

**VALUE INNOVATION IN DETERMINING INDUSTRY  
COMPETITIVENESS:  
A STUDY OF THE THAI MOVIE THEATRE INDUSTRY**



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Thematic Paper  
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**VALUE INNOVATION IN DETERMINING INDUSTRY COMPETITIVENESS:  
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**ABSTRACT**

Dynamic competition within the Thai movie theatre industry has forced major movie theatre players to continuously adapt their strategies. By employing W. Chan Kim and Renee Mauborgne's (1997) Strategic Logic of High Growth, this research looks into the five dimensions of this strategy – industry assumptions, strategic focus, customers, assets and capabilities, and product and service offerings – that differentiate the innovative business frameworks of high growth players (Value Innovation Logic) from those of conventional players (Conventional Logic). The findings relating to the strategy of the different players in the movie theatre industry are gathered from secondary data and in-depth interviews with four key respondents in the Thai movie theatre industry. The results show that the Major Cineplex Group, a player which has adopted Value Innovation Logic, has the potential for higher growth than the players which have adopted Conventional Logic. Moreover, the competitive nature of this industry forces all players to always follow the prime mover.

**KEY WORDS: MOVIE THEATRE INDUSTRY / COMPETITIVE ANALYSIS/  
VALUE INNOVATION/ STRATEGY/ HIGH GROWTH  
PLAYERS**

64 pages

นวัตกรรมเชิงคุณค่าในการกำหนดกลยุทธ์เชิงแข่งขันในอุตสาหกรรม : กรณีศึกษาอุตสาหกรรมโรงภาพยนตร์ไทย

VALUE INNOVATION IN DETERMINING INDUSTRY COMPETITIVENESS: A STUDY OF THE THAI MOVIE THEATRE INDUSTRY

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#### บทคัดย่อ

การแข่งขันในอุตสาหกรรมโรงภาพยนตร์ในประเทศไทย ส่งผลให้ผู้ประกอบการต่างก็จัดกลยุทธ์ และนำเสนอผลิตภัณฑ์และบริการที่เพิ่มคุณค่า เพื่อหวังจะครองใจกลุ่มเป้าหมายในรูปแบบต่างๆ งานวิจัยชิ้นนี้จัดทำขึ้นเพื่อศึกษาภาวะการแข่งขันของผู้ประกอบการในอุตสาหกรรมโรงภาพยนตร์ นอกจากนี้ยังได้กำหนดกรอบการศึกษามาจากงานวิจัยของ Kim, W. C., Mauborgne, R. (1997) ซึ่งเป็นการวิจัยเกี่ยวกับธุรกิจแนวใหม่เชิงนวัตกรรมที่สร้างคุณค่า เพื่อนำมาประเมินกลยุทธ์ในส่วนที่มีผลต่ออัตราการเจริญเติบโตของธุรกิจ งานวิจัยได้ดำเนินการวิเคราะห์จากมุมมองหรือมิติที่ต่างกัน 5 ส่วนคือ สมมุติฐานต่ออุตสาหกรรม กลยุทธ์ ลูกค้า ทรัพย์สินและความสามารถในการบริหาร และ สินค้าและบริการที่นำเสนอ ข้อมูลรวบรวมมาจากการเข้าสัมภาษณ์เชิงลึกกับผู้บริหารของผู้ประกอบการหลักๆ ในอุตสาหกรรม รวมถึงข้อมูลที่รวบรวมจากแหล่งข้อมูลอื่นๆ อาทิ อินเทอร์เน็ต เว็บไซต์ เป็นต้น งานวิจัยครั้งนี้พบว่า เมเจอร์ซีเนเพล็กซ์ กรุ๊ป เป็นผู้ประกอบการที่ใช้กลยุทธ์นวัตกรรมเชิงคุณค่าในการดำเนินธุรกิจ อันส่งผลให้มีอัตราการเจริญเติบโตของธุรกิจที่ดีว่าผู้ประกอบการที่ใช้นโยบายแบบอนุรักษ์นิยม

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# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

#### 1.1.1 Changing Scenes of the Movie Theatre Industry

In the past, theatres competed solely on ticket sales. The tickets were sold at a standard price together with salty popcorn and fizzy soda at the concession stands. With the rise of multiple screen theatres in the early 1990s, theatres became focused on selling better but overpriced concessions that went well with cheaper movie tickets. In other words, theatres around the world became obsessed with value innovations, such as larger screens, better seats, brand name concessions, and better services. The moviegoers were suddenly inundated with a new range of choices that best suited their lifestyles from several closely clustered theatres. However, better products and services did not come without a price tag. Theatres actually use their unique selling points, such as special seats, VIP lounges, and free flow soft drinks to differentiate their ticket prices. This was all part of the first movie theatre boom. In India, for example, Mumbai alone added more than 75 screens in different multiplexes between 2005 and 2010 (Economist.com, 2010). These multiplexes were priced and appealed to the growing middle class who could afford to pay for the relatively expensive new movie tickets. On average, a movie chain would charge 141 rupees per ticket, while the daily income per person was approximately a mere 120 rupees (Economist.com, 2010). Currently, the humble rows of seating in Indian movie theatres are being replaced by reclining chairs that come with tray table and waiter service. It is a phenomenon that mirrors the model of the West.

In addition, in late 2009 and early 2010, ticket sales in the United States experienced a surge. The driver behind this recent movie theatre boom is the rise of three-dimensional (3D) films that forced the industry to adapt to new technology. Suddenly, people around the world were able to experience movies like “Avatar” and

“Alice in Wonderland” in 3D. In fact, in the North American market, 3D films accounted for almost all of the growth in box office sales during 2008. It is not a surprise that consumers began readily paying at least \$1 to \$3 for the premium charge those theatres in United States attached to 3D films. (Economist.com, 2010)

### 1.1.2 Thai Movie Theatre Industry

From the general perspective mentioned above, there are a number of similarities that can be found in the Thai case. Thailand’s movie theatre industry has a long history that can be traced as far back as that of Hollywood. Yet its humble beginning was not of Thai origin but was introduced by the French Lumiere Brothers who made a short film on the late King Chulalongkorn (Rama V), entitled *King of Siam’s Visit to Bern* (1897). This short film was screened in Bangkok as part of a Parisian Movietograph show in 1897 –the ticket was a mere ten Baht. (Rosenberg, 2004)

During the mid-1980s to the mid-1990s, the Thai film industry suffered from a decline in popularity. The average of 100 Thai movies that had been produced annually during the mid 1980s dropped to just ten films per year during the mid-1990s. (Williamson, 2005)

By 1997, Penek Ratanaruang and Nonzee Nimibutr were the reigning godfathers of Thai art films, and their movies were seen as key factors in drawing back large number of adult moviegoers to movie theatres in Thailand. Household names in Thailand, they also achieved international recognition by having their films screened at the film festivals of Cannes and Berlin (Rosenberg, 2004). Nonzee Nimibutr went on to become a well-known film director with the launch of the movie *Dang Bireley and the Young Gangsters*. That movie generated a box office record of 75 million baht in sales, and was followed up with an even bigger hit, the ghost story *Nang Nak* in 1998. Also, Pen-ek Ratanaruang's *Fun Bar Karaoke* was selected to be played at the Berlin Film Festival – the first time in twenty years that a Thai movie had been presented in an international arena (Williamson, 2005).

Between 1997 and 2005, it was observed that the rising popularity of cinema-going was due to the fact that movie theatre owners were rushing to embrace the new technologically-advanced sound and filming systems that were now available.

This resulted in much better quality movie showings on the many new theatre screens across Bangkok.

During the same period, Thai cinema observed rises in its popularity among young moviegoers with a 15 percent increase in 1997, an 11 percent rise in 2001, and a massive 20 percent growth in 2003 (Rosenberg, 2004). Additionally, in 2007, 42 percent of Thai moviegoers were from the younger generation in the age group of 15-24 years old (Tsui, 2007). The rise in the young demographic of moviegoers in Thailand was attributed to at least three factors: 1) movies trying to constantly improve the movie going experience, 2) more screen to show times, and 3) an uninterrupted movie viewing experience (Tsui, 2007).

Today, several indicators suggest that the Thai movie theatre industry has gained significant success over recent years. The first indicator is the number of viewers per movie screen. On average, there are 170 viewers per movie screen in Thailand, compared with only ten viewers per movie screen in the U.S. (Tsui, 2007). Second is the increase in the number of movie theatres in Thailand. In 2004, there were only 321 theatres (Carat Nielsen Media Research Thailand, 2007), yet as of 2007, the number had almost doubled to 617 theatres (Carat Nielsen Media Research Thailand, 2007). The growth of movie theatres in Thailand reflects the enthusiasm and effort of theatre companies in reaching into the untapped entertainment market.

The unique selling points combined with special services of Thai movie theatres also serve as their competitive advantage. In a typical Thai theatre, the ticket price per person is approximately US\$3 with seating arrangements in most theatres that can easily be reserved upon ticket purchase (Holland, 2007). Furthermore, in the flagship cinemas of larger theatre chains, moviegoers are offered ticket prices that range from US\$6.50 to US\$ 12 depending on the amenities attached to the various seat options, such a reclining sofa for two with waiters who bring complementary soda and popcorn to attached side tables (Holland, 2007). For Thai moviegoers, going to a movie complex represents more than a “catch-a-movie” pastime as it houses lifestyle and sports entertainment products with shopping mall characteristics and facilities, such as restaurants, grab-and-go eateries, bowling alleys, fitness centres, karaoke booths, skating rinks, shops and even retail space (Major Cineplex Group, 2009a).

## 1.2 Statement of the Problem

The competition within the movie theatre industry in Thailand is high, forcing theatre chains to introduce various value creation products into the market. Examples of these value creation products are an online ticket reservation system, valued member cash cards, express ticketing lanes, premium lounges, and multiple concession stands. The questions are: Do they really work? How are these value creation products helping a movie theatre chain improve its competitiveness? What are the futures of these value creation products? Is there any room for improvement with these perceived value creation products? And what if all the movie theatre chains in Thailand utilise these products? How will it affect the overall performance of the industry?

## 1.3 Significance of the Study

The study will provide an opportunity to understand factors that enhance and influence the business performance of the movie theatre industry in Thailand. Understanding these factors can help potential players in the movie theatre industry by acting as a guideline for further business development in both local and overseas markets.

Significantly, the Thai government believes that the movie theatre industry is one of many critical industries that influence the country's socioeconomic performance and creative industry capacity. In 2008 alone, the sales of ticket in the movie theatre industry in Thailand were equivalent to 9,876.4 million Baht, which reflects only about 0.09 percent of the country's GDP. However, these sales actually created an added value of 3,200 million Baht, which is 32.4 percent of ticket sales. As mentioned in a census report by Kenan Institute Asia, for the additional Thai Baht increase in movie theatre industry expenditure, other service sector industries create an extra output of 2.14 Thai Baht (Kenan Institute Asia (K.I.Asia), 2009)

As there are only a handful of academic papers available under the focus of the movie theatre industry in Thailand, this research paper can be used to help other researchers explore this new area of value creation. It can be observed that the movie theatre industry in Thailand is another important industry that is often overlooked by

academia as there are only a few academic papers based on this industry and they tend to focus on general business management.

## **1.4 Objectives of the Study**

1.4.1 To explore industry success factors of the Thai movie theatre industry.

1.4.2 To compare and contrast the strategies of major players within the industry.

1.4.3 To determine an innovative business model framework for future Thai movie theatre providers.

## **1.5 Limitation of the Study**

There are other players in the industry but due to time constraints, the researcher chose to conduct the research with only six major players. In addition, the references available were limited for the researcher during the research design period; in particular, some of the selected players declined to give an interview.

## **1.6 Definition of Term**

### **1.6.1 Value**

The term ‘value’ refers to the “...relative worth, utility, or importance” of goods and services (2011 Merriam-Webster, Incorporated, 2011). It may also refer to “...a fair return or equivalent in goods, services, or money for something exchanged” (2011 Merriam-Webster, Incorporated, 2011).

### **1.6.2 Value Innovation**

The term 'value innovation' refers to "...a strategic approach to business growth, involving a shift away from a focus on the existing competition to one of trying to create entirely new markets. Value innovation can be achieved by implementing a focus on innovation and creation of new market space" (Kim & Mauborgne, 1997).

### **1.6.3 Multiplex/Cineplex**

The term 'multiplex' in this study refers to "...a theatre that is equipped with at least eight screens" (Acland, 2000)

### **1.6.4 IMAX**

The terms 'IMAX' refers to "...a trademark for a giant-screen, large-format movie and motion-simulation entertainment complex, with a motion-picture screen that is ten times larger than a conventional screen and compatible with 3-D technology" (Encarta, 2010)

### **1.6.5 Movie Theatre Industry**

The term 'movie theatre industry' in this study only refers to "...movie screening theatre businesses" and their facilities.

### **1.6.6 Innovation or Innovative Strategy**

The terms 'Innovation' or 'Innovative Strategy' in economic meaning are defined as follows:

- The introduction of a new product or something new to the world with which consumer are not yet familiar
- The introduction of a new method of production
- The opening of a new market where the new products or services have not previously entered or existed
- A new source of supply of raw materials or half-manufactured goods
- The creation of new organization for any industry, e.g. the creation of oligopoly or monopoly positions

(Schumpeter, 2011)

## **CHAPTER II**

### **LITERATURE REVIEW**

There have been various strategies employed by the movie theatre industry over the years to compete with the changing attitude of consumers towards movie nights. Some of these strategies were effective to a certain extent (e.g., new movie going experience, new technology, better concession stands); however, others failed (e.g., reduced ticket price, cleaner toilet, more show times, etc.). Nevertheless, nowadays it seems that innovation is one of the crucial characteristics of any successful movie chain. This literature review sets out to explore how various academic authors identify and differentiate the business models of different movie theatres. It also identifies key players in Thailand's movie theatre industry, exemplifies studies that are related to Thai movie theatre industry, and provides a short review on articles under the theme of "value innovation".

#### **2.1 Review of Movie Theatre Industry Literature**

##### **2.1.1 Classification of a Movie Theatre**

There are two different classifications of movie theatres in Thailand: 1) Traditional and Multiplex Models; and 2) Shopping Mall, Lifestyle Neighbourhood Mall, Hypermarket, and Stand-alone Models.

Under the first classification of movie theatres – Traditional and Multiplex Models – the "Traditional Model" refers to a movie theatre that operates its business solely on the sales of movie tickets. On the other hand, the "Multiplex Model" refers to a movie theatre that has at least eight screens and is equipped with lifestyle and entertainment facilities, such as bowling alleys, karaoke rooms, and fitness centres.

In the second classification of movie theatres in Thailand – Shopping Mall, Lifestyle Neighbourhood Mall, Hypermarket and Stand-alone Models - the first

category, the “Shopping Mall Model”, refers to the model that matches the cinema-going experience with the shopping experience that people get from going to a local shopping mall. The movie theatres that attach themselves to neighbourhood malls are usually situated near to residential areas. The difference between the shopping mall model and the lifestyle neighbourhood mall model is that the lifestyle neighbourhood malls are smaller in size, usually situated in urban areas, and anchored to upscale markets. The “Hypermarket Model” is replacing the legacy of movie theatres that are located in provincial areas and the outskirts of Bangkok. They are created for the provincial dwellers who habitually shop in discount retail marts, such as Big C and Tesco-Lotus. Lastly, the “Stand-alone Model” can be described as movie theatres located inside buildings or complexes owned by the movie theatre chain itself.

### **2.1.2 Key Players of Movie Theatre Chains in Thailand**

**2.1.2.1 Major Cineplex Group:** Vicha Poolvaraluck founded Major Cineplex Group Public Co., Ltd. (hereafter referred to as ‘Major Cineplex Group’) in 1996. He has since expanded the business to conceptually large movie complexes that have the potential to offer various kinds of entertainment services (bowling alleys, karaoke rooms, restaurants, and shopping) to the moviegoers (Srimalee, 2001). Vicha’s vision came into focus in 1996 when he opened a fourteen-screen, 4,000-seat Major Cineplex venue at Ratchayothin in 1998 (Srimalee, 2001), followed by the launch of Major Cineplex Rangsit, the first multiplex in Asia. As a key player in the movie theatre industry, Major Cineplex operates under four different brands, which are Major Cineplex, EGV Theatres, Paragon Cineplex, and Esplanade Cineplex. As of 2009, there were 28 branches in Bangkok districts and 19 branches in provincial districts, with a total capacity of 88,250 seats. Currently, Major Cineplex ranked top of its industry. (Major Cineplex Group, 2009b).

**2.1.2.2 SF Cinema Group:** SF Cinema Group is ranked as the second largest movie theatre operator in Thailand. SF Cinema Group operates under the brand “SF Theatre City”. For at least 40 years, the SF Cinema Group has been owned and operated by the “Thongrombhodi” family. Under the guidance of brothers Suwat and Suwit Thongrombhodi, the family business changed from being a

traditional movie theatre operator to a multiplex owner in the year 1999. The keystone for the company was named “SF Theatre Maboonklong Center” – an entertainment outlet in midtown Bangkok. The company comprises three different movie theatre brands: SF World Theatre, SFX Theatre, and SF Theatre City, which contain 15 different branches all together with a total of 32,000 seats. Apart from the multiplex business, the company also owns other entertainment businesses, such as eight branches of SF Strike Bowl (bowling alleys with a total of 208 lanes), and five branches of SF Music City (a modern Karaoke hang-out place).

**2.1.2.3 Apex Group:** The Apex Group of movie theatres comprises the Lido, Scala, and Siam theatres in the Siam Square area of downtown Bangkok. The company is owned and operated by the Tansacha family and is currently headed by Nanta Tansacha. The three theatres were built in the late 1960s, and they have changed very little since. Therefore, it is possible to say that the Apex Group uses a retro movie-going experience that cannot be found in shopping malls and cineplexes as its selling point. Since the three theatres are not as crowded as others, it is possible to get the most-desired seating just a few minutes before the show starts. The Apex theatres do not only show the usual Hollywood films, but they usually act as a venue for art films as well, which is quite unique nowadays. Among other factors that are unique to the Apex Group is its annual event, the Little Big Film Project, which shows a series of foreign independent films over the course of several weeks. Apex Group offers its customers the traditional service, cheaper tickets, and theatre hotlines that are manned by well mannered and well-informed operators.

**2.1.2.4 Coliseum Multiplex:** Coliseum Multiplex is a chain of eight movie theatres. It has 31 screens located in Southern Thailand and the only branch which operates in Bangkok district is inside The Mall Tha-Pra Shopping Center.

**2.1.2.5 Major Hollywood:** Major Hollywood is a small chain of movie theatres which currently has only three branches with a total of 27 screens in suburban Bangkok at Suksawat Road, Ratburana; Chaeng Watthana Road, Pakkret; and Ramkhamhaeng Road, Bangkok.

**2.2.2.6 Thana Cineplex:** Thana Cineplex offers small movie theatres in 22 different provinces across Central and Northern Thailand.

**Table 2.1: Key Elements of Products and Services**

	Major Cineplex Group	SF Cinema Group	Apex Group	Coliseum Multiplex	Major Hollywood	Thana Cineplex
<b>Branch</b>	47	19	3	8	3	22
- <i>BKK &amp; Outskirt</i>	28	12	3	1	3	0
- <i>Upcountry</i>	19	7	0	7	0	22
<b>Number of Screen</b>	354	202	5	31	27	40
<b>Number of Seat</b>	88,250	32,000	2,407	N/A	4,500	N/A
<b>Facts</b>	1) Major Cineplex Group					
<b>Operating Brand(s)</b>	2) EGV Cinemas 3) Paragon Cineplex 4) Esplanade Cineplex	1) SF World Cinema 2) SFX Cinema 3) SF Cinema City	1) Siam 2) Lido 3) Scala	Coliseum Multiplex	Major Hollywood	Thana Cineplex
<b>Key Elements of Products and Services</b>	Pricing (Thai Baht) Selection of Movie -Thai Movie -International Movie IMAX Theatre	80-500 80-500	100-120	100-120	80-120	100-120
	✓ ✓ ✓	✓ ✓	✓ ✓	✓ ✓	✓ ✓	✓ ✓
	2	-	-	-	-	-

**Table 2.1 (cont.) : Key Elements of Products and Services**

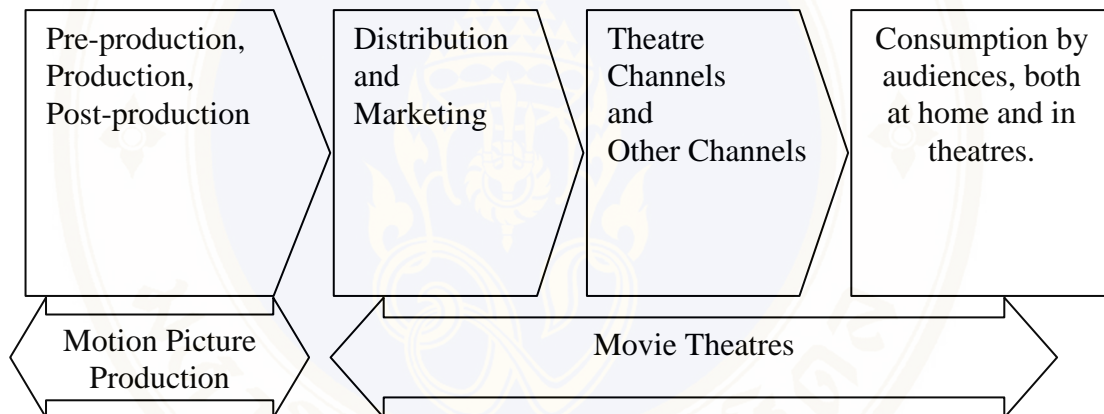
Key Elements of Products and Services	Major Cineplex Group		SF Cinema Group		Apex Group		Coliseum Multiplex		Major Hollywood		Thana Cineplex	
	Location Model	Reservation System	Array of ticket booth	Special lane/booth for members	On-line	Telephone	Array of ticket booth	Special lane/booth for members	On-line	Telephone	Array of ticket booth	Special lane/booth for members
<ul style="list-style-type: none"> <li>▪ Inside Shopping Mall</li> <li>▪ Inside Lifestyle Neighborhood mall</li> <li>▪ Stand-alone Model</li> <li>▪ Hypermarket Model</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Array of ticket booth</li> <li>▪ Special lane/booth for members</li> <li>▪ On-line</li> <li>▪ Telephone</li> </ul>

Sources : Major Cineplex Group, SF Cinema Group, List of Theatres in Thailand

### 2.1.3 Value Chain of the Thai Film Industry

Although this research focuses mainly on the competition between major Thai movie theatre players, it is necessary to also understand its connection with the broader Thai film industry.

The value chain of the Thai film industry can be divided into two parts: motion picture production and movie theatre management. Pre-production, production and post-production are classified under motion picture production. The movie theatre management consists of three major business characteristics: 1) distribution and marketing; 2) theatre channel and other channels; 3) consumption by audiences, both at home and in theatre (see figure 1).



**Figure 2.1: The Value Chain of the Thai Film Industry**

**Source:** Kenan Institute Asia (K.I.Asia), 2009, Eliashberg, Elberse, & Leenders, 2006

## 2.2 Review of Literature on Models in Determining Competitive Analysis

This section reviews three models of competitive analysis frameworks that have been used to determine the service industry: The Five Forces Competitive Analysis Model by Michael E. Porter (1985); Five Dimensions of Strategy by W. Chan Kim and Renee Mauborgne (1997); and the Blue Ocean Strategy by W. Chan Kim and Renee Mauborgne (2005).

### **2.2.1 The Five Forces Competitive Analysis Model (Porter, 1985)**

The Five Forces Competitive Analysis Model was introduced by Michael E. Porter back in 1985 and yet the model has remained the influential model in both business schools and real business environments until now. The Five Forces can help understanding of the structure and value chain of the industry in order to craft out a position that is more profitable. (See Figure 2)

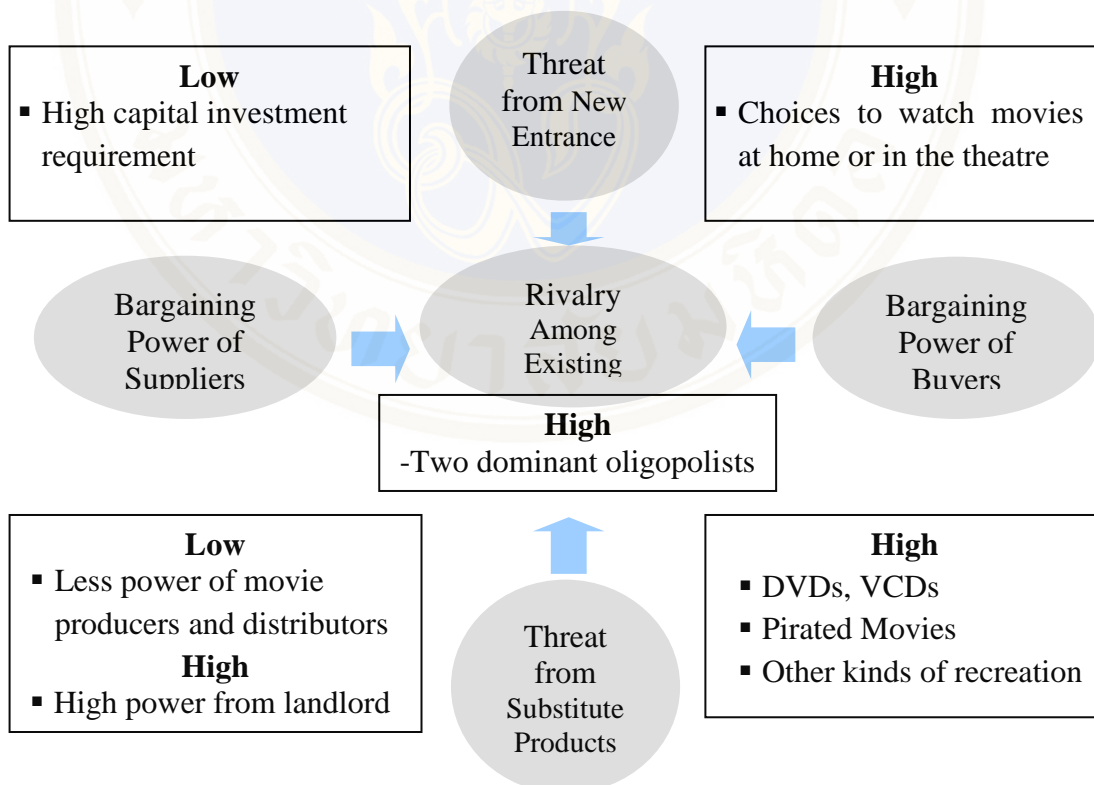
According to Porter's model, rivalry among existing competitors is the first angle to look at. Competition among existing companies in the industry could narrow the profits down to zero. A company has to find a way to be able to achieve a competitive advantage over its rivals. The vehemence of rivalry varies across different industries. Some analysts use an industry concentration ratio (CR) to measure the rivalry. The CR is indicated by the market shares of each firm in the industry. If the CR ratio is high, it means that only a few firms dominate the market by holding a high market share in the industry, which is then considered less competitive.

Aside from the rivalry among existing competitors, the model also helps analyze the power of customers by comparing the number of customers versus competitors. The greater the number of customers there are, the less power a firm has. Also, the greater the numbers of competitors there are, the more power customers have. The bargaining power of the firm's supplier is the same as the bargaining power of customers only in reverse.

Also, a new competitor may grind down some of a firm's customer base. The challenge is to determine if it is likely that a new competitor will potentially steal customers away. The obstacles that new competitors have to overcome are up-front capital costs, access to technology, or requirements to obtain licenses. The more obstacles preventing entry into the industry there are, the higher the chances of the existing firms being protected. However, if there are no barriers to entry, the firm's position could be weakened. Lastly, substitute products or services can be considered competitive products as they are products that replace the need for the firm's products altogether.

By applying the five forces model to the Thai movie theatre industry, the following picture emerges. In terms of rivalry among existing competitors, there appears to be high competition between the market's two dominant oligopolists: Major

Cineplex Group and SF Cinema Group. The action of one firm affects another firm's decisions, and this oligopoly market situation has caused a high level of competitiveness in the industry. The threat from the entrance of new competitors is considered to be low due to the high capital investment requirement. However, substitute products such as DVDs, VCDs and pirated movies are considered as a barrier to industry growth. As moviegoers have more alternative choices, either to watch movies at home or in the movie theatre, this factor has driven the high bargaining power of buyers. Besides substitute products, other kinds of recreation such as concerts, musical plays and talk shows can also be treated as barriers to growth in the movie theatre business. On the supplier front, movie producers and theatrical distributors have less power in controlling the industry due to the small number of players in the industry. While everyone wants to get the prime area inside shopping malls, the landlords are gaining more power in negotiating space rental fees with movie theatre firms.



**Figure 2.2: Analysis of Thai Movie Theatre Industry using the Five Forces Model**

**Source :** Porter, 2008

### 2.2.2 Five Dimensions of Strategy (Kim and Mauborgne, 1997)

Another model used in determining industry competitiveness, the Five Dimensions of Strategy, was introduced by W. Chan Kim and Renee Mauborgne in 1997. Their theory is to separate high-growth companies from the market by increasing the value innovation of their businesses. The Five Dimensions of Strategy contains two different types of logic: Conventional Logic and Value Innovation Logic. Their differences lay in the way each of them approaches strategy, and how different fundamental and implicit assumptions are implied in the strategy. W. Chan Kim and Renee Mauborgne suggested that higher growth rate companies employ Value Innovation Logic when it comes to strategy planning. (See Table 2)

**Table 2.2: The Five Dimensions of Strategy by W.Chan Kim and Renee Mauborgne**

The Five Dimensions of Strategy	Two Strategic Logics	
	Conventional Logic	Value Innovation Logic
Industry Assumptions	Industry's conditions are given	Industry's conditions can be shaped
Strategic Focus	A company should build competitive advantages. The aim is to beat the competition.	Competition is not the benchmark. A company should pursue a quantum leap in value to dominate the market.
Customers	A company should retain and expand its customer base through further segmentation and customization. It should focus on the differences in what customers value	A value innovator targets the mass of buyers and willingly lets some existing customers go. It forces on the key commonalities in what customers value.

**Table 2.2 (cont.): The Five Dimensions of Strategy by W.Chan Kim and Renee Mauborgne**

The Five Dimensions of Strategy	Two Strategic Logics	
	Conventional Logic	Value Innovation Logic
Assets and Capabilities	A company should leverage its existing asset and capabilities.	A company must not be constrained by what it already has. It must ask “what would we do if we were starting a new business?”
Product and Service Offering	An industry’s traditional boundaries determine the product and services a company offers. The goal is to maximize the value of those offerings.	A value innovator thinks in terms of the total solution customers seek, even if that takes the company beyond its industry’s traditional offerings.

**Source :** Kim and Mauborgne, 1997

Interestingly, the case study of the Kinopolis movie theatre was analyzed under the value innovation framework. Bert Claeys is a Belgian company that operates the Kinopolis movie theatre. Kinopolis movie theatre differentiated itself from traditional theatres by offering a 700 seat viewing room while other typical theatres had no more than 100 seats. Kinopolis also provided so much space for leg room that moviegoers were not required to move when others walked past. Oversized seats with individual armrests were installed in a well-designed steep slope on the floor. However, the most interesting strategy that Kinopolis employed to challenge its competitors was that its theatres were built next to a ring road outside the city centre

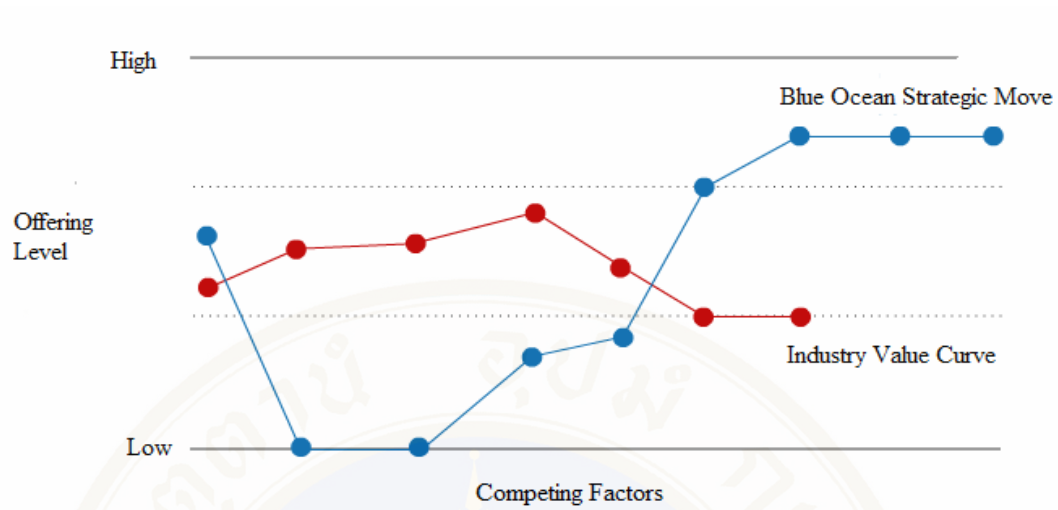
(15 minutes from downtown). With the cheaper cost of land, Kinopolis could offer free parking spaces to its customer without increasing the ticket price. The average cost per seat at Kinopolis was only 70,000 Belgian Francs, less than half of the industry's average cost (Kim & Mauborgne, 1997).

### **2.2.3 Blue Ocean Strategy (Kim and Mauborgne, 2005)**

From their famous Value Innovation articles of 1997, which were selected among the most classic articles ever published in the Harvard Business Review, Kim and Mauborgne later went on to publish the Blue Ocean Strategy in 2005. The book became an international bestseller with over two million copies sold in 42 languages.

The Blue Ocean Strategy provides a systematic approach to making the competition irrelevant. It highlights the six principles to formulate and execute for success in business. The six principles show how to 1) reconstruct market boundaries, 2) focus on the big picture, 3) reach beyond existing demand, 4) get the strategic sequence right, 5) overcome organizational hurdles, and 6) build execution into strategy.

Figure 3 on the following page demonstrates the strategy canvas as the action framework for building a compelling Blue Ocean strategy. This can help capture the current market conditions that each player competes in. A firm may ignore some competing factors. For example, in the movie theatre industry, price sensitivity may not be a factor that impacts moviegoer's decisions, whereas superior service is. Thus, a firm should not reduce its ticket prices to match its competitor. Instead, it may consider offering novel products or services that are new to the market.



**Figure 2.3 : The Strategy Canvas**

Source : Kim & Mauborgne, 2005

### 2.3 The Study Related to the Thai Movie Theatre Industry

The resources of previous research are very limited. There are only two academic articles that are highly related to the study conducted in this paper.

The first Thai language article in this literature review is Suchada Kiatchaisiriporn's "Marketing Commutation Strategy: SF Theatre City" (2003). The article aimed at understanding the communication strategies that were being employed by SF Cinema Group (one of the key players in the Thai movie theatre industry) in the early 2000s. This qualitative research paper accumulated its resources from published media, databases, and an in-depth interview with the managing director of the organization. During her fact-finding process, the author discovered that SF Theatre City uses various marketing tools such as advertisements, public relationship, and personal selling points and sale promotions for both their primary and secondary target markets. In order to give a scaled rating, the author introduced factors such as the attention, interest, desire, message content, appeal, rationale, emotional value, and morality (Suchada, 2003).

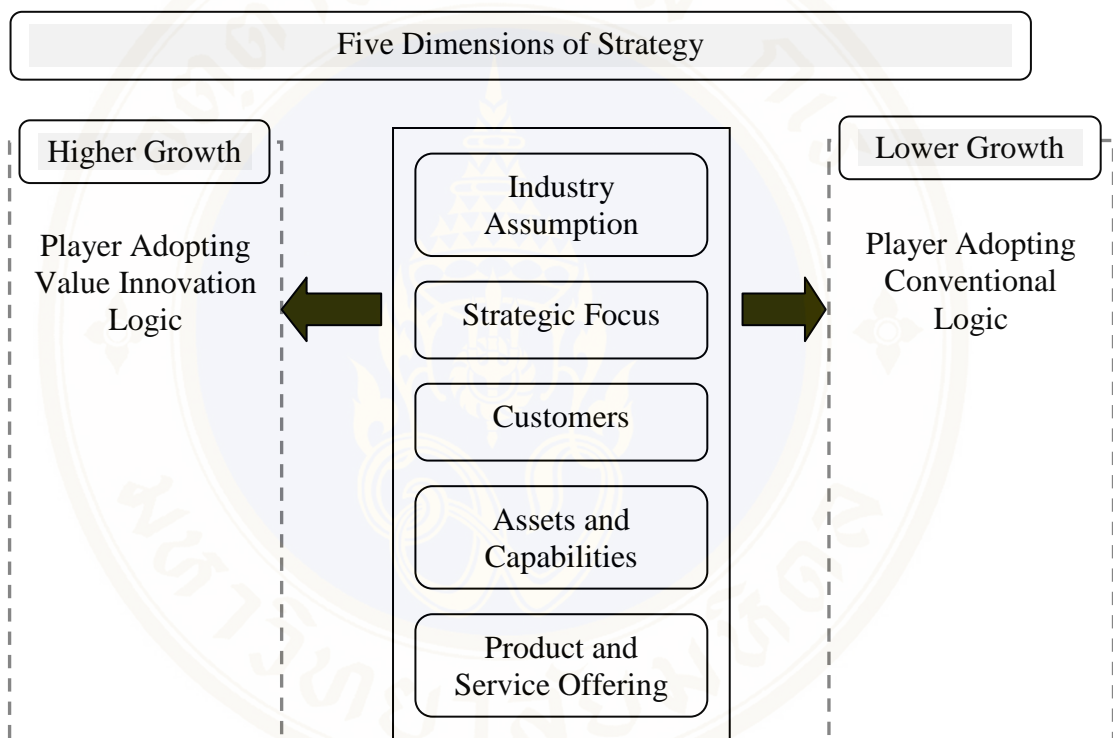
The second Thai language academic article in this literature review is "Factors that Influence and Attract Youngsters to Multiplex Environment" (1997) by

Chantana Meemaitreejit. Chantana tried to find out more about the behaviour of youth in Bangkok in regard to the multiplex model of movie theatres. Chantana surveyed 400 youth in Bangkok by using a scaled response questionnaire. Chantana then plugged in the decoded scores into SPSS to find out the correlation coefficient. From the study, Chantana discovered that: 1) the respondents were attracted to the shopping mall model of movie theatre; therefore, the location of the theatre was far more important than the technological products inside the theatre (sound system, larger screen, better seating). These respondents (1997) felt that lifestyle entertainment complexes were far superior to just the stand-alone model. 2) The respondents were highly responsive to various forms of advertisements. 3) Again, the technological products, such as a superior sound system and multiple show times were not the main attractions for Bangkok's youth when choosing a movie theatre in 1997 (Chantana, 1997).

## **2.4 Conceptual Framework of the Study**

This study employs the adapted version of the Five Dimensions of Strategy. The two types of logic – Conventional Logic and Value Innovation Logic – are viewed as distinctively different (See Figure 4). In the Industry Assumptions, people who see the matter conventionally will see that the industry's conditions are given; on the other hand, innovators probably learn that the industry's conditions could be shaped accordingly. Conventional thinkers view strategic focus as a goal of building competitive advantages in order to beat the competition. In contrast, those who have value innovation in mind know that competition is not about benchmarking but in order to survive in the competition, the company must focus on how to dominate the trade by using intrinsic value. Those who have conventional thinking would probably suggest that a company should expand its customer base through segmentation and customization. But those who follow value innovation would probably target a mass market of consumers while willingly letting some existing customers go in order to gain commonalities. Under the Assets and Capabilities strategy, those who exist under a conventional way of thinking would be inclined to believe that a company should leverage its existing assets and capabilities, while those

who are equipped with value innovation in mind would ask if the company is being constrained by anything that already exists in the company. As for the Product and Service Offering strategy, those who have a conventional way of thinking may be considering various ways to maximize the value of their offering. However, those who have a value innovation way of thinking try to find entirely new solutions that are tailored to suit individual needs, and they even go beyond the traditional offering of the industry.



**Figure 2.4: Conceptual Model of the Five Dimensions of Strategy**

The researcher aims to classify the key movie theatre chain players into two groups. Players of the industry who adopted the Conventional Logic will be placed in the first group, which represents the hypothesised lower growth segment of the industry; players of the industry who adopted Value Innovation Logic as their approach to strategy will be placed in the second group, which represents the hypothesized higher growth segment of the industry. In order to categorize the players of the industry into two distinct groups, Five Dimensions of Strategy will be consulted as a guideline.

From Figure 4 on the previous page, the researcher set out to prove whether the players who adopt the Conventional Logic really have lower revenue growth, and to determine whether the players who adopt the Value Innovation Logic really have higher revenue growth. Each player will be grouped according to his or her answers to the Five Dimensions of Strategy.

To assist in the understanding of the conceptual framework, operational definitions were developed for use as measurement guidelines in observations and interviews, as well as for the understanding of key terms and concepts used in the research. The operational definitions used are presented below in Table 3.

**Table 2.3: Operational Definitions**

Variables	Operational Definitions
Industry Assumptions	<ul style="list-style-type: none"> <li>▪ For players adopting the conventional logic, we assume that industry assumptions are the assumption that the industry’s characteristics cannot be changed. Players must react to conditions that were practiced in the past by market leaders. Such past conditions become the norm of the industry. In order to compete in the market, players perceive that they must comply with the existing industry environment.</li> <li>▪ For players adopting the value innovation logic, we assume that industry assumptions are the assumption that the industry’s conditions and norms are changeable.</li> </ul>
Strategic Focus	<ul style="list-style-type: none"> <li>▪ For players adopting the conventional logic, we assume that strategic focus is the focus of being differentiated from competitors in the area they are capable of achieving.</li> <li>▪ For players adopting the value innovation logic, we assume that strategic focus is the strategy that focuses on the entire industry’s context and beyond rather than concentrating on their competitors.</li> </ul>

**Table 2.3 (cont.) : Operational Definitions**

Variables	Operational Definitions
Customers	<ul style="list-style-type: none"> <li>▪ For players adopting the conventional logic, we assume that customers are a cluster of individuals being acquired (or who will be acquired) to use their products and services. Those groups of customers are categorized into many segments according to set criteria.</li> <li>▪ For players adopting the value innovation logic, we assume that customers are one single group of individuals who share the same lifestyle and preferences.</li> </ul>
Assets and Capabilities	<ul style="list-style-type: none"> <li>▪ For players adopting the conventional logic, we assume that the assets and the capabilities are their “current” assets and capabilities.</li> <li>▪ For players adopting the value innovation logic, we assume that the assets and the capabilities are the assets and level of capabilities they “acquire” from doing business.</li> </ul>
Product and Service Offering	<ul style="list-style-type: none"> <li>▪ For players adopting the conventional logic, we assume that product and service offering is the products and services that they offer to the market.</li> <li>▪ For players adopting the value innovation logic, we assume that product and service offering is the products and services that their customers seek.</li> </ul>
Innovation	<ul style="list-style-type: none"> <li>▪ In this study, innovation logic or innovative strategy does not mean only something new to the world. It can be considered as a creation of something that has never existed in that market before or it may already be established in other markets.</li> </ul>

## **CHAPTER III**

### **METHODOLOGY**

This chapter presents an idea of the research design which includes the unit of analysis, research process and operational definitions for use as measurement guidelines

#### **3.1 Unit of Analysis and Target Population**

This is a qualitative research based on a study of the Thai movie theatre industry. Basing the findings on which strategy each movie theatre chain employs, this case study research focuses on the aspects of value creation that make each theatre chain unique.

The sample selection includes the well-known movie theatre chains that currently operate in Thailand, and which have a minimum of two branches each. Although the number of branches is not necessarily a main indicator to the success of using a value innovation strategy, it is possibly the most relevant factor determining the success of its business model. The selected movie theatre chains had to have been in existence not less than three years. Using such criteria, Thailand's two biggest movie theatre chains – Major Cineplex Group and SF Cinema Group – were selected along with other four smaller chains – Apex Group, Coliseum Multiplex, Major Hollywood and Thana Cineplex. At least one representative from each chain was contacted and invited to take part in this study.

The method for obtaining data was by interview and secondary sources of data. The in-depth interview is a flexible method allowing the researcher and interviewee to obtain more detailed information. Top-level management were asked closed and open-ended questions in order for the researcher to understand how they create the added value for their businesses, which services or products appeal to their

target customers, and what mistakes they have made in the past. The interview methodology used in the study was in line with the Five Dimensions of Strategy.

### 3.1.1 Sample Size Calculation

There are nine key players in the movie theatre industry in Thailand. An interview was conducted with management from the top six players, which account for 94.85 percent of the total screens in the entire industry (737 out of 777 screens). The interviewer did not force or threaten any of the subjects to participate in the interviews.

**Table 3.1 : Number of Screens Counted From Top Nine Players**

Movie Chains	Number of Branch		Number of Screen	Number of Seat	
	BKK & Out-skirt	Upcountry			
Major Cineplex Group	28	19	432	88,250	Selected Companies
SF Group	12	7	202	32,000	
Apex Group	3	-	5	2,407	
Thana Cineplex	-	22	40	N/A	
Coliseum Multiplex	1	7	31	N/A	
Major Hollywood	3		27	N/A	
Nevada	-	3	13	N/A	
UMG	2	-	6	1,663	
Vista	-	1	7	N/A	
Century The Movie Plaza	1	-	8	N/A	
Fairy Cineplex	-	1	N/A	N/A	
House	1	-	2	200	
Kosa Cineplex	-	1	4	N/A	
Prince	-	1	N/A	N/A	
Five Stars Multiplex	-	1	N/A	N/A	
Total	51	63	777		

Source : Wikipedia, 2011

## 3.2 Research Process

### 3.2.1 Key Informant

	Major Cineplex	SF Cinema	Apex Group	Major Hollywood	Coliseum Multiplex	Thana Cineplex
Owner/CEO/ President/ MD/Director	1	1	1	1	1	1

As stated previously, the researcher intended to involve at least one key informant from each firm. Six were contacted and invited to take part in an individual interview. Permission for an interview was declined by three firms, which were Apex Group, Coliseum Multiplex and Thana Cineplex. However, the top three players of the industry accepted the request for a private interview: two key informants from Major Cineplex Group, one informant from SF Cineplex Group, and one informant from Major Hollywood. All the informants who participated in the interview are in management level (Deputy to Managing Director, Senior Advisor, and Director).

For the reliability and validity of the research, the researcher acquired more information from all players, especially the ones with which the interview sessions were declined. These data were gathered from secondary sources of information such as newspaper clips and company websites.

### 3.3 Data Collection, Interview Conduct and Techniques

The qualitative approach was used for this research through in-depth interviews and secondary data. The field research for the study was conducted from December 2010 to January 2011. Formal letters were mailed to each company at the same time, specifically requesting an interview with executives who held a senior level position in the organization. The key information, such as purposes of the study, scope and topics as well as the focus of the study was clearly stated in the letter so that the recipients would be able to assign the right person for the interview.

The researcher conducted the interviews based on the semi-structured interview questions where the researcher has a fixed set of topics. This semi-structured

interview question technique could help the researcher explore areas which have not been mentioned before. Each interview lasted 45-60 minutes and was digitally recorded. The recording file was deleted within one month after the interview date. However, to avoid difficulties and to practice the interview skills, the researcher conducted the initial interview session with the interviewees at a junior level. The researcher asked the following questions prior to the discussion:

- i) How long have you been with this organization?
- ii) Have you done this survey before?
- iii) Can you spare us 45-60 minutes of your time for the interview questions?
  - If the subjects agreed to participate, they were then given the Participant Information Sheet (form) and the Informed Consent form. They were given five minutes to read both forms.
  - The researcher asked for permission to record the interview. This was dependent on the consent of the subjects. If the subjects were not comfortable with this approach, the researcher used the traditional method of taking notes.
  - The researcher explained the objective of the study to the subjects and started by asking for primary information concerning gender, age, educational background, number of years within the position and occupational status.
  - The researcher then spent approximately 45-60 minutes interviewing the subjects.
  - Once the researcher transcribed the interview, the recorded version of the interview was kept for no longer than one month.

## CHAPTER IV

### RESULTS

This Chapter is organized in terms of the five dimensions of strategy introduced in Chapter Three. The findings relating to the strategy of different players in the movie theatre industry gathered from in-depth interviews and secondary sources of data are laid out in the following sections.

#### 4.1 Who’s shaping the industry? (Industry Assumption)

Players have long engaged in competition in looking for a sustainable market share and market growth. They have set themselves the task of searching for differentiation, in other words, to create a new market space by ignoring the current competitive market. The case of the entertainment complex model is the best sample and offers a proven success of such differentiation. The entire industry was shaking when one of the players applied the one-stop shopping complex from the West and introduced the Lifestyle Entertainment Complex concept into Thailand.

##### 4.1.1 From Cinema to Cineplex

It seems that many players in the industry have combined other recreational facilities into their own places. Karaoke rooms, shopping areas and bowling lanes have become a common side-business for each player. With this, moviegoers could spend a whole day or evening out at one location in this type of complex. Thai moviegoers could now experience an entertainment lifestyle that they could not experience before.

Innovation Logic	Conventional Logic
<p><b><u>The First Ultimate Lifestyle Entertainment Model</u></b></p>	<p><b><u>Cineplex Through Synergy</u></b></p>

Innovation Logic	Conventional Logic
<p>Major Cineplex Group was the first firm to apply the “Lifestyle Entertainment Model” into the industry in 1995 (Major Cineplex Group, 2009a). Moviegoers were offered not only a wide range of film selections but also a variety of restaurants, bookstores, gift shops, coffee shops, fitness clubs, bowling, karaoke and many other lifestyle shops inside the one-stop shopping malls which they own. The bowling and Karaoke businesses, for example, generated 575 million Baht of revenue in 2008, 491 million Baht in 2009, and 334 million Baht in the first nine months of 2010. (Major Cineplex Group, 2009a)</p> <p><i>“We believe that side businesses would help generate more cash and traffic to our core business. Thais love the eating-out culture. By gathering at a location with bowling, karaoke, a fitness centre and restaurants in the same place, moviegoers would be able to spend the whole day with us”</i> (Participant from Major Cineplex Group (2), 2011)</p>	<p>Though SF Cinema Group does not invest in their own shopping malls, its model does gain some advantages from synergizing with the shopping malls in which their movie theatres are situated. Not only can moviegoers choose SF’s own entertainment activities which consist of both movies and bowling under what SF names ‘The Power of Infinite Entertainment Experience’, they can alternatively enjoy themselves within the variety of shops and restaurants offered by the malls. (Participant from SF Cinema Group, 2011)</p> <p style="text-align: center;"><b><u>Pressure to Follow</u></b></p> <p>Due to the success of the lifestyle entertainment model, others have been obliged to follow. Hence Major Hollywood felt obliged to provide bowling and karaoke facilities for its customers as well. It now provides small 4-5 lane bowling alleys in its own complex. But the ambience is not as nice as that of Major Cineplex Group and SF Cinema Group. (Participant from Major Hollywood, 2010)</p>

Innovation Logic	Conventional Logic
	<p>In contrast, Coliseum Multiplex and Thana Cineplex are running movie theatre businesses in provincial areas. The researcher found it difficult to acquire related news on the business activities and customer promotion information of these two players. Even their official websites do not provide sufficient data.</p> <p>During the late 1990s, Apex Group used to be seen as an important meeting point for youngsters, as the theatres are located in the Siam Square area – a centre of fashion, trends and recreation. Unfortunately, these theatres are not as crowded as they used to be – a little change from the late 1960s up to now.</p>

**4.1.2 Hey it’s Movie Day!**

Major Cineplex Group has set a standard for the industry by offering a cheaper price of ticket for some special events or special days. Wednesday has become the day when high school students prefer to watch movies at Major Cineplex Group because of cheaper ticket prices. Later, other key players in the industry employed the same strategy, offering cheaper ticket prices in the middle of the week.

Innovation Logic	Conventional Logic
<p><b><u>Pricing Strategy to Boost Sales Volume</u></b></p> <p>Major Cineplex Group initiated the Wednesday Cheaper ticket price concept</p>	<p><b><u>Forced to Follow</u></b></p> <p>SF Cinema Group and Major Hollywood have also applied the concept of selling</p>

Innovation Logic	Conventional Logic
<p>for two reasons:</p> <p>1) To expand the target customers to include high-school to university students. With the cheaper ticket price, students could afford to watch movies more often.</p> <p>2) To boost ticket sales during off-peak periods.</p> <p>In most cases, new movies will be launched either on a Thursday or Friday. The highest traffic at the theatre, of course, would occur during weekends. In order to fill a gap of lower ticket sales from Monday to Wednesday, Major Cineplex Group came up with a 60-80 Baht ticket price for students. (Normal price is between 100-150 Baht)</p> <p><i>“Movie Day (the day that Major Cineplex Group offers the cheaper ticket) is one of our strategies to keep as much traffic as we can at our complex on every single day”</i> (Participant from Major Cineplex Group (1) and (2), 2011)</p>	<p>cheaper price tickets during off-peak periods. But this promotion is not their initiative at all. Both players have launched this pricing gimmick just to avoid losing its younger group of customers to competitors.</p> <p><i>“We don’t like the idea of offering a cheaper ticket price during weekdays. The only reason that made us to do so is to maintain our market share.”</i> (Participant from SF Cinema Group, 2011)</p> <p>Apex Group has not set itself into this price war. From the latest site visit in January 2011, the ticket price is maintained at 100-120 Baht</p> <p>The researcher was not able to find related news from players such as Coliseum Multiplex and Thana Cineplex.</p>

#### 4.1.3 The Rise of the Three-Dimensional Film (3D)

In 2009-2010, Thais were able to experience movies such as “Avatar” and “Alice in Wonderland” in three-dimensional technology (3D). Those films were

produced in 3D and required movie theatres to project the movie with supported equipment.

Hollywood has begun to produce more 3D movies as we can see in the growth of 3D movie releases. In 2007, only one 3D movie was launched, but the number of 3D movies had increased to five in 2008, and seven in 2009.

Innovation Logic	Conventional Logic
<p data-bbox="381 618 762 651"><b><u>3D Movies as Latest Driver</u></b></p> <p data-bbox="280 728 863 1256">Major Cineplex Group and SF Cinema Group have employed 3D equipment in some of their theatres. In late 2009, SF Cinema Group spent approximately 60 million Baht to build six more theatres in Dolby 3D Digital. Such investment has raised the number of their Dolby 3D Digital theatres up to 12 in total. Revenue from 3D movies accounts for 30 percent of revenue per movie. (Thansettakij Online, 2009)</p> <p data-bbox="280 1335 863 1532">Currently, only 24 theatres in Bangkok and the Greater Bangkok area are capable of showing 3D movies. A total of 12 theatres out of 24 belong to Major Cineplex Group.</p> <p data-bbox="338 1554 863 1973">A representative of Major Cineplex Group said: <i>“Major Cineplex Group is interested in 3D technology. We are more focusing on business expansion especially in provincial areas. In the rural areas, the most important thing to do is to convert from film to digital systems”</i></p>	<p data-bbox="951 618 1332 651"><b><u>3D Technology Costs More</u></b></p> <p data-bbox="884 728 1394 981">Other players such as Major Hollywood, Apex Group, Coliseum Multiplex, and Thana Cineplex still have not upgraded their theatres to 3D technology yet.</p>

Innovation Logic	Conventional Logic
<p>A representative of SF Cinema Group said:  <i>“3D Movies are the driver of the boom in the movie theatre industry. Moviegoers are willing to pay more for 3D movies. And we charge almost double the price of normal films”</i> (Positioning Magazine, 2009)</p>	

## 4.2 Stand-alone or Shopping Mall Model? Does it really matter? (Strategic Focus)

### 4.2.1 Business Model

In the past, movie theatres were built as a movie house and were known as a place where anyone only went to watch a movie. Later on, the movie theatres become part of malls. Being part of a mall created a symbiosis relationship; the shopping malls' customers became a automatically became potential customers for the movie theatre industry.

Between the Stand-alone and shopping mall model, it is still uncertain which model is best suited for the industry. It is quite difficult to take sides since both models still do well in the current movie world market. To apply Nelson's location model, both the Stand-alone Cineplex and movie-theatre-inside-a-shopping-mall model may benefit each other even though they are located near each other because "a given number of stores dealing in the same merchandise will do more business if they are located adjacent or in proximity to each other than if they are widely scattered," (Nelson, 1958).

Innovation Logic	Conventional Logic
<b><u>First-of-Its-Kind!</u></b>	<b><u>Another Version of Stand-alone Model</u></b>

Innovation Logic	Conventional Logic
<p>Major Cineplex Group first established their business through a STAND-ALONE model by building a theatre on their own land. They introduced the first-of-its-kind Stand-alone Cineplex, combining a movie theatre and entertainment complex in one place. Instead of building just a theatre (called a movie house in the past), they leased out some spaces for retailers. The benefits of doing so are:</p> <ol style="list-style-type: none"> <li>1) Create a variety of shops inside their own complex</li> <li>2) Lead more traffic to their complex</li> <li>3) Raise huge funds from retailers through lease contracts and use those funds to pay for the business running costs.</li> </ol> <p><i>“The Stand-alone Cineplex is typically built on a long-term leasehold plot (20-30 years). A Stand-alone Cineplex is about a 7-10 story building. The top floor features between 8-16 screens of cinemas and 20-38 lanes of bowling, while the bottom 2-3 floors are retail space for the lifestyle shops. With a strong “movie culture” which ensures a continuous flow of moviegoers every week, the retail space in the Stand-alone cineplexes has been able to sustain a high occupancy rate of 90% and above at all times” (Participant from Major Cineplex Group (2),2011)</i></p>	<p>As a follower, Major Hollywood decided to manage its business to the Stand-alone model, targeting the urban areas within suburban Bangkok. The complexes were built on their own land but smaller when compared to Major Cineplex Group. Their strategy of the Stand-alone model was an unsophisticated, flat layer of subsidiaries and organization structure.</p> <p style="text-align: center;"><b><u>A Group of Stand-alone Movie House</u></b></p> <p>Apex Group comprises Lido and Scala. Its theatres were built in the late 1960s in the Traditional Stand-alone model. They have changed <i>very little</i> since.</p>

Innovation Logic	Conventional Logic
<p>Besides the Stand-alone model, Major Cineplex Group has also expanded its business into a first-of-its-kind Lifestyle neighbourhood model, shopping mall model and Hypermarket model.</p> <p style="text-align: center;"><b><u>Shopping Mall Location Model!</u></b></p> <p>SF Cinema Group has set a clear focus that the “Shopping Mall model” is best suited for its business currently. To ride on the mall’s traffic would be the safe bet for its business.</p> <p>Moreover, the capital outlay in running the business is not as high as that of the Stand-alone model.</p> <p><i>“We are a movie theatre firm. We are not keen on managing retail spaces. Thus, we only build theatres inside shopping malls located in prime areas. Also, we don’t want to compete with our partner who is our landlord”</i> (Participant from SF Cinema Group, 2011)</p> <p>Coliseum Multiplex and Thana Cineplex have also located themselves inside local shopping malls for the benefits of cost saving and flow of traffic. In some provinces, moviegoers can find the movie schedule from the mall’s website</p>	

### 4.3 Wider Range of Moviegoers (Customers)

As mentioned in the previous section, movie theatres have now become an entertainment venue. It fulfils customers’ needs at all ages. Parents bring their kids to tutoring centres, dancing classes, movies and restaurants. The whole family hangs out together with more choices of activity inside one complex/mall. Thus, a movie theatre is not a place for only university students and office workers anymore. High school, primary school, and secondary school students also have more chances to watch a movie with their parents after their main activity.

Innovation Logic	Conventional Logic
<p data-bbox="288 792 855 882"><b><u>Different Location Brings Moviegoers en Masse</u></b></p> <p data-bbox="280 958 863 1319">Since Major Cineplex Group has run its business based on four different types of model, they have been able to reach larger groups of target markets throughout different locations and lifestyles. The strategy of customer acquisition can be explained as follows:</p> <p data-bbox="280 1397 608 1431">1) Stand-alone Complex:</p> <p data-bbox="280 1453 860 1597">Major Cineplex Group chose the locations themselves, and all of them are located in prime areas.</p> <p data-bbox="331 1619 860 1980"><i>“Our Stand-alone complexes are in AAA locations. The AAA locations mean the areas that are surrounded by schools and universities. For example, Ratchayothin branch is surrounded by schools and universities. You will see students work inside our complex in the</i></p>	<p data-bbox="927 792 1350 882"><b><u>Easy Come, Easy Go at Major Hollywood</u></b></p> <p data-bbox="884 958 1394 1375">People who come to Major Hollywood are moviegoers who do not really care for other facilities. They just want to watch a movie. The target customers are people who live nearby its complex located in urban areas, and who are in a middle-class income group.</p> <p data-bbox="884 1453 1394 1648">The researcher was unable to find related news from players such as Coliseum Multiplex and Thana Cineplex</p>

Innovation Logic	Conventional Logic
<p><i>afternoon. Moreover, during lunch break, you will see office workers in purple uniforms (Siam Commercial Bank's staff) come and stop by our place for lunch (Head office of Siam Commercial Bank is opposite Major Cineplex Group Ratchayothin branch)"</i> (Participant from Major Cineplex Group (2), 2011)</p> <p>2) Lifestyle Neighbourhood Mall Model (2-3 story mall, located in prime residential areas): Malls are constructed and managed by their strategic investment partner, Siam Future Development. The theatres were built on the top floor. Major Cineplex Group aims to capture the target market of families who usually come to the malls on weekends.</p> <p>3) Shopping Mall Model : To grab shopping malls' customers.</p> <p>4) Hypermarket Model : To expand customer group to provincial areas. <i>"People outside Bangkok mostly spend time in hypermarkets. Some provinces don't even have a nice shopping mall."</i> (Participant from Major Cineplex Group (2), 2011)</p>	

Innovation Logic	Conventional Logic
<p style="text-align: center;"><b><u>Good Service Plus Hi-End Brand</u></b> <b><u>Captures Niche Moviegoers.</u></b></p> <p>SF Cinema Group’s strategy is to present its brand as a premium movie theatre. They believe that moviegoers who come to their place are people who look for real pleasure from their service. The target customers are moviegoers who want to experience an better class environment inside both the shopping mall and the theatre.</p> <p><i>“From our customer satisfaction survey, the results show that many moviegoers have come to us because they are satisfied with our service. We hardly ever see customers wear slippers in our place”</i> (Participant from SF Cinema Group, 2011)</p> <p style="text-align: center;"><b><u>Unique Type of Customer</u></b></p> <p>As mentioned, Apex Group is known as a movie house that offers unique movies from Japan, Korean and other markets; their groups of customers are limited due to the niche movies they offer.</p> <p>Such uniqueness is the most important factor keeping Apex Group alive in the industry.</p>	

## 4.4 Asset Management for Further Growth? (Assets and Capabilities)

### 4.4.1 New Branch

With different types of business models, each player has to manage their assets differently. The question is which player is most capable of expanding or utilizing their assets for future growth. In this section, the researcher would like to focus on business expansion, which is the key factor to define future growth.

Innovation Logic	Conventional Logic
<p data-bbox="327 741 817 824"><b><u>More Capacity through Alternative Vehicles</u></b></p> <p data-bbox="280 904 860 1317">To continue expanding, Major Cineplex Group has joined hands with Siam Future Development Plc., a lifestyle neighbourhood mall developer, to locate movie theatres inside SF's malls. Major Cineplex Group could grow faster with this model as it takes only six to twelve months for a mall to be built.</p> <p data-bbox="327 1346 860 1928"><i>“A lifestyle neighbourhood mall is typically built on a smaller plot of land (one to two acres) next to residential areas, serving as an excellent vehicle to populate Cineplexes in the metropolitan areas as well as more urbanized areas around the country. Siam Future has grown exponentially with retail space increased more than tenfold to over 230,000 sq.m. in the past four years. The synergy is extremely well pronounced.</i></p>	<p data-bbox="991 741 1286 772"><b><u>No Room for Growth</u></b></p> <p data-bbox="885 853 1394 1265">As mentioned earlier, SF Cinema Group's core strategy is to ride on shopping mall's traffic. Since the number of newly built shopping malls today has dropped rapidly, it has caused SF Cinema Group to slow down in its expansion and tapping of new markets.</p> <p data-bbox="885 1294 1394 1541">For Major Hollywood, to build a Stand-alone complex requires too much capital. Obtaining capital is considered a big barrier for their business expansion.</p> <p data-bbox="885 1570 1394 1982">As for Apex Group, after one of their theatres “Siam” was burnt down during the red-shirt riot on 19 May 2010, the management gave an interview to many reporters announcing that there is little chance of rebuilding the “Siam” theatre. Due to high competition in the movie</p>

Innovation Logic	Conventional Logic
<p><i>MAJOR could rapidly penetrate into the residential areas providing an enhanced convenient access to the moviegoers. Siam Future, on the other hand, could fill up its retails space easily having cinema and bowling anchoring in its lifestyle neighbourhood malls.</i>” (Major Cineplex Group, 2009a)</p> <p>Apart from lifestyle neighbourhood malls, Major Cineplex Group has also built movie theatres inside hypermarkets such as Tesco Lotus and Big C, to penetrate the market in provincial areas. The hypermarket industry in Thailand has had a high growth rate of outlet expansion. Hence, the more hypermarkets there are, the more opportunities there are for Major Cineplex Group to tap into new markets.</p>	<p>theatre industry, they did not earn much from ticket sales anyway. A large portion of their revenue was contributed in the form of rental fee from 100 shops beneath the theatre. (Bangkok Business News Online, 2010)</p> <p>The researcher was unable to find related news from players such as Coliseum Multiplex and Thana Cineplex.</p>

**4.4.2 From Backward Integration to Forward Integration**

Innovation Logic	Conventional Logic
<p>Major Cineplex Group has broadened their network to the entire cinema industry by establishing subsidiaries to cover from a backward integration point to a forward integration process.</p> <p>From backward integration to forward integration, Major Cineplex Group would be able to control the box office schedule through:</p>	<p>None of the other players has employed such strategy.</p>

Innovation Logic	Conventional Logic
<p><b>1) Film Production:</b> M Thirty-nine Co., Ltd., a film production company, was established in 2009. Major Cineplex Group aims to stimulate growth in the Thai film production and also aims to grow Thailand's film industry.</p> <p>Management of Major Cineplex Group said that they believed the Thai film industry would grow continuously in the next few years. That was why Major began building more cinemas in the countryside (Woranuj, 2008).</p> <p><b>2) Film Distribution:</b> Licensee for both Thai and Hollywood films. M-Picture Co., Ltd. (MP) provides the upstream theatrical distribution services. They have managed the 52-week film programming and smoothed out the revenue seasonality imposed by Hollywood's numerous summer releases in the second quarter and holiday season releases in the fourth quarter. MP has distributed films from independent studios as well as other Asian films from Japan and Korea. MP could lessen the impacts of quarterly revenue shortfalls by releasing these films in the first and third quarters. With MAJOR's dominant market position in the exhibition window, MP is riding on a solid platform to maximize its revenue as well.</p>	

Innovation Logic	Conventional Logic
<p><b>3) Exhibition / Movie Theatre:</b> Major Cineplex Group now has up to 354 screens or 88,250 seats countrywide (Major Cineplex Group, 2009a)</p> <p><b>4) Home Entertainment Distribution:</b> On the downstream home entertainment distribution side, Major Cineplex Group holds a stake in Pacific Marketing and Entertainment Group Co., Ltd. whose name has subsequently been changed to MVD Co., Ltd. (MVD). Completed in July 2009, both MP &amp; MVD have now been assimilated into MP to create an integrated distribution company under one roof.</p> <p>MVD is to manage the timing of the DVD/VCD releases as well as the DVD/VCD pricing in a bid to optimize the revenue generating ability in each window and protect the core cinema business. With the appropriate timing of the DVD/VCD releases (typically 4-6 months subsequent to theatrical releases) and with proper pricing, a film can maximize its revenues in the cinema window as well as in the home entertainment distribution window itself.” (Major Cineplex Group, 2009a)</p>	

## 4.5 Product and Service Offering

### 4.5.1 No One Price Fits All

Dynamic pricing allows the firms to tailor their services to moviegoers, potentially making it more efficient than a fixed-price ticket mode. Many players have offered what moviegoers want at a price they are willing to pay.

Conventional Logic	Innovation Logic
<p><b><u>Willingness to Pay for Comfort</u></b></p> <p>The dynamic pricing strategy was first introduced by Major Cineplex Group. Moviegoers are charged differently for different seat types. Honeymoon seat (reclining chair) and Emperor or Opera chair (Sofa type with side-table) have been set at the back of the theatre.</p> <p>Later on, due to the fever of Hollywood movies, Major Cineplex Group saw the opportunity to charge more from moviegoers during the first few weeks. Since then, they have set the higher ticket price for the attractive movies from Hollywood. (for example, Harry Potter and Transformers)</p>	<p>The success in the dynamic pricing strategy conducted by Major Cineplex Group has induced other players such as SF Cinema Group and Major Hollywood to apply the same strategy. Two variables concerning ticket price are:</p> <ol style="list-style-type: none"> <li>1) Seat type</li> <li>2) Popularity of a movie</li> </ol> <p>The researcher was unable to find related data from players such as Coliseum Multiplex and Thana Cineplex.</p>

### 4.5.2 Niche versus Mainstream Movies

Innovation Logic	Conventional Logic
<p><b><u>Unique Movie Selection</u></b></p> <p>The Apex Group does not focus on first-run Hollywood films, but they do offer many art films, which is very unique in the industry</p>	<p>Other players have no control in the movie selecting process, as they have to choose movies from the distributor's list.</p>

Innovation Logic	Conventional Logic
<p style="text-align: center;"><b><u>Homemade Movies</u></b></p> <p>Major Cineplex has focused equally among first-run Hollywood films and Thai films but what differentiates Major Cineplex Group from others is having their own movie production house (M Thirty-nine Co., Ltd.). Major Cineplex Group is able to manage the show schedule and even respond to customers' needs by asking their advice to produce a movie according to their guidance.</p>	

## **CHAPTER V**

### **DISCUSSIONS**

In this chapter, the researcher provides an analysis of the whole industry with an emphasis on the players considered to be in the innovative group.

#### **5.1 Industry Assumption**

##### **5.1.1 From Cinema to Cineplex**

To catch moviegoers, some players have developed their movie theatre business to be a more attractive destination, for example, by arranging retail shops and restaurants near the cinema area. The most extreme example of this can be seen at Major Cineplex Group, the local player which first applied the Lifestyle Entertainment model from the West and introduced it to the Thai industry. Their first complex was filled with various gift shops, restaurants, book stores, fitness clubs, coffee shops, and dancing schools. They even established karaoke and bowling outlets. With the success of this initial lifestyle complex model, Major Cineplex Group has since duplicated the lifestyle entertainment complex concept to other sites. Likewise, other players have been obliged to follow. The common facilities that leading firms like Major Cineplex Group, SF Cinema Group and Major Hollywood have offered are karaoke and bowling.

##### **5.1.2 Tactical Promotion Becomes the Norms in the Market**

Fridays and weekends are peak times for all players, while Thursdays are known as the day when new movies are launched. To cover the drop in ticket sales during the quiet period of Monday to Wednesday, many players have recently begun offering tactical promotions, such as student price packages, office-hour packages and late night packages.

The Movie Day promotion is the most recognized campaign created by Major Cineplex Group. Moviegoers can buy cheaper movie tickets at only 80 Baht on Wednesdays – 20-60 Baht cheaper than the standard price which ranges between 100 and 150 Baht.

### **5.1.3 The World's Movie Industry Forces a Three-Dimensional (3D) Conversion Revolution.**

The trend of Three-Dimensional moviemaking has continued to grow with more than 30 titles estimated to be coming from Hollywood alone in 2011. Of the world's current 150,000 cinema screens, only 30,000 are digital with 21,000 of those capable of showing 3D movies (Landreth, 2010).

The players in the Thai movie theatre industry are presented with both a challenge and an opportunity to join this revolution. The replacement of 35-millimeter film with digital files is already being considered, although much of the digital conversion is led by Major Cineplex Group and SF Cinema Group. In Thailand, digital movies represent only ten to fifteen percent of movie releases. In switching from traditional 35-millimeter film to digital, it costs four to five million Baht for each digital projector. Small players are not capable of absorbing the costs for such a conversion.

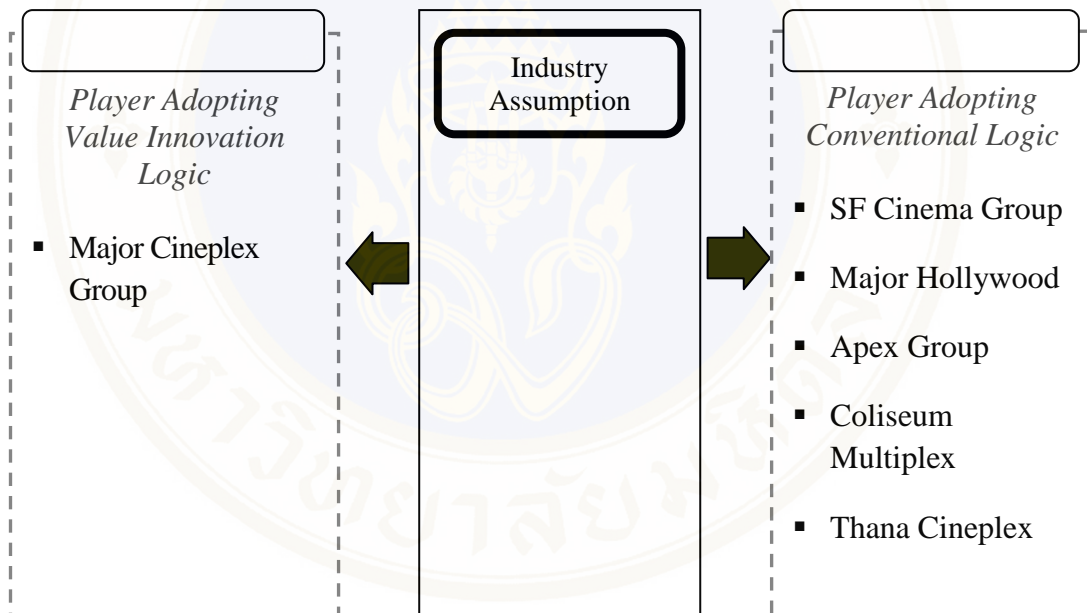
*"The trend has been spreading worldwide ever since Hollywood studios started trying to attract more viewers to cinemas by offering them better picture and sound quality using digital and 3D technology. Over the next 3-5 years, movie producers around the world will reduce their use of basic 35-millimeter film to less than 30% of the total. Currently, about one-third of motion pictures in the US have already been converted to the digital system. We hope to push the contribution of digital movies to 30-40 percent of our ticket sales within the next three years."* (Bangkok Post, 2010)

*"We foresee that the trend of 3D movies will pick up but the high cost of digital projectors would be the big barrier to this trend"* (Participant from SF Cinema Group, 2011)

### 5.1.4 Major Cineplex Group has changed the Entire Industry

To plot each player into the adapted model, Major Cineplex Group can be categorized as the player which adopts value innovation logic. They are the first mover in shifting from being a traditional movie theatre firm to a Cineplex model. Moreover, for Three-Dimensional technology, they led the way by introducing the biggest screen equipped with a three-dimensional projector and movies shot in 3D. The off-peak promotion called “Movie Day” still runs successfully, and many more similar promotions have subsequently been employed.

Other players will be grouped into the conventional logic group since they are not the initiator of each strategy.



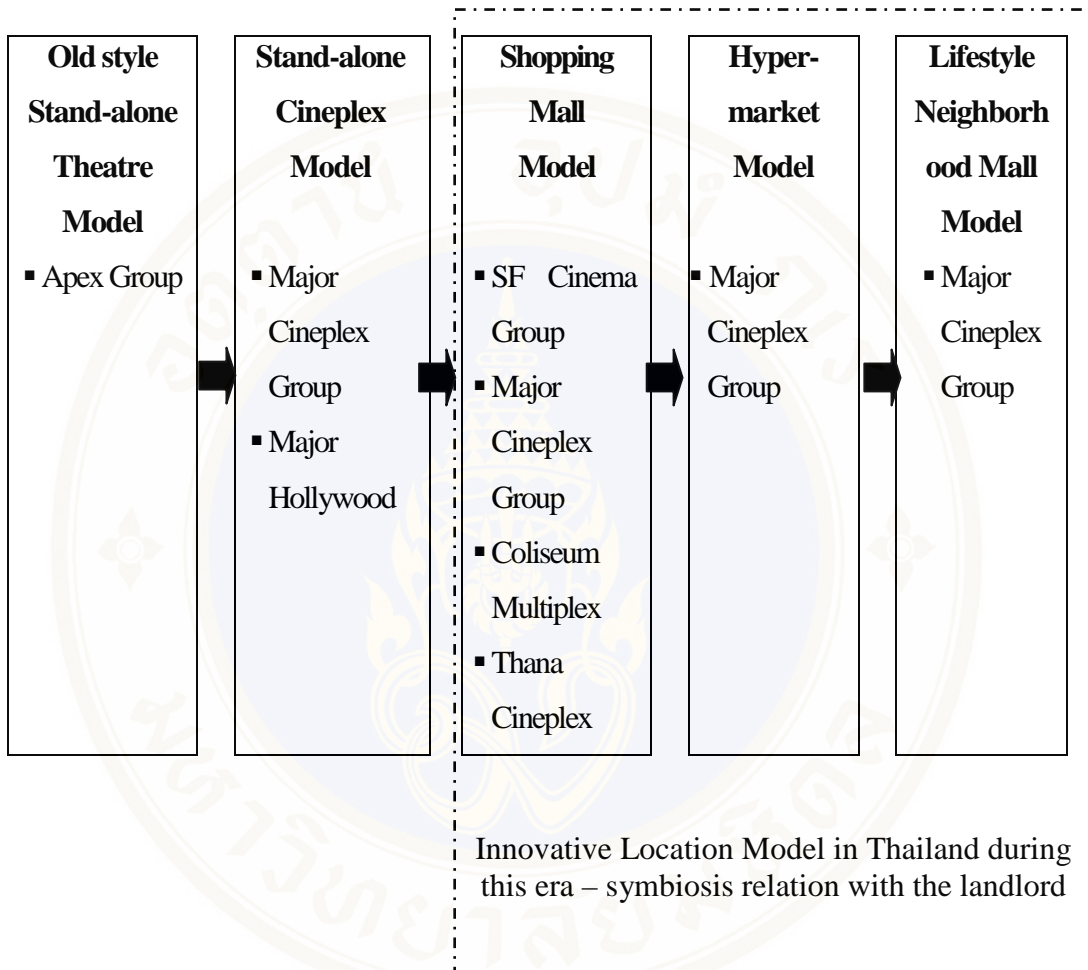
**Figure 5.1: Five Dimensions of Strategy (Industry Assumption)**

## 5.2 Strategic Focus

### 5.2.1 Business Model

The Thai movie theatre industry has gained significant success over recent years. One of the major factors contributing to the rapid change in the entire industry

was the milestone in developing theatres from old style Stand-alone theatres into new concept models.



**Figure 5.2: Business Model**

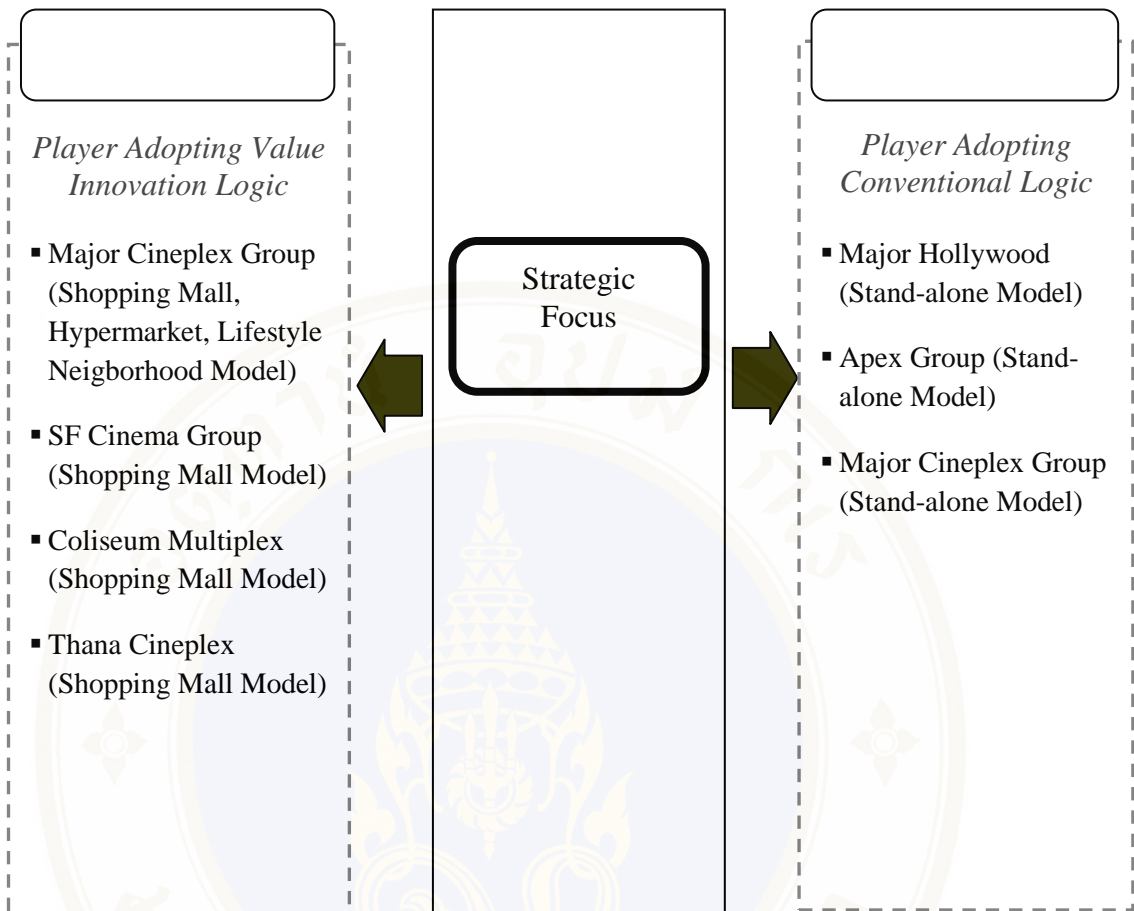
The Stand-alone Cineplex model combining a movie theatre and entertainment complex in one place was first presented to the Thai market by Major Cineplex Group in 1995. Typically, the Stand-alone Cineplex is built about seven to ten stories high. The top floors feature between eight and sixteen cinema screens combined with 20 to 38 bowling lanes while the first to third floor are rented out for retail shops. As a result of the movie culture, Major Cineplex as a leading player has been able to sustain a high growth in revenue. The diversification of revenue sources has also included the productive lease of retail spaces (90 percent occupancy rate).

Another model that requires less capital in terms of both construction and running costs is to attach movie theatres with shopping malls. Being a partner with malls also derives additional benefits from the mall's traffic. Players like SF Cinema Group, Coliseum Multiplex and Thana Cineplex have focused keenly on the shopping model and developing symbiosis with the landlords. Without specialised knowledge of managing retail spaces, SF Cinema Group had pointed out that they do not want to act as landlord but rather prefer to join hands with mall partners to ensure that they will get the best location for their cinema business.

Interestingly, tying up with hypermarkets can be considered an alternative channel to expand a movie theatre business in provincial areas. To maintain the lifestyle entertainment concept, Major Cineplex has joined with two hypermarket operators – Tesco Lotus and Big-C – since these two destinations serve as an entertainment and shopping venue for urban people. However, players like Coliseum Multiplex and Thana Cineplex, who operate their businesses in provincial areas, still locate their movie theatres in shopping malls.

The Lifestyle neighbourhood mall model was established in 2004 when Major Cineplex Group partnered with a lifestyle neighbourhood mall developer named Siam Future Development Plc. These malls are normally built on a smaller scale (one to two acres) next to residential areas, and only take six to twelve months for construction to be completed.

In summary, Major Cineplex Group has not restricted itself to only one business model. On the contrary, they have run their business successfully across all models (with the exception of the old style Stand-alone model). Instead of concentrating on their competitors' strategy, they rather focus on exploring new business opportunities. SF Cinema Group, Coliseum Multiplex and Thana Cineplex have applied innovative location models during this era by attaching themselves to shopping malls. Hence, these players – including Major Cineplex Group – were assigned into the group of players who adopt value innovation logic.



**Figure 5.3: Five Dimensions of the Strategy (Strategic Focus)**

### 5.3 Customers

#### 5.3.1 Moviegoers en Masse

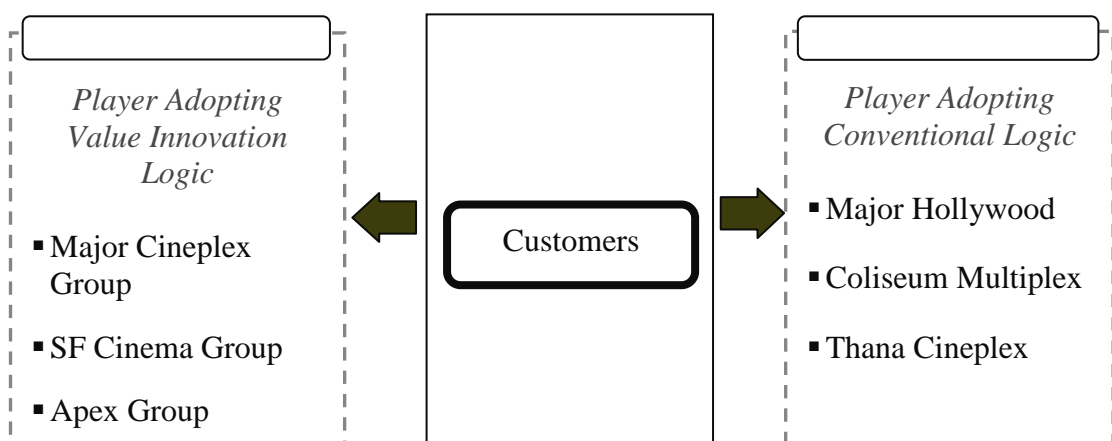
When it comes to a Cineplex, it is undeniable that such entertainment complexes fulfil the needs of customers from all age groups. During interview sessions with management of the key players, they all said that customers have changed compared to five years ago. In the past, the majority of moviegoers were university students and office workers. Today, high school students and parents visit the Cineplex more often as result of various kinds of entertainment services. The concentration of the lifestyle entertainment complex theme has led people to come to Major Cineplex Group more often.

Moreover, the advantage of running a business across four models – Stand-alone, shopping mall, lifestyle neighbourhood mall, and hypermarket – enables Major Cineplex Group to reach larger target groups. The location of each theatre helps define its group of customers. For example, Stand-alone complexes are located nearby schools or universities to serve younger groups of moviegoers, and family members don't have to waste time in traffic on weekends because they are able to watch a movie at a lifestyle neighbourhood mall near their residence. Thus, categorization of customer groups is not a necessary strategy for the player who goes for mass markets like Major Cineplex Group.

### 5.3.2 The Unique Selling Point of the Retro Movie-Going Experience

The unique retro movie-going experience has drawn a unique single group of customers to Lido and Scala movie theatres. These two theatres have been operating under Apex Group since late 1960. The Apex Group theatres do not only show the usual Hollywood films, but they are also a venue for art films. Along with offering this unique experience, Apex Group has also dedicated their venues to special events, such as the Little Big Film project festival, during which a series of foreign independent films are shown.

Customers of SF Cinema Group are categorised as moviegoers who care for better service. As a result, Major Cineplex Group, SF Cinema Group and Apex Group have been classified as innovators, although they each have adopted different strategies. However, what these three players have in common is a focus on the customers who share common preferences and lifestyle.



**Figure 5.4: Five Dimensions of Strategy (Customers)**

## **5.4 Assets and Capabilities**

### **5.4.1 Branch Expansion Capabilities**

To be able to expand their businesses, the players are required to have a high level of capabilities in business expansion, especially an ability to expand their theatre business into new markets in the outskirts of Bangkok and provincial areas. The smartest move is to collaborate with local or strategic partners who already dominate those markets. Currently, Major Cineplex Group is the most capable firm with the potential to open new branches throughout the country. With the right strategy of joining hands with supermarkets (Tesco Lotus and Big-C) and a lifestyle neighbourhood mall developer (Siam Future Development Plc.), they can launch new sites faster than other players.

The argument that SF Cinema Group also tags along with strategic partners like shopping malls for opening new branches is not reasonable as the growth rate of the newly established shopping malls has dropped rapidly. Moreover, the construction period of shopping malls takes longer than building a supermarket store or a two to three story lifestyle neighbourhood mall.

Accordingly, SF Cinema Group would not be able to sustain its growth in the future according to the limit of new establishments. This would cause a slowdown in market expansion and they may lose market share to other players who are more capable of managing their business expansion.

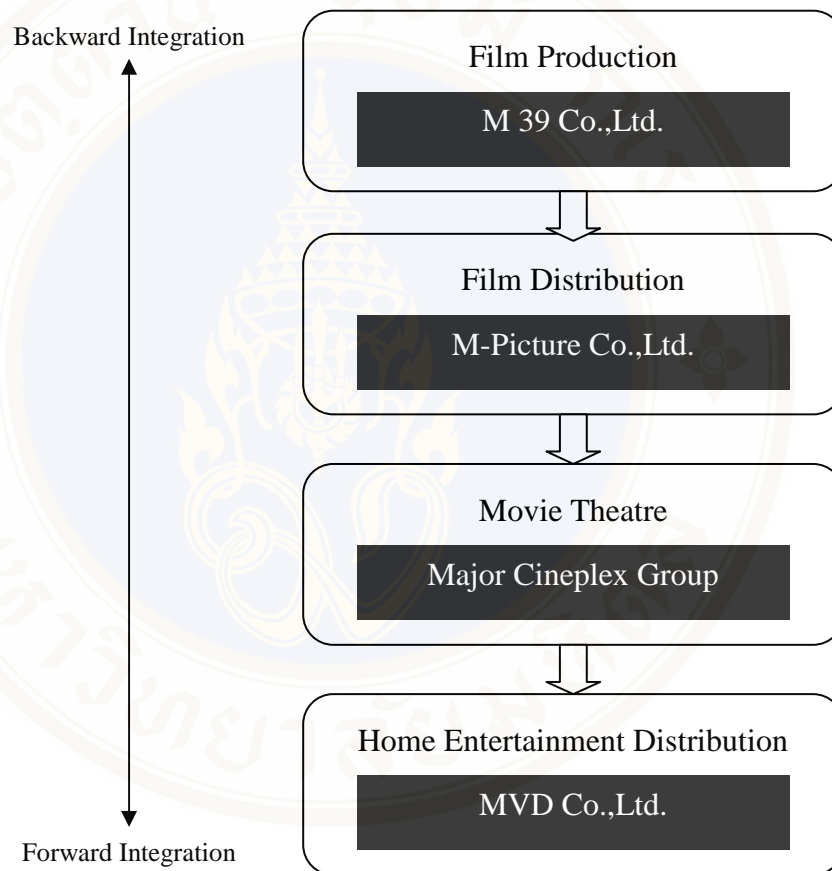
### **5.4.2 Take Control**

The strategy for acquiring new assets is no longer limited to the movie theatre industry. As mentioned previously, the movie theatre business has shifted into a wider entertainment market already. What more could a movie theatre firm aim for?

Meanwhile, the movie theatre industry appears to be growing, even though other film distribution channels have also become popular, including VCDs and DVDs. In addition, the popularity of Thai films has been on the rise due to high competition between traditional and newly established production houses. To re-arrange all sectors related to the movie theatre business (exhibitor), the demonstration is explained in Chapter II, the value chain of the Thai film industry.

From the research findings, the only player who has operated its business covering the entire industry's value chain is Major Cineplex Group. They have taken control of movie production, DVD/VCD distribution channels, and theatrical distribution channels by setting up (or in some cases acquiring) subsidiary companies.

From Figure 9, their subsidiaries are lined up from a backward integration point to a forward integration process.



**Figure 5.5: Group Business of Major Cineplex Group – From a Backward to a Forward Integration Process**

M Thirty-nine Co., Ltd. (M39) is a film production company established in 2009 when Major Cineplex Group identified a growth opportunity in the Thai film production industry (See Table 5). Major Cineplex Group also established the company with the aim of growing the Thai film production industry. The most remarkable movie produced by M39 is entitled “December 32”

**Table 5.1: Number of Thai Films in the Theatres from 2002-2007**

<b>Company</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Sahamongkol Film	7	14	12	14	18	15
R.S.	1	6	5	5	5	4
GTH	0	1	3	3	6	6
Five Star	6	5	1	3	2	2
Pranakorn Film	1	2	1	4	4	7
Others	7	20	19	11	8	12
<b>Total</b>	<b>22</b>	<b>48</b>	<b>45</b>	<b>38</b>	<b>44</b>	<b>46</b>

**Source:** Kenan Institute Asia (K.I.Asia), 2009

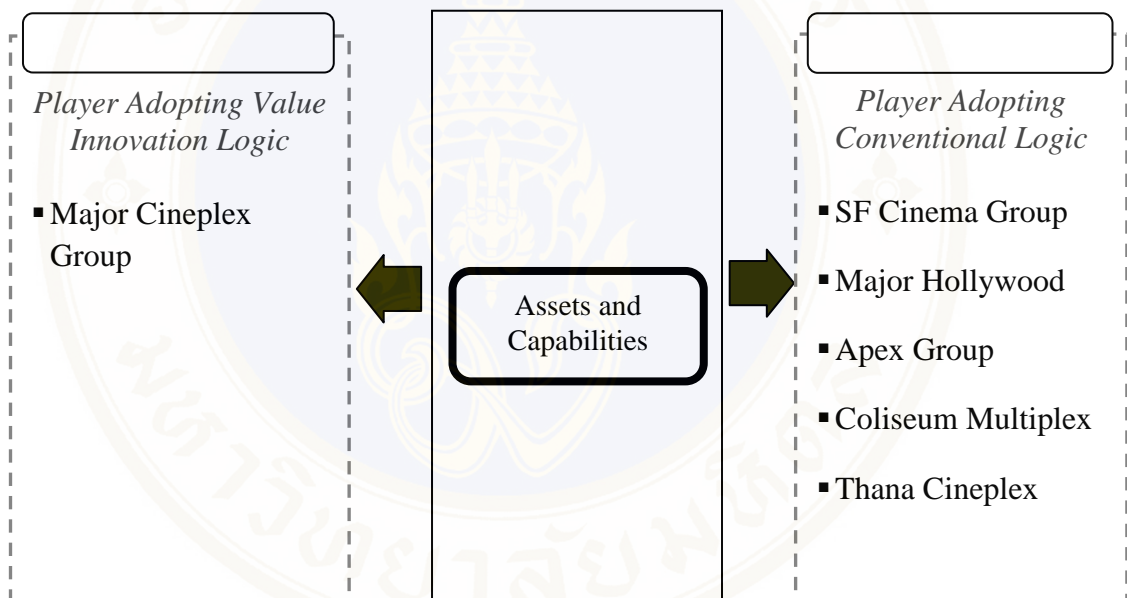
M-Picture Co., Ltd.(MPIC) acts as an upstream theatrical distributor, managing movie licenses for both Thai and Hollywood films. Major Cineplex Group holds a 65.93 percent stake in MPIC.

**Table 5.2: Movie Distributors and the Number of Distributed Movies from 2004-2006**

<b>Theatrical Distributor</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Fox Warner	25	22	24
Columbia Tristar Buena Visa Film	25	22	18
UIP	16	15	19
Sahamongkol Film	53	54	48
Box Office	8	30	27
M Picture	4	17	47
J-Bics	-	-	41
Others	61	19	31
<b>Total</b>	<b>192</b>	<b>179</b>	<b>255</b>

**Source:** Kenan Institute Asia (K.I. Asia), 2009

On the downstream home entertainment distribution side, Major Cineplex Group held a stake in MVD Co., Ltd. (MVD). Interestingly, MVD positions itself to manage the timing of DVD/VCD releases to optimize the revenue generating ability in the core theatre business. Major Cineplex Group believes that if they manage the release timing of home DVD/VCD well, then DVD/VCD sales could be considered an alternative revenue source, rather than a killing product. With the vision of combining related businesses in one hand, Major Cineplex Group is admired as the most creative player in managing its assets and the most capable movie theatre firm in terms of an innovative business strategy.



**Figure 5.6: Five Dimensions of Strategy (Assets and Capabilities)**

## 5.5 Product and Service Offering

### 5.5.1 Moviegoers Pay for Comfort

The growth of the movie theatre industry in Thailand reflects the effort of movie theatre firms in fulfilling the needs of their customers. Many players in the industry have been trying to constantly improve the movie going experience; for example, seating arrangements can now easily be reserved upon ticket purchase. Most importantly, moviegoers are offered different ticket prices. And of course, different

prices come with different levels of amenities attached to the seat options. In flagship theatres of larger chains (Major Cineplex Group and SF Cinema Group), a seat comes with a reclining sofa for two and waiters who bring complementary cocktails and popcorn to the attached side tables.

As the first player who took action on the dynamic pricing strategy, Major Cineplex Group has broken the value-cost trade-off by not reducing the product and service's value to match the firm's costs. On the contrary, they have offered customers unexpected experiences which are more than what it actually costs the customers.

At the high-end, plenty of services & product innovations have been created and installed for the future of entertainment civilization customer experiences in the "six-star" ambience at the Paragon Cineplex. For example, the Ultra Screen at the Paragon Cineplex is equipped with nothing but fully-reclined, genuine leather seats in cubicles along with pillows and blankets for the entire auditorium seating.

*“Another product innovation at the Paragon Cineplex is the Enigma: the shadow screen, a luxurious movie club exclusively for members only. Thirty-four exclusive seats, resembling living room couches adjacent to an exclusive club equipped with full bar services, are perfect for private parties. The venue has become very popular, not only among the high net-worth individuals, but also the corporate customers who prefer using the Enigma for entertaining their VIP customers in an exclusive atmosphere”*  
(Major Cineplex Group, 2009a)

At the medium-high level, moviegoers are still being charged differently for different seat types; for example, Honeymoon seats (reclining chair) and Emperor or Opera chairs (Sofa type with side-table) have been set at the back of the theatre.

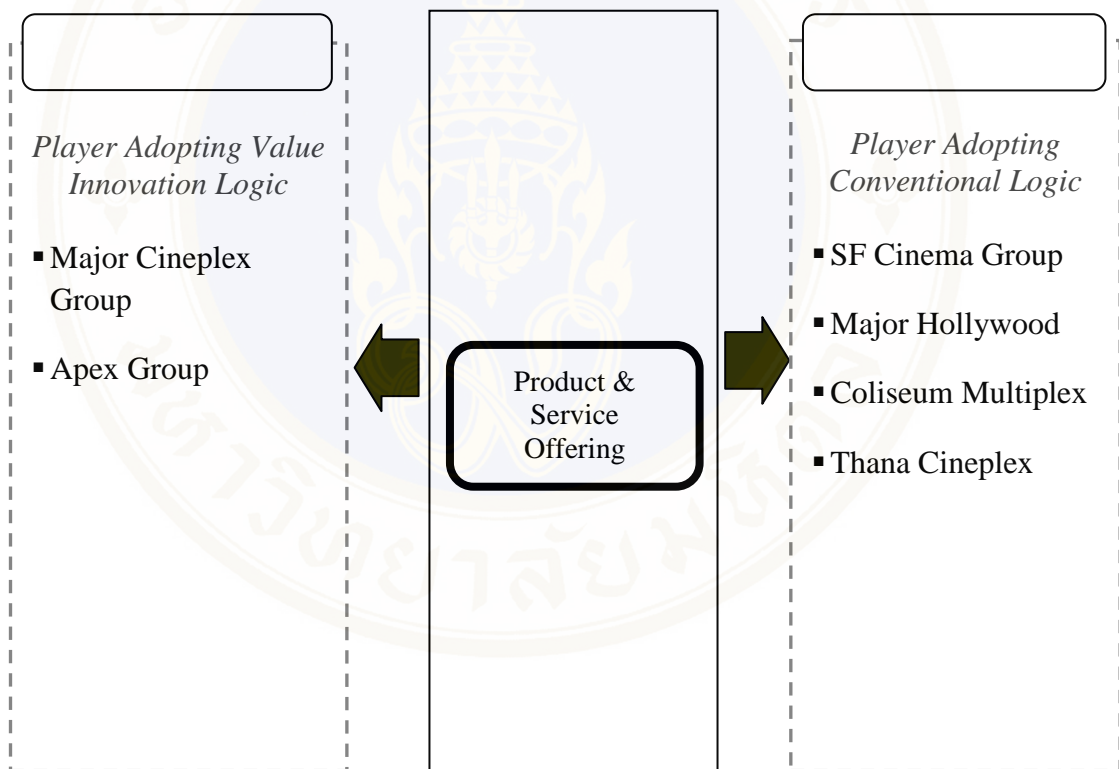
The success in the dynamic pricing strategy implemented by Major Cineplex Group has consequently induced other players like SF Cinema Group and Major Hollywood to apply the same strategy.

### **5.5.2 Niche versus Mainstream Movie**

In the boom of Hollywood films and three-dimensional technology, small players surprised the market with their selling point of a retro movie-going experience that can't be found in any Cineplex and shopping mall.

The Apex Group does not focus on first-run Hollywood films, but they do offer many art films, which is very unique in the industry. Among the things that have made Apex Group unique is its annual event: the Little Big Film week. During that week, the ShowTime board will be filled with a series of independent foreign films.

In this dimension, the Apex Group – the most differentiated player in terms of movie selection – is considered an outstanding player. It is understood, however, that Major Cineplex Group hasn't focused on art films, but by developing its own movie production house – M Thirty-nine Co., Ltd. – as well as being the initiator of the dynamic pricing model, they are distinctively different from their competitors.



**Figure 5.7: Five Dimensions of Strategy (Product and Service Offering)**

## **CHAPTER VI**

### **CONCLUSIONS**

#### **6.1 Innovation through Low Cost and Differentiation**

Major Cineplex Group has more power in controlling the movie theatre industry. They have taken control of substitute products, movie production and the distribution business. Being an innovator in every dimension has classified them as a player which adopts innovation logic.

Apex Group is outstanding in terms of “Product and Customer” – showing unique films and attracting a unique moviegoer type. In contrast, while SF Cinema Group is outstanding in catering to customers who care for better service, the rest of their business strategies were dissolved into the Conventional Logic group.

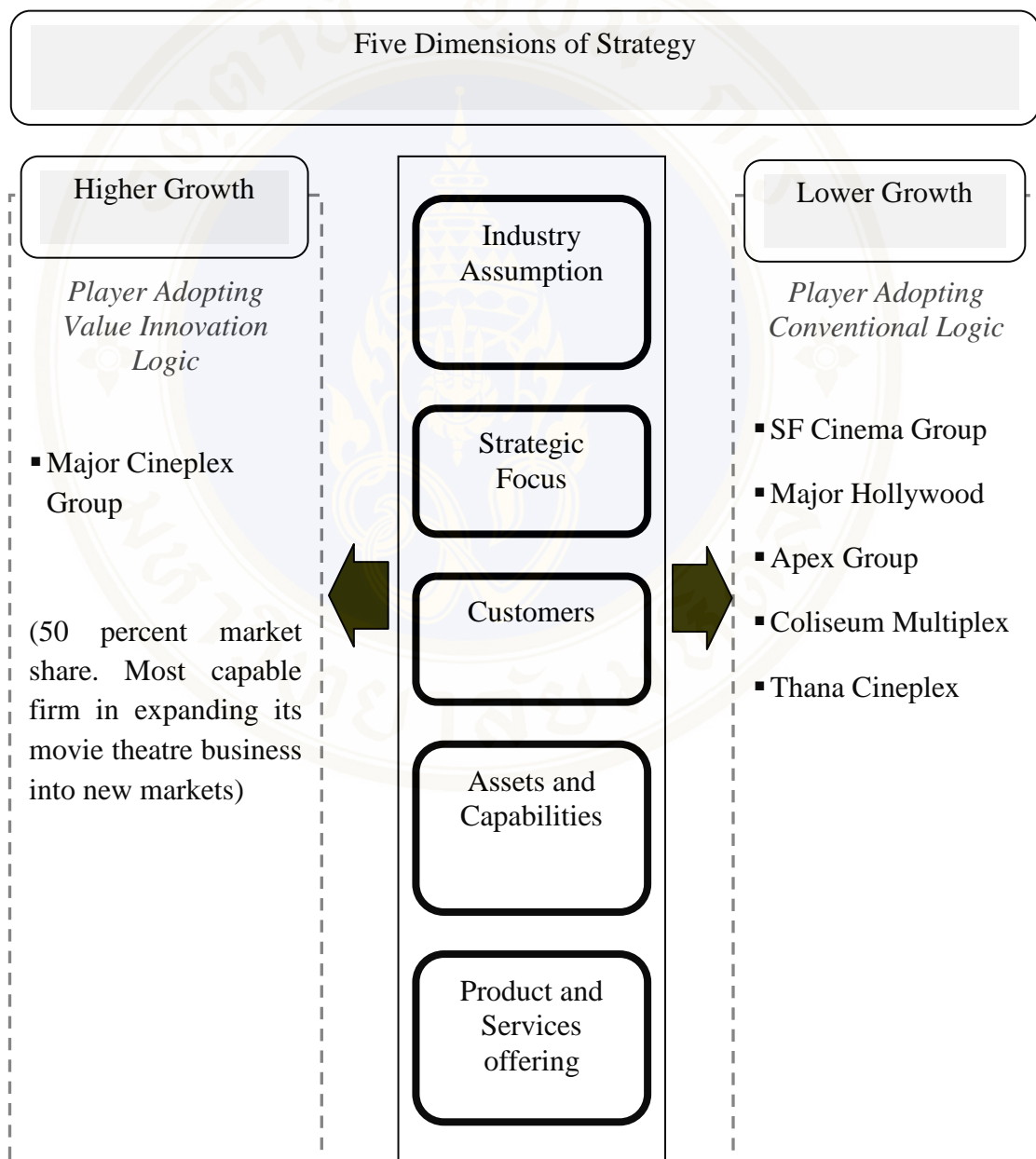
Competition in the industry forces the less innovative players to always follow the first mover. Hence, the players like SF Cinema Group, Major Hollywood, Coliseum Multiplex and Thana Cineplex have implemented the same activities and facilities that the market leader has applied before them. Thus, the followers are classified into a conventional logic group.

This research case, the “Thai movie theatre industry”, has strengthened the adapted model of “Value Innovation – The Strategic Logic of High Growth” in that the firms who employ innovation logic along five dimensions would generate higher growth. In contrast, the firms that employ conventional logic would generate lower growth.

To identify the growth of the firms in the movie theatre industry, the number of seats can be used as criteria to help explain which player had a higher growth than others.

As mentioned in Chapter V, Major Cineplex Group is the most capable firm in terms of expanding its movie theatre business into new markets, and this would keep them on the right track in gaining higher growth in the future.

In conclusion, the Major Cineplex Group and SF Cinema Group have dominated the market by holding a high market share of 85 percent between them. Major Cineplex Group has 50 percent (Major Cineplex Group, 2009c), and SF Cinema Group has 35 percent (Tsui, 2007). The competition between the two giant firms has caused the market conditions to create an oligopoly whereby the actions of one firm would always impact on the competitors' business and strategies.



**Figure 6.1: Five Dimensions of Strategy (Conclusions)**

## 6.2 Recommendations

### 6.2.1 For Other Movie Theatre Players

In the movie theatre industry, large-scale and small-scale firms can be determined by the number of screens and number of seats. However, the size of the business is not as important as the firm's growth. For smaller players like SF Cinema Group, Major Hollywood Group, Coliseum Multiplex and Thana Cineplex, driving themselves to achieve a greater growth may require a huge capital outlay. They have to find a way that will differentiate them from others while spending less capital at the same time. With reference to W. Kim Chan and Renee Mauborgne's work on Blue Ocean strategy in year 2005, they believe that "the firm's activities can be designed to the pursuit of differentiation and low cost at the same time."

Currently, movie theatre firms position themselves as a lifestyle activity and partner with other recreational complexes. However, SF Cinema Group occupied the most shopping malls while Major Cineplex Group partners with Lifestyle Neighbourhood malls and Hyper Markets in provincial areas. Finding unoccupied areas is a barrier for other existing players and new players alike.

In recognition of these key challenges that can be found among smaller players, several recommendations that can help enhance greater growth are provided as follows:

- 1) Consider an alternative business model rather than being fixed on only the shopping mall model or Stand-alone model. With the success of lifestyle neighbourhood malls managed by Siam Future Development Public Company Limited, many two or three-story malls have been built in a similar concept around the outskirts of Bangkok as well as in some provinces. Partnering with them may give each player an opportunity for a fast track to branch expansion.

- 2) Hardware for three-dimensional (3D) movie requires a certain amount of initial investment; however, in the long run, it is clear that movie production houses, especially Hollywood film production companies, would gear themselves more towards producing 3D movies. To catch the 3D movie fever, movie theatre firms should consider digital and 3D system installation. Aside from those investments, with

digital systems, movie theatre firms would save the cost of making a fiscal copy of 35 millimetre films.

Looking across the value chain, it is understood that the VCD and DVD business is most affected by copyright infringement due to widespread disc piracy. Unlike the theatre business, Major Cineplex Group has shown a steady increase in revenue and growth despite the high degree of movie piracy. The pirated movies do not directly compete with the movie theatre business. However, it is clear that piracy has diverted money away from the overall movie industry, also undermining movie production companies' interests in investing in the production of new movies. Consequently, the pirated movies cause a decline in movie ticket sales. Hence, all players should take serious action to address the piracy problem.

### **6.2.2 Future Research Opportunity**

To analyze competitiveness in other industry, this adapted model of the Five Dimensions of Strategy can be applied. A suitable data collection process should be conducted through an in-depth interview technique in order to gain an understanding of the reasons behind each firm's strategy.

Such a model can be best used to explore an industry that has a small number of players for less complexity in the analysis process. Sample industries that can be researched by this model are hypermarket or discount stores, mobile phone operators, gas stations, department stores, banking, furniture and home decoration, and the automobile industry.

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