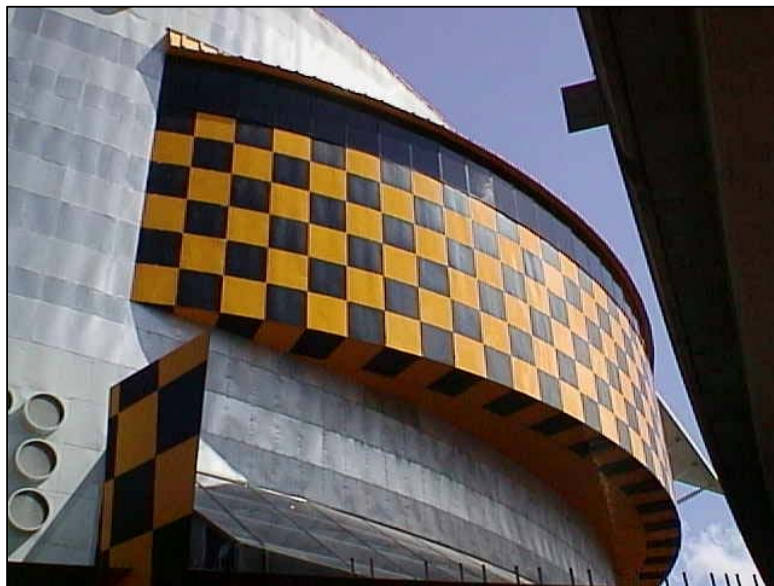


IMAX[®]

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**

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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.

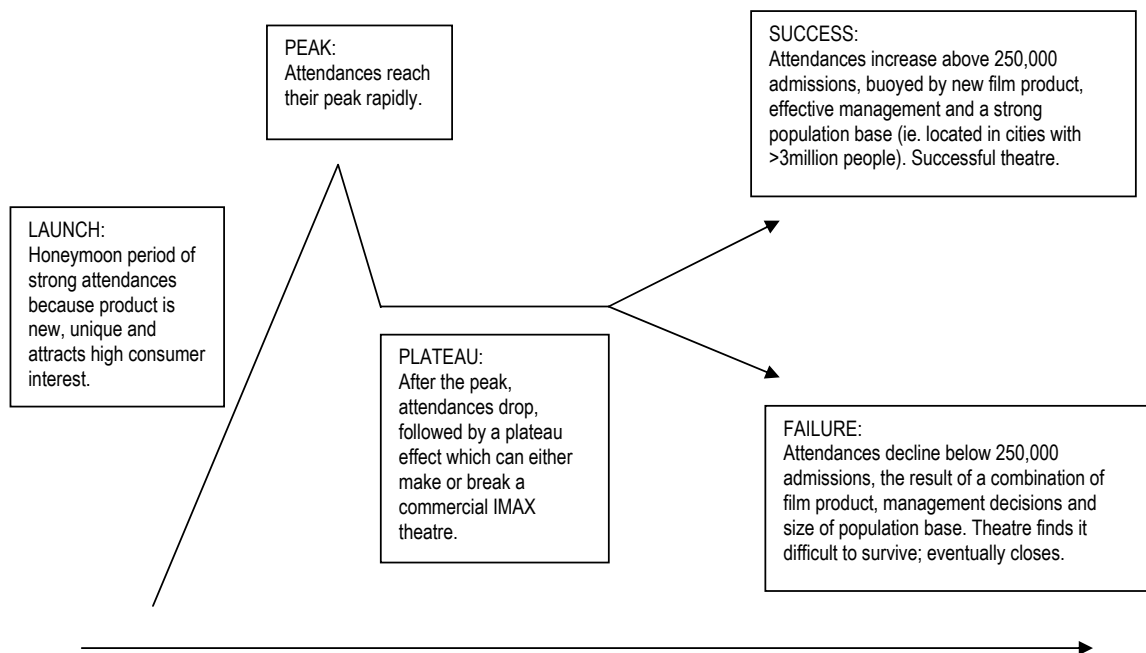
In particular, the Auckland and Bangkok theatres were a significant part of the demise of Cinema Plus due to their inability to contribute an adequate return on investment (ROI).

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*.

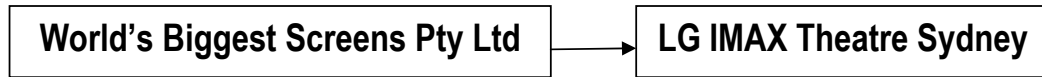
THEATRE LIFECYCLE: Determinants to Success or Failure

The following Theatre Lifecycle diagram illustrates how patterns of attendance fluctuate



WORLD'S BIGGEST SCREENS PTY LTD

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

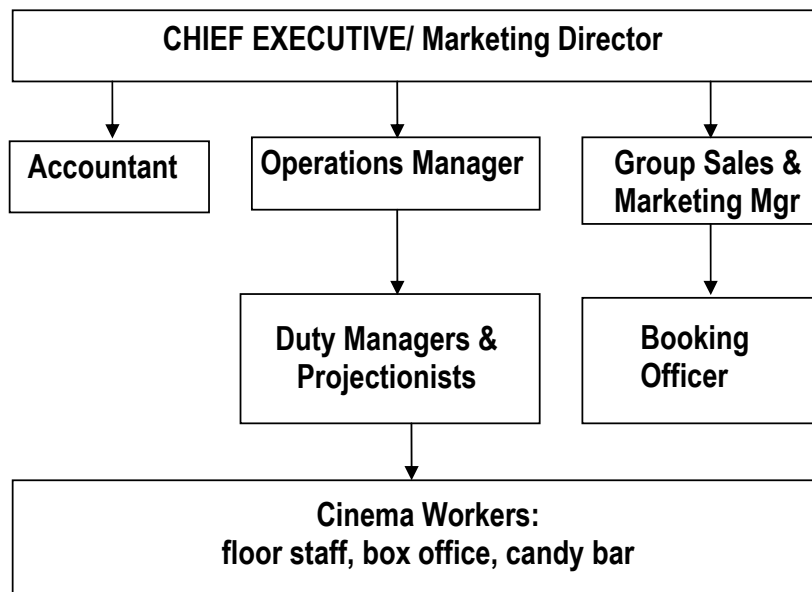
To provide visitors to IMAX Theatres with a high-value, leading-edge entertainment experience in a consistently high-quality environment. To be recognised as a unique cinema experience that is both entertaining and educational.

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

External influences	Internal Influences
<p>Financial markets: exchange rate changes impact on profitability as film costs (eg. print fee, royalties etc) are based in US dollars</p> <p>Economic factors: may reduce or increase spending power of consumers</p> <p>Technological: advances in IMAX technology may produce a new range of film product e. New "DMR" technology has enabled 35mm Hollywood blockbusters to be enlarged to the giant IMAX format, providing a completely new range of film product for some theatres.</p> <p>Social: changing patterns of leisure will impact greatly on attendance</p> <p>Geographic: changes to theatre access, parking or public transport will impact on attendance</p> <p>Consumer: flexibility in scheduling allows the theatre to respond to changing consumer demand for films; word-of-mouth is very important is influencing the success of any new film</p>	<p>Technological: expansion of e-commerce in marketing activities Eg. Introduction of ticket purchasing via the internet has been extremely successful since launching at the start of 2004.</p> <p>New Systems & procedures: introduction of electronic link to bank for credit card transactions has increased productivity at box office; new approach to timetabling films for schools to allow for greater teacher choice</p> <p>Financial: changes to budget will impact on the degree of marketing undertaken for particular films</p> <p>Product: changes in programming and film selection will influence attendance levels; development of new products eg. education talks, will broaden the theatre market; targeting corporate sector for theatre hire/ events and other groups such as seniors, can potentially create new 'streams' of business</p>

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

- ▲ **Gibbons Patrice (2002) "Profile: Ivany's Big Show" in Business Review Weekly (Vol. 24, No.5).**