returns from two specific trading periods:

- Weekends
- Mid-week evening trading

In general 50% of attendance and revenue in any given week outside of the school holidays is accounted for during the weekend, when both our two key target markets (local Sydneysiders and tourists) have available time and a pre-disposition to out-of-home entertainment.

Mid-week evenings present opportunities for attendance from the non-family market.

Finally mid-week non-holiday daytime presents the most challenging day part to maximise attendance and particularly profitability.

The education market is recognised as a key segment for daytime attendance, when there is limited potential for attendance by core theatre markets.

Local conditions and the location of each theatre then create a variety of opportunities for capturing other markets during this daytime attendance. For example, Sydney has potential to capitalise on the international and domestic tourist while the Melbourne theatre can draw attendance from visitors to the Melbourne Museum.

SUPPLEMENTARY REFERENCES