

UNIVERSITY OF KWAZULU-NATAL

SCENARIO PLANNING FOR FUTURE OF CINEMA EXHIBITION IN SOUTH AFRICA

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A dissertation submitted in partial fulfilment of the requirements for the
degree of MASTER OF BUSINESS ADMINISTRATION

In the Graduate School of Business

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November 2006

DECLARATION

This research has not been previously accepted for any degree and is not being currently considered for any other degrees at any other university. I declare that this Dissertation contains my own work except where specifically acknowledged.

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Signed.....

.....T 080002

Date.....26 August 2007

ACKNOWLEDGEMENTS

Upon completing my research I would like to express my sincere appreciation towards the following persons and institutions:

- My wife Motlalekgotso and my stepdaughter Motshepehi for their untiring support and patience
- My indebted thanks to my supervisor Professor Rembrandt Kloppe for his guidance and assistance
- To all the professionals and participating persons and organisations that provided insight which allowed me to make the research meaningful

ABSTRACT

SCENARIO PLANNING FOR FUTURE OF CINEMA EXHIBITION IN SOUTH AFRICA

The cinema exhibition industry in South Africa is experiencing stagnant cinema attendances. The strategic planning approaches being utilized by management in this industry currently are not fully encompassing of the width and breadth of the challenges and opportunities inherent in this industry and have been unable to solve the problem of stagnant cinema attendances. The study used a combination of recent, innovative approaches to scenario planning as a strategic planning tool, along with quantitative research to determine the perceptions of industry professionals in order to chart a course for the future of the cinema exhibition industry in South Africa

The major conclusions in this paper are that scenario planning can be used to plan for a profitable future in the cinema exhibition industry in South Africa because of the emphasis the technique places on the uncertainty inherent in the future and the degree of influence that external factors have on the future of this industry. Cinema exhibitors in South Africa have not sufficiently taken into consideration the drivers of cultural, social, economic, and technological change that will determine the relative place of cinema attendance in South Africa of tomorrow.

The major recommendations are that cinemas should become more than just cinemas by evolving into multipurpose interactive public "meeting places" where watching films is but one of a range of leisure-time activities and that cinema exhibitors should fully embrace technological advances and the opportunities that they bring, and not view them as a threat.

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TERMS AND ABBREVIATIONS

DEFINITION OF TERMS

"BLACK" LOCATIONS - locations of cinema houses frequented by "black" people.

"WHITE" LOCATIONS - locations of cinema houses frequented by "white" people.

ADVERTISING REVENUES - the revenues received by exhibitors from cinema advertisers for showing their adverts.

ART FILMS - an art film is a motion picture that is presented as a serious artistic work. Most often, this term is attributed to narrative films with stylistic uniqueness, usually owing to the author(s)'s vision or technique. These are often called "arthouse films" and may include foreign-language films ("foreign" from an American point-of-view that is), independent and non-mainstream films, as well as documentaries and short films.

BOLLYWOOD - is the informal name given to the popular Mumbai-based Hindi language film industry in India.

BOX OFFICE - the revenue takings of films at the cinemas in the time they are showing at the cinemas.

CINEMA ADVERTISING - the showing of commercial advertisements as part of the pre-show (trailers).

CINEMA/MOVIE THEATRE - A movie theatre or cinema is a venue, usually a building, for viewing movies. Most cinemas are commercial operations catering to the general public, which attend by purchasing a ticket. The film is projected with a movie projector onto a large projection screen at the

front of the auditorium. Some movie theaters are now equipped for digital cinema projection, removing the need to create and transport a physical film print.

CINEMARK - is an advertising sales company representing Ster-Kinekor and the independent circuit cinemas. Cinemark is also responsible for tracking cinema attendances for the 4 biggest cinema exhibitors in South Africa, which together have a market share of 99% of the exhibition market in South Africa).

CONFECTIONERY PER PERSON (CPP) - an industry term that refers to the average amount of confectionery spend at the cinema per attendances at the cinema (e.g. total confectionery revenue divided by total attendances at the cinema).

DIGITAL CINEMA - refers to the use of digital technology to distribute and project motion pictures. The final movie can be distributed via hard drives, DVDs or satellite and projected using a digital projector instead of a conventional film projector.

DIGITAL CINEMA INITIATIVES (DCI) -is a consortium of studios and vendors formed to establish a standard architecture for digital cinema systems.

DIGITAL VERSATILE DISC/DIGITAL VIDEO DISC (DVD) - is an optical disc storage media format that can be used for data storage, including movies with high video and sound quality. DVDs resemble compact discs as their physical dimensions are the same (120 mm (4.72 inches) or occasionally 80 mm (3.15 inches) in diameter) but they are encoded in a different format and at a much higher density. The official DVD specification is maintained by the DVD Forum.

DISTRIBUTOR -is an independent company, a subsidiary company or occasionally an individual, which acts as the final agent between a film production company or some intermediary agent, and a film exhibitor, to the end

of securing placement of the producer's film on the exhibitor's screen. In the film business, the term "distribution" refers to the marketing and circulation of movies in theatres.

DOWNLOADING/UPLOADING - uploading and downloading are related terms used to describe the transfer of electronic data between two computers or similar systems. The term downloading is often applied to the massive retrieval of music, DVD movies, software, and more. This usage is correct as long as the data is being received. By extension, the terms can be used as nouns. In this context, an upload is any file that has been uploaded, particularly if it is awaiting the recipient's attention. A download is any file that is offered for downloading or that has been downloaded.

FILM - is a term that encompasses motion pictures as individual projects, as well as the field in general. The origin of the name comes from the fact that photographic film (also called filmstock) has historically been the primary medium for recording and displaying motion pictures

FILM PROJECTOR - is an opto-mechanical device for displaying moving pictures by projecting them on a projection screen.

FILM STUDIO - is a controlled environment for the making of a film. This environment may be interior (sound stage), exterior (backlot), or both. In general parlance, the term is synonymous with "major film production company," due largely to the fact that the leading production companies of Hollywood's "Golden Age"—stretching from the late 1920s to the late 1940s—owned their own studio facilities, as do a few today. However, worldwide (and even in the United States) the majority of production companies have never owned their own studios, but have had to rent space at independently owned facilities that, in many cases, never produce a film of their own.

HIGH DEFINITION - refers to an increase in resolution or clarity.

HOLLYWOOD - is a district in Los Angeles, California, U.S.A., situated west-northwest of Downtown. Due to its fame and cultural identity as the historical centre of movie studios and stars, the word "Hollywood" is often used as a metonym for the American film and television industry.

HOME THEATRE SYSTEMS - is a combination of electronic components designed to recreate the experience of watching a movie in a theatre.

INDEPENDENT FILM - is a film initially produced without financing or distribution from a major movie studio. Often, films that receive less than 50% of their budget from major studio are also considered "independent".

LOYALTY PRICING PROGRAMME -A retail establishment or a retail group may issue a loyalty card to a consumer who can then use it as a form of identification when dealing with that retailer. By presenting the card, the purchaser is typically entitled to either a discount on the current purchase, or an allotment of points that can be used for future purchases.

MOVIE GENRE - genre refers to the primary method of (commercial) film categorization. A "genre" generally refers to films that share similarities in the narrative elements from which they are constructed.

MULTIMEDIA - is media that uses multiple forms of information content and information processing (e.g. text, audio, graphics, animation, and video, interactivity) to inform or entertain the (user) audience. Multimedia also refers to the use of (but not limited to) electronic media to store and experience multimedia content.

NATIONAL ASSOCIATION OF THEATRE OWNERS (NATO) - is the largest exhibition trade organization in the world, representing more than 29,000 movie screens in all 50 states, and additional cinemas in more than 40 countries worldwide.

OCCUPANCY RATE - measures the occupation rate of the cinemas. It measures the percentage of usage of the entire cinema complex out of 100%

(e.g. 17% occupancy, means that the cinema is occupied only 17% of the time).

PAY PER VIEW TELEVISION - is the system in which television viewers can purchase events to be seen on TV and pay for the private telecast of that event to their homes later. The event is shown at the same time to everyone ordering it, as opposed to video on demand systems, which allow viewers to see the event at any time.

PIRACY - occurs when unauthorized copies are made of music, movies and similar works.

PORTABLE MEDIA PLAYER - is a hard disk or flash memory based electronic device, such as an "MP3 player", which is capable of storing and playing files in one or more media formats.

PRE-SHOW - is any paid advertisement that appears on the movie screen or in the theatre lobby. The two major methods are theatre slides (ads that appear on the screen between movies) and filmed spots that appear directly prior to the movie trailers. Pre-show can also incorporate entertainment slots that break away from just showing advertisements.

PRODUCTION COMPANY - refers to a company responsible for the development and physical production of a film or television program. The production company may be a small company who sells its film to a film studio, or it may be the studio itself.

REVENUE SHARE MODEL - the Studio will charge the theatre owner either a combination of a small up-front fee and then take a certain negotiated fraction of the box office revenues, or alternatively just take a certain negotiated fraction of the box office revenues.

RURAL AREAS - are sparsely settled places away from the influence of large cities. Such areas are distinct from more intensively settled urban and suburban areas.

RURAL YOUTH - youth which resides in rural areas.

SECOND RUN CIRCUIT - this is a cinema circuit that shows movies a number of weeks or months after they have been released into first run cinemas. Tickets to second run movies are generally significantly less expensive than in other theatres, the compromise being that customers would have to see them a bit later than in the traditional cinemas.

URBAN AREAS - is an area with an increased density of human-created structures in comparison to the areas surrounding it. This term is at one end of the spectrum of suburban and rural areas. An urban area is more frequently called a city or town.

URBAN YOUTH - youth which resides in urban areas.

VALUE CHAIN - the delivery of a mix of products and services to the end customer will mobilize different economic actors, each managing its own value chain. The industry wide synchronized interactions of those local value chains create an extended value chain.

ABBREVIATIONS

BBC – British Broadcasting Corporation

CPP – Confectionery Per Person

DCI – Digital Cinema Initiatives

DVD – Digital Versatile Disc/Digital Video Disc

MPAA – Motion Picture Association of America

NFVF – National Film and Video Foundation

PG – Parental Guidance

SAFACT – South African Federation Against Copyright Theft

TV – Television

UIP – United International Pictures

UIP – Universal International Pictures

VOD – Video on Demand

WB – Warner Brothers

Chapter 1

STATEMENT OF PROBLEMS AND RESEARCH DESIGN

The researcher is the Chief Operating Officer (COO) of Nu Metro Theatres, the second biggest cinema exhibitor in South Africa. The research problem will therefore be presented from an industry insider perspective.

1.1 INTRODUCTION

The cinema exhibition industry is currently facing stagnant cinema attendances. This has been the case for the past four years. The industry is also being challenged by a number of competing entertainment alternatives including video games, portable media players and digital video discs. Piracy is also a challenge that requires cinema exhibitors' attention. There are technological (new technologies that are continuously being created that compete with the cinema industry), economic (the emerging black middle class, changes in the South Africa economy in the form of lower interest rates, reduced personal taxes and increased disposable income) and social (government social reform programme, changing social characteristics of the South African population, health status of the population and the advent of the AIDS epidemic) uncertainties in the industries external environment. How these changes pan out will determine the shape and form of the industry.

The ability of the industry to navigate through these challenges and to ensure that the number of people going to the cinema increases will ensure the sustainability of the industry.

Should the above challenges not be dealt with adequately and appropriately, then the industry is in danger of being irrelevant in the future. Since the inception of film exhibition, the industry has stayed more or less the same with minor incremental changes here and there. The industry however now operates in a digital age. An age that is characterised by continuously changing technologies that are geared to making the consumers lives easier by bridging the gap between purchase of services and consumption thereof. In addition to the array of entertainment alternatives available to consumers, they are also able to consume these services at quicker speeds and in the comfort of their homes.

1.2 MOTIVATION FOR THE STUDY

In this section a motivation for the research is given, the general problem formulated and thereafter decomposed into sub-problems.

1.2.1 Motivation

The number of people going to the cinema on a yearly basis has been stagnant in South Africa for the past four years. Cinema attendances in South Africa have grown marginally from the year 2002 to 2005 (Cinemark industry figures, March 2006). The attendances in the above years were as follows: 2002 – 24 619 432, 2003 – 25 719 609 (4.47% vs. 2002), 2004 – 26 173 242 (1.76% vs. 2003) and 2005 – 27 623 373 (5.54% vs. 2004). Consumers now have a large variety of entertainment alternatives that cinema is competing with. For cinema exhibitors to grow their businesses they need to grow cinema attendances or alternatively find better uses for their real estate, which is the actual cinemas and maximise their usage.

Cinemas are busy mostly at weekends, and on Tuesdays, which traditionally have come to be known as half price Tuesdays. For the week of the 18th to the 24th of November 2005 the total attendances for the week were 377 000 attendances, the total weekend attendances (Friday the 18th to the Sunday the 20th of November 2005 were 212 000 attendances (56% of total attendances for the week). The total attendances for Tuesday the 22nd of November 2005 were 64000 attendances (17% of total attendances) (Cinemark Report, 25 November 2005).

This means that the weekend and Tuesdays constitutes 73% of the total attendances for the week, and the remaining 3 days only 27% of the weekly attendances. Improving the cinema occupancies (attendances) outside of weekends and Tuesdays remains a challenge that the industry needs to overcome.

South Africa as a market is compared to other markets in the world by film studios such as Argentina, and Brazil, which are called emerging markets. South Africa is currently not fairing well when compared to these markets and should this continue, then the studios could take a view of classifying South Africa as a second run market. A second run circuit means that products will not be released in South Africa day and date (with the rest of the world- on the same day, on the same date).

The research study was prompted by the continuous stagnation of cinema attendances in South Africa. The costs associated with operating cinemas have grown at a faster pace compared to attendances. This has resulted in the profitability and sustainability of the cinema exhibition industry being questioned.

1.2.2 Overall problem statement

The problem facing the cinema exhibition industry is the industry's inability to grow cinema attendances, and as a result the sustainability of the cinema exhibition industry is in question. The challenges being confronted by the industry include the increasing number of alternative entertainment options that are available to traditional cinema patrons, such as watching movies at home on state of the art home entertainment systems, piracy (which fuels the watching of movies at home as opposed to going to the cinema), new mediums to watch content such as cellphones, and other hand held devices.

Other problems affecting cinema exhibitors include the quality of the films coming from the Hollywood studios. Studios are now being run by big corporate companies, and are being operated on business principles. These principles dictate that the studios maximise the amount of profits that they make. This has resulted in studios making films that are less risky and those that maximise the likely profit as a result. These films are generally sequels which have a known track record, as well as remakes of known classics that already have a loyal following. While this reduces the risks involved in making the films, and increases the chances of these films making a profit, it kills the creativity involved in the film making process, and could diminish the quality and breadth of the films being released.

The emphasis therefore of the research is to identify the factors that are driving change in the cinema exhibition industry.

1.2.3 Sub-problems

Further to the above problems, the research needs to test whether increased cinema attendances can be achieved by using a tool such as scenario planning. The research also needs to test the cinemas industry's business idea and current offer and whether complimentary entertainment at the cinemas will increase cinema attendances.

1.3 OBJECTIVES

While the cinema exhibitors are vying for a piece of each other's market share, the performance of the entire South African industry is important to the film studios (Warner brothers, Universal, United International Pictures (UIP) etc) in the form of box office takings (ticket price multiplied by the number of tickets sold for the movies). If the box office takings are not to the studios' satisfaction, then the South African cinema circuit is in danger of being classified a second run circuit.

This would be devastating to the exhibitors, distributors as well as consumers in South Africa. The challenge therefore is to make South Africa's film industry profitable to the overseas film studios, by growing attendances and box office revenues.

A culture of cinema attendance needs to be created to encourage consumers to view cinema as the leisure activity of first choice. For this to take place exhibitors need to take a different look at what the future of cinema exhibition is likely to be, and to make strategic decisions about how to deal with that future. Failure to this could mean a continuous stagnation in cinema attendances, which could be unsustainable.

Another challenge that the industry faces is their ability to maximise their fixed assets in the form of the physical cinemas that they own. This could possibly be done by using the cinemas for other purposes outside of film exhibition for example as venues for events and conferencing .

The survival of the industry is dependent on the exhibitor's ability to reinvent the industry, by taking a forward long term look at the future of the industry.

Scenario planning is a planning tool that the cinema exhibitors can use to identify alternative images of the future, and to formulate strategies to deal with this future.

The research report has as its objective, to use a planning methodology called Scenario Planning to determine the factors driving change in the cinema exhibition industry, and to recommend specific strategies to deal with these factors. This will be done by:

- Firstly, providing insight into the state of the cinema exhibition industry in South Africa paying particular attention to the key factors driving change in the industry

- Secondly, using Scenario Planning as a process to formulate a number of possible futures that the industry is likely to take, paying particular attention to the key factors driving change in this industry
- Thirdly, establishing the appropriateness of the current industry business ideas and strategies in being able to deal with these factors
- Fourthly, recommending specific possible strategies for the South African cinema industry that are robust and appropriate in these different futures (scenarios) to deal with the factors

1.4 INTERIM RESEARCH QUESTIONS

To be able to achieve the objectives stated above, the following research questions need to be answered:

1. Is the scenario planning tool appropriate to use to determine the future of cinema exhibition?
2. What is the state of the cinema exhibition industry in South Africa currently, and what challenges does the industry face currently and into the future?
3. What does the process of using scenario planning entail and how can this process be used as a strategic planning tool in the cinema exhibition industry?
4. What prior research has been done in the field of scenario planning, and how it relates to the cinema exhibition industry?

1.5 RESEARCH DESIGN

The research problem requires that the researcher identify the driving factors affecting the cinema exhibition industry. According to Saunders *et al.*(2003) this research problem lends itself to both the deductive (moving from theory to data, the need to explain causal relationships between variables, and the collection of quantitative data) as well as the inductive approach (gaining an understanding of the meanings humans attach to data, a close understanding of the research context, the collection of qualitative data, and a more flexible structure to permit changes of research emphasis as the research progresses).

Creswell (1994) suggests a number of practical criteria as to which research approach to use. These include:

- The nature of the research topic
- The time available to the researcher
- The extent to which the researcher is prepared to indulge in risk

The research involves a more protracted research process with ideas based on a much longer period of data collection and analysis as opposed to the “one take” approach, which is data at a specific period in time. This lends itself more to the inductive research process.

The purpose of the research is to explore, deduce, describe and to explain what the driving factors affecting cinema attendances in South Africa are and to come up with strategies to deal with these factors, rather than to validate the driving factors affecting cinema attendances in South Africa.

Since the research will focus on determining what the factors affecting the cinema exhibition in South Africa are, a case study method will be used.

1.5.1 The Research Method

1.5.1.1 The research strategy

A case study approach is often associated with descriptive or exploratory research; it is, however, not restricted to descriptive or exploratory research (Yin (1994), Bonoma (1985)). In business studies, case study research is particularly useful when the phenomenon under investigation is difficult to study outside its natural setting and also when the concepts and variables under study are difficult to quantify. Often it is because there are too many variables to consider which makes experiment and survey methods inappropriate to use (Yin (1994), Bonoma (1985)).

Further, a case study often involves data collection through multiple sources such as verbal reports, financial reports, archives, budget and operating statements, including market and competition reports.

To be able to determine the factors affecting the cinema exhibition industry, data would have to be collected from a wide variety of sources, as these factors and their level of effect on the cinema industry would not be easy to quantify. The factors could also be a number of different variables and the extent of the influence wide and varied. A combination of both qualitative (to add insight into data) as well as quantitative research (to deter-

mine the most significant factors) will be used as part of the case study method (Saunders *et al.*, 2003).

The research study will take into consideration the cinema attendances over a period of four years (2002 – 2005), paying particular attention to how cinema attendances have been affected over this time horizon, and what factors have had an influence on the industry.

This would determine the factors that have had an effect on the industry, and would act as a basis for determining the extent to which they will have an influence in the future as well as add further insight to new factors and what likely influence they are likely to have on the industry.

The research will be of a cross-sectional nature. According to Saunders *et al.* (2003:96) a cross-sectional approach is suitable in seeking to describe the incidence of a phenomenon, in this case stagnant cinema attendances at a particular given point in time. The period 2002 -2005 is included for trending purposes over that period of time.

The research will be exploratory in nature. Exploratory studies are a valuable means of finding out “what is happening; to seek new insights, to ask questions and to assess phenomena in a new light” (Robson, (2002:59)). To answer the research problem, new insight will be sought by gathering data from industry experts through a pilot study, searching available secondary literature and industry data and administering a questionnaire. A number of electronic databases were used in conducting the literature survey. The electronic databases included:

- *iLink*: to determine what relevant literature was available in the UKZN academic libraries
- *Science Direct*: to determine to what extent solutions were proposed in international peer reviewed scholarly articles paying particular attention to stagnant cinema attendances, strategic business planning and the use of scenario planning
- *Nexus*: to determine to what extent the problems identified were solved by other South African researchers
- *Wikipedia business dictionary*: to gather data for the descriptions of the concepts pertinent to this research study

- *Sabinet Consortium's SACat database* – to determine which books in print were available for inter-lending from other university libraries
- *Bibliographies of identified literature* - the bibliographies of the identified literatures was used to search for further references and data
- *Industry Publications and secondary data*- secondary data as well as industry publications were used to add insight into the state of the industry, as well as to determine factors that were pertinent to the research problem. This industry information included both local and international data and publications
- *Industry specific research* – existing industry research was used for specific insight on the research problem and to determine to what extent the problems identified was solved by other industry participants both locally and internationally

A questionnaire will be administered and data gathered from industry experts.

There is not a lot of academic research that has been conducted on factors affecting the cinema exhibition industry, neither is there a lot of available academic research on the use of scenario planning as a strategic planning tool in the cinema exhibition industry. While there is a lot of literature on the concepts of the importance of industry analysis, scenario planning, and factors affecting an industry, not much of this information is related to the cinema exhibition industry but rather to other industry's. To be able to gain insight into the above, a combination of quantitative and qualitative methods will be used.

The research method chosen for the research will therefore be multi method research that will be conducted in the realism paradigm, using the case study method. The approach and how it relates to the research process is discussed below.

1.5.1.2 Empirical evidence

There is very little empirical evidence to prove that scenario planning is indeed an effective planning tool. While there is a lot of literature on the subject of scenario planning, very little of that literature attempts to test the validity of using scenario planning by means of hypothesis testing e.g. use of scenario planning equals business success.

1.5.1.3 Sample size

The film industry is relatively small in South Africa. There are very few distributors (3 main distributors – UIP, Nu Metro Distribution and Ster Kinekor Distribution and a

number of independent distributors on an ad hoc basis) and exhibitors (4 main exhibitors – Ster Kinekor, Nu Metro, Movies@woodlands and Labia and a number of independent exhibitors across the country). Therefore it is expected that the response rate from the questionnaires must be high in order to be able to extract sufficient information to enable the use of the planning tool.

The number of cinema going patrons participating in the questionnaire is limited to a 100 patrons (refer 4.4.5). This in no way equals the amount of patrons that frequent movies on a yearly basis. The sample of cinema patrons therefore limits the ability to extrapolate the results to the community in general. A bigger sample of cinema patrons should be looked at and this could form part of the follow up research.

1.5.1.4 Survey interpretation

The research project is in a form of a case study. It involves collecting data from a number of sources such as industry reports, research conducted by film studios, distributors and exhibitors, actual performance and trading results (attendances and box office) as well as a questionnaire.

As with any questionnaire, the limitations must be clearly understood, and the interpretation should be based on a clear understanding of the sample, the way the questionnaire was conducted, and the type of data collection questions.

A lot of emphasis is taken in this research as to how the questionnaire is conducted and who is questioned, paying particular consideration to the size of the sample and the sensitivities inherent in this sample (some of the participants are business competitors to the interviewer). It is important in this research to take into consideration the limitation that this could result in respondent bias.

1.5.2 The realism paradigm

Realism is based on the belief that a reality exists that is independent of human thoughts and beliefs. In the social sciences and in the study of business and management this can be seen as indicating that there are large-scale social forces and processes that affect people without their necessarily being aware of existence of such influences on their interpretations and behaviours. Social objects or phenomena that are external to, or independent of, individuals will therefore affect the way in which these people perceive their world, whether they are aware of these forces or not (Saunders *et al.*, 2003:84).

The research will apply the principles of the realism paradigm and the emphasis it places on broader social forces, structures or processes that influence, and perhaps constrain, the nature of people's views and behaviours and that people's behaviours (film patronage) cannot be studied in a law-like way by generalisation similar to the physical and natural scientists.

1.5.3 The multi method research

According to Saunders *et al.*, (2003:99) research methods and strategies obviously do not exist in isolation and therefore can be "mixed and matched". Not only can they, but it is often beneficial to do so. It is quite usual for a single study to combine qualitative and quantitative methods and to use primary and secondary data.

1.5.4 Rationale for employing a combination of the two methods

Quantitative methods: to have a controlled measurement of the factors and to allow for generalization by popular membership. This will include the collection of primary data by means of a questionnaire, and the measurement of the most important factors that are significant to answer the research problem.

Qualitative methods: to allow emphasis on understanding and to allow for explorative orientation. A number of existing secondary data sources will be utilised, including existing theoretical and industry literature to explore validity and appropriateness' of using the chosen strategic planning tool, as well as existing industry information to draw insight to answer the research problem.

There are two major advantages to employing multi-methods in the same study.

Firstly, different methods can be used for different purposes in a study. For example, informal interviews with industry players can be used in order to get a feel for the key issues that could be included in the questionnaire.

Secondly, it enables triangulation to take place. Triangulation refers to the use of different data collection methods within one study in order to ensure that the data are telling you what you think they are telling you (Saunders *et al.*, 2003:99).

1.5.5 Triangulation

The main advantage of triangulation is that it can produce a more complete, holistic and contextual portrait of the object under study. In the case study method, this is particu-

larly important, as you need to check and validate the information you receive from various sources, (Ghauri & Gronhaug, 2002).

The research involves the use of qualitative methods to build a proposition (the factors likely affecting cinema attendances in South Africa collected through informal interviews and conversations with industry players, and through historical data review), and the use of quantitative methods (questionnaire) to test this proposition.

Once the factors have been determined, a number of scenarios will be created based on the identified factors, and how they are likely to affect the cinema industry today, and into the future.

1.5.6 Importance of the research

The research is relevant to all film distributors, exhibitors and wholesalers (home entertainment) divisions.

Particular importance is for the cinema exhibitors and distributors as both are undergoing significant structural changes in the form of competition from home entertainment through technological changes (home entertainment systems) and other entertainment alternatives (clubbing, internet, music and ten pin bowling). The current performance of the industry is testimony to these changes. These changes have proven to be advantageous for film wholesalers. Home entertainment has grown as a category, and the decline in attendances at cinemas can be linked to the growth in home viewing of movies by means of videos, DVD's and satellite television.

Even though the wholesalers have not been negatively affected by these developments, all members of the film supply chain (distributors, exhibitors, and wholesalers) need to remain relevant and profitable to studios for the South African film industry to stay lucrative to film studios.

To ensure that South Africa does not become a second run circuit, it is important to cinema exhibitors, distributors, wholesalers and cinema patrons that adequate strategic planning for the future of cinema exhibition is undertaken, that the relevance of the current business idea is questioned, and if proven unsatisfactory that appropriate strategies be put in place that will ensure the continued existence of the industry.

It is hoped that the planning tool used in this research may persuade managers to take a different view on the shortcomings of traditional forecasting methods and to see the

benefit of using tools that have at their core the fact that we have uncertainties inherent in the business environment, and that it is inappropriate to plan for the future without taking these into consideration.

The research will also come up with recommendations that are relevant in dealing with the factors driving change in this industry, and that can be used to ensure that the industry remains relevant, and in which all stakeholders can get a reasonable return from.

1.5.7 Limitations of the research

It is important that the limitations of the research be recognised and understood.

The researcher is the Chief Operating Officer of the second biggest cinema exhibitor in South Africa. This could limit the willingness of exhibitors to participate in the research study and could increase the likelihood of respondent biases.

There are a limited amount of cinema exhibitors, distributors and wholesalers compared to country's such as United States of America. This could limit the width and breadth of responses received as part of the research study.

In future the researcher would recommend that an open questionnaire is used for frequency of cinema attendance, rather than fixed predetermined options.

The time frame could also be adjusted, for example "how many times in a 6 month period do you visit the movies?", rather than using a monthly scale. There should also be a focus more on the general population, rather than only people involved in the movie industry. The people involved in the industry would probably have a very good idea what the key factors affecting cinema attendances are, but they do not necessarily go to the movies often.

If the people who visit movies in general were interviewed, the researcher would be able to build a much better model and determine the factors pretty quickly. The purpose after all is to determine the factors that people take into account when they decide to go to the cinema. If the researcher would get responses from all cinema attendees, not just those involved in the movie industry, the research would have much more reliable data.

1.5.8 Accuracy of information

To ensure that the information collected is reliable and valid, participant bias has to be checked. This is important in this industry as all participants in the supply chain (studio-distributor-exhibitor-consumer) have a big role to play in the form and shape that the industry takes. There is also a question of roles and responsibility, possibly with all key stakeholders presenting an image of being responsible and doing what is beneficial to the industry.

The results of the research are intended to be general to the industry. The industry is very homogeneous in nature, with the exhibitors showing almost identical products, in very similar environments, charging very similar prices, and dealing with the same studios and distributors on very similar terms.

1.5.9 Validation of planning tool

The research project will concentrate on scenario planning as a strategic planning tool. The validity of this planning tool will only be compared to industry foresight and forecasting as alternative planning tools, and not in respect of all possible strategic planning tools.

1.6 OVERVIEW OF DISSERTATION CHAPTERS

In chapter two a list of the key concepts that are relevant to the literature study are defined.

In chapter three a thorough investigation of the theory of strategic business planning as well as new perspectives of strategic business planning is made. The study focuses on the traditional and new perspectives on strategic business planning. The theory, framework and process of the planning framework are discussed as well as the three approaches to the planning process as the foundation for the new perspective on strategic planning.

The theory on scenario planning, its purpose, challenges and pitfalls, prior research, and the process are discussed. Lastly the operation of scenario planning, a comparison with other related planning tools and the relevance of scenario planning to the research question is summarised.

In chapter four the research methodology is discussed. A list of the research objectives and research questions following on the findings of the literature survey are formu-

lated. The methodology and administration of the pilot study and its use in the formulation of the questionnaire to determine the driving factors affecting cinema exhibition are discussed. A summary of the problems experienced in the administration of the questionnaire is given, and a relevance of the questionnaire in the remainder of the research paper is given.

In chapter five the research results are discussed. The number of significance tests to determine the most significant factors affecting the cinema exhibition industry is discussed. A demographic profile breakdown of the research results is given. It is concluded that the research questionnaire does not identify the significant factors through the process of regression analysis. An alternative method of determining the significant driving factors by means of a significance split is given. The factors to be used in the scenario generating phase of the research are given.

In Chapter Six, three possible scenarios of the future of cinema exhibition industry in South Africa, as well as recommendations appropriate for those futures are presented. The research is concluded and a way forward proposed.

1.7 CONCLUSION

This chapter included an introduction to the research study relating to the state of the cinema exhibition industry currently as well as where it is headed. A motivation for the research, a brief overview of the overall statement of problems facing the cinema exhibition industry as well as a list of sub-problems that need to be tested and answered was discussed. The limitations inherent in the study were given. The research methodology, research design including the paradigm and the research strategy best suited to achieve the objectives of the research by answering the critical questions was discussed. The objectives to be achieved and the research questions that need to be answered were clearly articulated. The importance of the research as well as its sphere of relevance was given. Lastly an overview of the dissertation chapters was given.

In the following chapter the researcher will list and give a definition of the key concepts relevant to this research paper and state the relevance of the key concepts.

Chapter 2

KEY CONCEPTS

2.1 INTRODUCTION

While there is a number of literature available that discusses strategic business planning and in particular scenario planning (including studies by Dincer *et al.*(2006),Glaister and Falshaw (1999),Millet (2003),Schoemaker (1999)and Porter (1985)) , a list of the key concepts critical in fully conceptualising strategic business planning was deemed necessary.

The researcher used the above literature as the theoretical groundwork to support the use of the scenario planning technique to answer the research problem of identifying factors that are driving change in the cinema exhibition industry. The literature also underpinned the framework to determine the most appropriate strategic interventions to answer the research problem because of the importance it places on the external environment driving change in an industry.

Included in this chapter is a list of the key concepts listed to facilitate ease of comprehension of the key concepts in this research. Each key concept begins by citing an authoritative source, followed by a concise definition of the concept and ending with a statement of why the concept is relevant to this study.

2.2 BUSINESS CYCLE

According to Wikipedia (<http://en.wikipedia.org/wiki/Business-cycle>)-a free Internet encyclopaedia, the business cycle or economic cycle refers to the ups and downs seen somewhat simultaneously in most parts of an economy. The cycle involves shifts over time between periods of relatively rapid growth of output (recovery and prosperity), alternating with periods of relative stagnation or decline (contraction or recession). These fluctuations are often measured using the real gross domestic product.

Business cycle theory has been most effective in microeconomics where it aids in the preparation of risk management scenarios and timing investment, especially in infrastructural capital that must pay for itself over a long period, and which must fund itself by cash flow in late years. When planning such large investments, it is useful to use the anticipated

business cycle as a baseline, so that unreasonable assumptions e.g. constant exponential growth, are more easily eliminated.

The theory of the business cycle is included in this research to highlight the fact that an industry or a business will not always experience continuous periods of growths and prosperity, but also periods of contraction and stagnation. The cinema exhibition industry is currently realising periods of stagnating cinema attendances. It is important for businesses/industries to be aware of the stage in the business cycle that they are in, in order to make the correct investment decisions. The decisions made today by cinema exhibitors, will have a lot to do with their interpretation of the industries stage in the business cycle, as well as the expected returns into the future. The strategies taken to fulfil these expectations have as a basis the stage in the business cycle.

The business cycle theory goes hand in hand with the theory of the importance of conducting an industry analysis before embarking on a particular strategic direction. It is important to conduct an analysis of the industry in which you operate in order to be fully aware of the opportunities as well as the threats inherent in the particular business environment. Parallel to that, it is just as important to know the stage in the businesses cycle to be able to determine the extent of these opportunities and threats, as well as if they are still coming or have already gone.

2.3 BUSINESS IDEA

The concept of the business idea is from work done by Van Der Hoyden (2005). According to Van Der Heijden (2005), the business idea is the organisation's mental model of the forces behind its current and future success. The scenario planner needs to articulate the business idea. The business idea depicts what is fundamental for success in specific terms in one holistic representation. The business idea must be a rational explanation of why the organisation has been successful in the past, and how it will be successful in the future.

The business idea must encompass what value the business is offering (as determined by the consumers), the position in comparison with real or potential of competitors- "what is unique about our offering and why can competitors not copy it?" as a consequence of this a business idea is not valid forever, it needs to be kept up to date as the driving factors

and the business environment changes. Failure to do this will mean loss of competitive advantage.

The theory on business idea is included in this research to highlight the importance of having a clearly articulated understanding of what business the organisation is in, how the business has been able to succeed in that business/industry and if whether the business idea is relevant into the future.

2.4 BUSINESS PLANNING

According to Ackoff (1974), "Planning is the design of a desired future and of effective ways of bringing this future about."

The emphasis of this description is the design of initiatives that need to be taken to ensure that a desired future is realised. This means that to be able to achieve a desired future, organisations must not rely on luck and chance to bring this future about, but should rather proactively look at the factors that are shaping their business/industries future. With this insight at hand, businesses must plan/ put in place strategies that will ensure that they are able to operate profitably in the future.

Business planning is relevant in this research as it highlights the need for the cinema exhibition industry to know or have an informed opinion of what the future of cinema exhibition is likely to be. This insight is driven by the factors shaping this industry. The industry players are then able to plan more accurately for this future. Cinema exhibitors need to know what they would like to achieve in the future, what they can do to achieve this, what is required to achieve this, whether they have the expertise in their organizations which are required to achieve this, and if not how they can acquire this expertise.

2.5 DRIVING FORCES, PREDETERMINED ELEMENTS AND UNCERTAINTIES

According to Schwartz (1996), Driving forces are the forces that influence the outcomes of events. Every organization, personal or commercial, is propelled by particular key factors. Some of them are within the organization, the workforce and goals. Others like Government regulation, come from outside. But many outside factors, in particular, are not intuitively obvious. Driving factors are the basis for thinking through a future scenario. They are a device for honing your initial judgement, for helping you decide which factors will be significant and which will not.

Determining the driving factors affecting the cinema exhibition industry in South Africa is the core objective of this research. To be able to determine the appropriate strategies suitable to combat stagnant cinema attendances in South Africa, the cinema industry needs to know what the driving factors affecting change in this industry are. Driving factors are the basis for which a strategic planning tool such as scenario planning can be employed.

According to Wack (1985), some elements of the future (the driving factors) were preordained, meaning that they would be consequential outcomes of events that had already taken place. These he termed as being predetermined elements. These factors could be determined with a degree of certainty simply by looking at the environment as it is now and project into the future. This means that there are factors affecting the cinema exhibition industry that are currently taking place that should be used to determine the future of the industry. Taking these factors into consideration is important to conduct a thorough analysis of the industry.

There are however factors that could affect the future of the industry that are uncertain (cannot be determined with accuracy even with history at hand). According to Van Der Heijden, the business environment is uncertain, and this uncertainty should be taken into consideration when strategising and forming and taking a position on the future of the industry. To effectively use scenario planning, driving factors, both predetermined and uncertain must be taken into consideration to better anticipate what the future holds.

2.6 FORECASTING

According to Hitt *et al.* (2003), forecasting is developing projections of anticipated outcomes based on monitored changes and trends. Scanning and monitoring are concerned with events and trends in the general environment at a point in time. When forecasting, analysts develop feasible projections of what might happen, and how quickly, as a result of the changes and trends detected through scanning and monitoring. These forecasts are then used to plan for the uncertainties that lie ahead, so that when they do occur, the business has prepared for them.

For the purpose of this research, the inclusion of forecasting as a strategic planning tool is intended to show the inadequacy of using forecasting as a strategic planning tool because of its reliance in the past to determine the future. The description above highlights the fact that forecasting uses as its data source events and trends at a point in time. This is

based on the premise that the future can be extrapolated from past events and trends. For this reason forecasting is limited to planning for short periods of time.

Forecasting is also over-reliant on analysts conducting forecasts. These analysts are removed from the businesses that they are forecasting for, and do not have insight into the other factors beyond their immediate radar that could have an effect on the businesses they are planning for.

2.7 INDUSTRY ANALYSIS

According to Fleisher and Bensoussan (2003), Industry analysis provides a structural analysis and outline of an industry- its participants and characteristics. The objective of this process is to identify the profit potential of an industry; uncover the forces that would harm profitability; driving the profit potential; protect competitive advantage by defending against the forces that would harm profitability; extend competitive advantage by favourably influencing these forces; and proactively anticipate changes in industry structure.

Industry analysis is included in this research because it highlights the importance of analysing an industries environment as part of the strategic planning process. This is important in being able to understand the driving forces in an industry. The driving forces shape the future of the industry, and are the basis for which an alternative strategic planning tool such as scenario planning can be used.

2.8 INDUSTRY FORESIGHT

According to Hamel & Prahalad (1994), industry foresight is to build the best possible assumption base about the future and thereby develop the prescience needed to proactively shape industry evolution. Competition for industry foresight is essentially competition to establish one's company as the intellectual leader in terms of influence over the direction and shape of industry transformation. Industry foresight is essential for an organization to secure a future for itself, but having industry foresight does not guarantee success. Industry foresight is intended to help organisations create the future of their organizations in a way that will benefit the organization.

While there is merit in achieving industry foresight, its inclusion in this research is to highlight that it cannot be used equally in all industries. The shape and form that an industry takes in the future is determined by factors specific to that industry. Industry foresight

does not take into enough consideration the factors driving change in an industry, and has as its core outcome a creation of an alternative future. Not all elements of the future are squarely in the hands of the organization. Industry foresight involves the organisation imagining and creating the future, as opposed to predicting what the future will look like paying particular attention to the factors driving change and planning ways to deal with this future.

2.9 PORTERS FIVE FORCES MODEL

According to Hitt *et al.* (2003), the five forces model of competition is an analytical tool used to help firms find the industry with the highest profit potential and learn how to use their resources to implement the strategy required by the industry's structural characteristics. The model encompasses many variables and tries to capture the complexity of competition. The five forces model suggests that an industry's profitability is a function of interactions among five forces: suppliers, buyers, and competitive rivalry among firms currently in the industry, product substitutes, and potential entrants to the industry. Using this tool, a firm is challenged to understand an industry's profit potential and the strategy necessary to establish a defensible competitive position, given the industry's structural characteristics.

Michael Porter's five forces Model is included in this research because the ability to effectively analyse the industry's environment is important in being able to understand the driving forces in the industry. The driving forces shape the future of the industry, and are the basis for which an alternative strategic planning tool such as scenario planning can be used.

2.10 SCENARIO PLANNING

According to Van Der Heijden (2005), Scenario Planning is a process of predicting multiple, plausible and uncertain futures. The scenario process starts with articulating the organisations understanding of its business. Within this contest, scenario planning then helps the organisation recognise, articulate and understand the relevant driving forces and their inter-relationships in its business environment. This information is the platform from which multiple scenarios of the future business environments are developed. Scenario-based planning can be used in the decision making process for the following:

- Considering the strength of the organisation and its characteristics in its business environment
- Developing new and original perspectives on the business situation
- Developing unique strategic inventions
- Developing adaptive and generative capability
- Making a judgement on a strategic proposal
- Making strategic decisions

Scenario planning is included in this research as the chosen strategic planning tool because of the emphasis that the tool places on the factors driving change in the cinema exhibition industry. As opposed to relying on the past and extrapolating from this past into the future, the approach of scenario planning is forward looking, and accepts that there is uncertainty in the future, and that emphasis should be placed on the factors determining this future. This tool is used to answer the problem, what are the driving factors affecting the cinema exhibition industry in South Africa by considering the strength of the organisation and its characteristics in the business environment, determining the factors driving change in this environment and developing unique strategic inventions to deal with this environment.

The above is summed up most accurately by the following description of scenario planning:

“Scenario planning is a method for learning about the future by understanding the nature and impact of the most uncertain and important driving forces affecting our future. Borjesson, scenario planning resources (www.well.com).

2.11 STRATEGIC BUSINESS PLANNING

According to Hamel and Prahalad (1994), strategic planning typically takes, as its point of departure, the extant industry structure. Traditional planning seeks to position the firm optimally within the existing structure by identifying which segments, channels, price points, product differentiators, selling propositions, and value chain configurations will yield the highest profits.

The theory of strategic planning dates more than 30 years before Hamel and Prahalad's work. Even though the methodologies and theories have been refined in time, the importance of having a planning framework was pioneered by academics before Hamel & Prahalad.

In 1962, Gilmore and Bradenburg stated that one of the first steps towards an effective solution of top management planning is to discover a better way of exploring the anatomy of the planning process and determining just what goes in. Gilmore and Bradenburg (1962) went on to formulate the master plan which as one of its components included the reappraisal phase. The reappraisal phase in the top management planning process stresses the importance of utilizing a program of environmental surveillance to identify and size up future changes in the corporate environment and to sense the specific product opportunities and threats implicit in these changes. The reappraisal should include significant trends in the company's activities, competitor's actions and capabilities, significant economic trends, technological developments and potential problems and/or opportunities disclosed by continuous surveillance of the foregoing factors.

Mintzberg (1967), states that strategic planning is essentially irregular. Problems, opportunities and "bright ideas" do not arise according to some set timetable; they have to be dealt with whenever they happen to be perceived. Mintzberg (1967) states that for strategic planning to reach its highest degree of sophistication, there has to be a well-defined program for designing corporate strategy. To this effect and drawing from work of Gilmore and Bradenburg (1962) and Ansoff (1965), Mintzberg proposed the use of the intelligence-design-choice framework, which includes the importance of studying the strengths and weaknesses of the organisation, environmental trends (economic, social and competitive) relevant to the organisations clear collection of information to define problems and opportunities.

Denning (1969) states, that for a company to achieve the best outputs, they have to have an effective process to achieve this. According to Denning (1969), company's need to have a long-range planning process, which if conducted properly should assist top management in their key tasks of setting objectives and goals, formulating policy, deciding on major projects and co-ordinating and controlling large organisations.

Strategic business planning illustrates the point that businesses need to have a well thought out perspective on the planning process depending on the nature of the industry

they are in. Planning in the strategic process is, however, not negotiable. The planning process should look long term at some of the challenges and opportunities presented to the industry and not only the short term.

The cinema exhibition industry needs to understand the factors driving changes in the industry to be able to determine a future in which they will remain relevant and succeed. This requires that a new approach on strategic business planning be taken. This approach need not only pay attention to the existing environment but also apply a more forward looking visionary perspective to business planning.

2.12 YOUTH MARKET

For the purpose of this research the youth market is stated as youth between the ages of 10 and 24 years which constitutes 30.97% (14 681 600) of the entire South African population. 6.47% of this group is white and 93.52% is black (including African, Coloured and Indian/Asian). 16.85% reside in Eastern Cape, 6.17 in Free State, 15.37 in Gauteng, 22 in KwaZulu-Natal, 14.08 in Limpopo, 7.21 in Mpumalanga, 1.74 in Northern Cape, 7.71 in North West and 8.92 in the Western Cape (Statistics South Africa July, 2006 Mid Year population estimates report, Table 3).

2.13 CONCLUSION

In this chapter, a list of the key concepts relevant to this research was given. These key concepts were intended to highlight the important concepts, as well as to clarify how they relate to this study. Authoritative sources were given for each key concept in addition to a concise definition of the concept.

In the following chapter a literature survey of literature that is relevant to the research objectives is presented. The literature survey is put forward through three themes, namely the theoretical framework, the appropriate research methodology and an assessment of prior research in the field of scenario planning and the cinema exhibition industry.

Chapter 3

LITERATURE SURVEY

3.1 INTRODUCTION

Rowley (2002:18) defines research design as the “logic that links data to be collected and the conclusions to be drawn to the initial questions of a study”. According to Ghauri and Gronhaug (2002), once we have a clear understanding of problems, assumptions and concepts, we start thinking how to go about finding answers to our questions.

The main emphasis of this research was to identify the factors driving change in the cinema exhibition industry.

3.2 THE PHASES OF THE LITERATURE SURVEY

The first phase of the literature survey was on understanding the concept of strategic business planning as a process that could be employed to solve the problem of stagnant cinema attendances in South Africa. The second phase of the literature survey focussed on literature that related specifically to scenario planning as a methodology to be employed in this research.

3.3 STRATEGIC BUSINESS PLANNING

Businesses today operate in an uncertain environment. This uncertainty is unlikely to go away. To deal with this uncertainty, managers need to consider a broader range of tools to meet their objectives.

The cinema exhibition industry needs to grow cinema attendances, improve the utilisation of their assets and take advantage of technological advancements. How the future pans out will have a direct impact on the industries capabilities to achieve all of the above. This uncertainty is at the core for the need for strategic planning. If there is no perspective of what the future of cinema exhibition is likely to be and what factors are determining this future, then there is no clarity on the strategic direction that needs to be taken. Any strategic direction that is taken without this view is a gamble.

This uncertainty is as relevant to the cinema exhibition industry as it is to any other business environment. The cinema industry has not changed much in its almost hundred years of existence. Movies are still shown in more or less the same type of format. There have however been improvements to the picture and sound quality, look and feel of the cinemas and the offering in terms of confectionery by means of incorporating such things as ice creams and coffee. The core of the business, which is cinema exhibition, has stayed the same. The industry is on the brink of a new era with the introduction of digital formats that could alter the cinema exhibition industry forever. The digital era brings with it opportunities as well as challenges.

The following section will give a description of the film industry's business including the industry players, the nature of the film industry, exhibitors' business model and challenges facing the cinema exhibition industry.

3.4 THE FILM INDUSTRIES BUSINESS IDEA

To be able to answer the research objectives, it is important to establish the current film industries business idea, and to provide insight into the state of the cinema exhibition industry.

3.4.1 Industry players

There are four significant exhibitors in the cinema exhibition industry and a large number of independents, which are spread throughout the country. While independents are important players in this industry, it is difficult to report on them, as they do not form part of the Cinemark agreement. Cinemark is an industry body that monitors cinema attendances for the four biggest exhibitors in the industry.

The four exhibitors are Ster Kinekor Cinemas, Nu Metro Theatres, Cine Centre, and Movies@woodlands.

According to Cinemark industry figures, Ster Kinekor cinemas and Nu Metro Theatres are the two biggest competitors in the industry, with a combined market share of 90%. Most industry activity takes place between these two companies.

3.4.2 The nature of the film industry

Studios business model

The film value chain consists of five players, the movie-makers (Studios), the movie distributors, the movie exhibitors, home entertainment, and television stations. The studios make films for varying amounts of money. Some films are big budget films, and others small. Studios have different distribution companies that represent them throughout the world. In South Africa these distribution companies are Ster Kinekor Distribution, Nu Metro Distribution, United International Pictures (UIP), and some independent distributors on an ad hoc basis. The distributors' prime objective is to get the best possible returns for their client's products, which are the studios films.

To do this, the distributors negotiate the best possible terms for the films, and place the films in cinemas that are likely to give the films the best returns. The model used between cinema distributors and exhibitors is commonly known in the film industry as the revenue share model (definition of terms, pg xviii). The revenue share model works on the premise that the exhibitors never buy the film outright and therefore don't own the film print and this remains the property of the overseas studios. To offset the cost of the film print and the making of the film, the distributors negotiate terms with the exhibitors. The terms are the percentages of the box office takings that are due to the exhibitor and to the distributor. This percentage split is based on the likely box office takings of the film. There higher the box office expectations, the higher the terms that the distributor can negotiate.

Generally the distributors share of the box office starts of the highest the first week of the release (e.g. 65%), and slides downwards on a weekly basis (e.g. 60% for the second week and 55% for the third). It is important to note that the majority of the film takings are in the first two weeks of the release of the film.

The success of a film is determined by its box office takings. Once the film goes off circuit (not shown in theatres anymore), the next avenue for studios to get a return on their product is home entertainment. This takes the form of DVD sales and DVD rental. The two prominent home distribution networks in South Africa are Ster Kinekor Home Entertainment and Nu Metro Home Entertainment. Locally and overseas, in some cases the returns from home entertainment have been larger than those from film exhibition for a particular film. This is contrary to industry norms, but shows the significant role those DVD

sales and rentals play in the studios income streams. This also shows the challenge that home film watching poses to film exhibition.

The last significant revenue stream for the studios is television rights e.g. MNET, SABC and DSTV .

The increased importance of DVD sales to studio profits are putting pressure on the length of the window periods between the theatrical release of films and their DVD releases.

Shortening window periods

Traditionally the release of films across the various windows has been linear, starting with theatrical exhibition, moving through to DVD/ Video rentals and sell through, and on to pay television (satellite), and finally to free television (SABC and ETV). SABC has an annual subscription, but is very small compared to a subscription to satellite television (DSTV). There window periods were traditionally as follows.

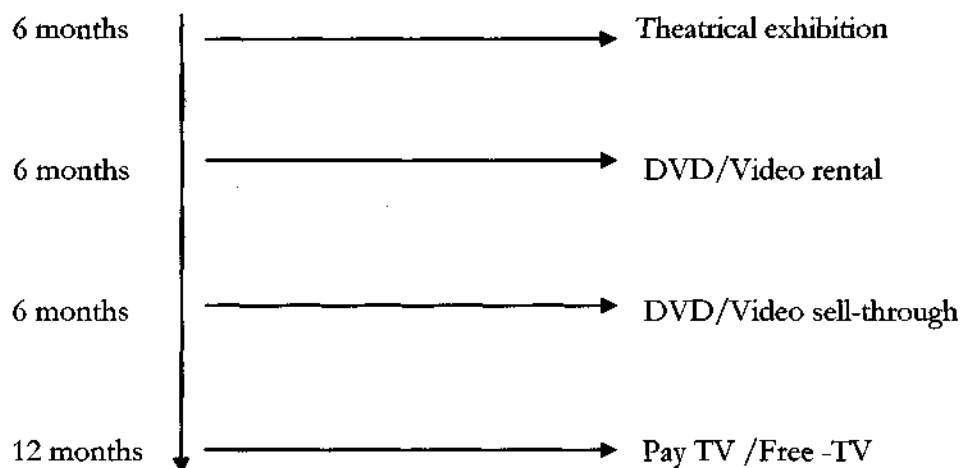


Table 1: Window period for a typical Hollywood blockbuster: (BSAC Briefing paper on windows-14 October 1999)

All the companies involved in the film industry were given a period of exclusivity before the films passed on to the next window. What Appendix A illustrates is that a film would not come out for rental until after 6 months from its theatrical release no matter how long it plays at the cinemas. There window period was a compromise between the different sectors and the studios. This model allowed all the different players an opportu-

nity to maximise the returns from a film, however not at the detriment of the next sector. Therefore if a film played for only 3 weeks at the cinema, there would be a compromise in that the studios would not have to wait for 6 months before is moved further along the sectors.

This model has, however, changed, with factors such as piracy and illegal downloading of content making it financially viable and enticing for pirates to make a large profit within these windows and in the process diminish the profit potential of studios through the other sectors. There has also been an increasing demand for films on DVD and Satellite sooner than the traditional window periods. In order to curb piracy, and maximise their returns, studios have seen an opportunity to distribute films over the Internet and through DVD sales. This is likely to lead to distribution of products through parallel paths by means of simultaneous availability through theatrical exhibition, DVD sales and on satellite. On the 13th of September 2006, Steven Jobs of Apple Computer Inc, announced in San Francisco that Apple planned to introduce a product named ITV early 2007 which is an online film service that will allow people to watch films downloaded from the internet on Apples I tunes online store on their living room television, not on their office PC or the tiny screen of a portable device (www.latimes.com). This development is going to pose an even bigger challenge to the exhibitors, as the movies downloaded can now be played on a 60" high definition television, and not limited to the computer screen. This development is further backed by Walt Disney Company, which is one of the biggest studios, and other studios are likely to follow. According to Robert A. Iger, (President and CEO of Walt Disney Co.), "You can't stop or slow down technology. If you try to prevent that, unfortunately you will fail" This development will make it even harder to maintain the traditional window period.

The windows between theatrical release and availability on DVD are already shortening. According to the National Association of Theatre Owners (NATO) the window period between theatrical and rental/DVD sales has gone from an average of 5 months 13 days in year 2000, to an average of 4 months and 16 days at the end of year 2005. This has put pressure on the ability of cinema exhibitors to fully exploit films. The simultaneous release of movies will further worsen this pressure, and is viewed against strongly by exhibitors. Further to trying to minimise losses to pirated DVD's, studios are shortening the window period to maximise Christmas sales of movies that were released in the summer in

United States of America (June month). South Africa follows American release dates, and would therefore have the same Christmas DVD releases.

The challenge to cinema exhibitors is that short window periods mean that once movies are out on DVD for sale or rental, attendances in the cinemas decline. Also if consumers get used to movies coming out on DVD soon after their theatrical release, then they do not have to go to the cinemas, as the movies will be available to own or to rent soon after that. This puts pressure on the attendances at the cinema.

3.4.3 Exhibitors' business model

The bulk of the exhibitors' income is from a percentage of the box office takings as per the revenue share model through negotiated film rental terms. More detailed explanation on the revenue share model is given under the heading studio business model (3.7.2).

Confectionery

Another significant revenue stream for cinema exhibitors is through confectionery/concessions sales. This is popcorn, coke and sweets. Best practise is to get as many people that come to see a film to buy confectionery. To measure this, exhibitors refer to confectionery per person (CPP). The higher this number is, with increased attendances, the better the confectionery takings for the exhibitor. Confectionery sales have better margins than those made from box office takings. It is therefore important for exhibitors to pay particular attention to this revenue stream and to grow it.

Other events

Exhibitors have started using the cinemas for other events outside of cinema exhibition, to maximise use of the real estate and reduce the reliance on product and confectionery as the only means of income. These events take the form of children's parties, seminars, conferencing, product launches, entrepreneurial programmes etc. Alternative revenue streams have become an important part of the exhibitors' business model. The use of the cinema facilities for other events reduces the effects of low occupancy levels.

Cinema advertising

Cinema advertising is becoming a crucial part of a cinema exhibitor's financial model. With less money being made at the box office, it has become increasingly more important

for exhibitors to find and maximise alternative revenue streams. Cinema advertising is one such stream. There is a thin line between correctly incorporating cinema advertising into the entire cinema experience, and making the adverts too long to an extent that they become a deterrent to watching a film at the cinema. Exhibitors need to be careful not to be too greedy for revenues to an extent that they alienate their customers by making the adverts too long.

The future of cinema advertising is in digital advertising. Digital advertising uses satellites to distribute video content to the relevant cinemas. For cinema exhibitors to take advantage of this technology, they need to invest in satellite feeds and digital projectors. These come at a high cost, and the foresight with which exhibitors approach digital technologies will determine the level of returns they achieve from these technologies, and ultimately the sustainability of their business.

3.4.4 Challenges facing the cinema exhibition industry

The cinema exhibition industry in South Africa is at a point in its life cycle where its future existence is being questioned, some of the challenges facing the industry include:

Pricing of the movies

There are varying levels of pricing for movies. Pricing structures wear many guises. These include half price Tuesday, pensioners' prices, children's prices, loyalty programs pricing (Discovery Vitality and Edgars Movie Club). There are also varying pricing structures for different experiences, and e.g. the Prive seats at Nu Metro Theatres are more expensive than the normal seats. At Ster Kinekor, the Classic cinemas are more expensive than the Junction sites, however still showing the same products. The difference is in the look and feel of the cinemas, therefore ultimately the experience.

Cinemas located in facilities such as casinos are used to drive footfall into the casinos, therefore their pricing structures is set up accordingly for this purpose.

Same prices are charged for \$150 million blockbuster films, as for a \$10 million low budget movies, therefore discounting the value of the quality of the films. Movies are in danger of becoming a mere commodity to be driven by price (volume game).

Home entertainment systems

In the past, one of the draw cards for going to the cinema was the large screen, the quality of the sound and the picture clarity as well as the social experience. Consumers can now buy plasma televisions, which have superb picture quality, and are large in size, and can be connected to state of the art home entertainment systems, which offer surround, good quality sound. Consumers are now opting to stay at home and to rather watch DVD's on these state of the art systems.

The cinema experience

Even with the improved quality of Plasma screens and Home entertainment systems and the availability of DVD'S whether through retail or piracy, watching a film at home is not the same as watching it at the cinema. The atmosphere is different at the cinema. There is no discounting the magnitude of the size of the cinemas, the screen, as well as the sound. There is an emotional attachment to going out to movies. There is a social element to going to the movies that can't be achieved while watching films at home.

There is however other views on this, the most prevalent being that the cinema value proposition is no longer enticing. The cinema ticket is too expensive, so are the confectionery items at the cinema houses. At these costs some consumers would rather stay at home, hire a DVD, make their own popcorn, buy a pizza, and enjoy the film in the comfort of their own home. However the experience is not quite the same.

In light of the challenges that are facing the cinema exhibition industry worldwide, what is of agreement between all the role-players in the industry is that all those involved in the industry must play their part. The studios must make good films, the distributors must ensure that the product is available to as many moviegoers as is financially viable, and the cinema exhibitors must ensure that they create the right environment and offer the consumers the best possible cinema experience.

This is even more important in light of the different leisure options that consumers have. The question is why a consumer should leave the comfort of their home to watch a film at a cinema instead of at home? There are a lot of ways available to consumers to consume their entertainment, from DVD to video on demand, downloading it and even on their Ipods. To be able to get consumers out of their houses and into the cinemas, exhibi-

tors need to concentrate on creating a unique outing for moviegoers. Exhibitors need to differentiate the cinematic experience and the home entertainment experience.

This can be achieved by the exhibitors fighting against rude customers, employees behaviour at the cinemas, ensuring that the basics are taken care of such as having clean cinemas, creating the right ambience, having comfortable seats, having the correct size screen, having parking available, and ensuring that the range of confectionery is appropriate.

This can be taken further by including such things as cafes and bars and small restaurants, and not be hurt by them. The consumer must be able to make choices when they get to the confectionery stands.

Ultimately creating the right cinema environment can help grow the culture of cinema going and help grow attendances.

Movies by gender

Films have a targeted audience to which they are created. The bulk of the movies created in Hollywood have a family audience as a targeted market. According to the Motion Picture Association of America (MPAA), in 2005, PG-13 (film rating meaning parental guidance for audiences under the age of 13) movies comprised the majority of top grosser's for the industry accounting for 85% of 2005 top 20 films. This statistic can be broken down even further to boys and girls. The same can be done for females and males.

Exhibitors have started experimenting with targeted marketing and offerings geared specifically to the market to which the film is created. Saying that a film is created for a particular audience does not mean at the exclusion of all other audiences. A number of initiatives that are prevalent overseas include: Loews Cineplex Reel Moms promotion whereby new moms and their babies come together at Loews where they get to enjoy a first run film in the company of other moms.

If exhibitors can be able to speak directly with the different genders by offering them an opportunity to see a film that would appeal to them, there is an opportunity to get consumers who never frequent cinemas to try a cinema experience, and hopefully convert them to regular moviegoers. This could go a long way in growing cinema attendances in South Africa.

Genres of Movies available

In light of the stagnant and even declining cinema attendances that have been faced by exhibitors worldwide, some markets have shown an increase in attendances overseas. Examples of these markets include South Korea and Russia.

In South Korea the cinema exhibition industry is probably going to break the \$1 billion mark for the first time in 2006, according to the Hollywood Reporter, 15 March 2006. This is driven partly by the growth of multiplexes, but more importantly by the improved quality of domestic films, as an alternative to Hollywood product. Of the top ten films in Korean history, eight are local films.

Local product has become so important in South Korea that the Seoul Theatre Association in Korea has announced that it will maintain quotas for local films regardless of government decision to cut them in half.

In Australia, the Australian Film Commission is calling for the recognition of the Australian film's and media industries in trade agreements between Australia and the United States to ensure that the agreements do not erode Australia's local content regulations and funding mechanisms. (www.screendaily.com).

In South Africa, a lobbying group made up predominantly of film makers is trying to get the South African Government to force exhibitors to contribute a percentage of their box office takings to the development of a culture of film creation and exhibition of local products in South Africa. There is however not much support from exhibitors for this initiative as it affects their bottom line.

The importance of local product is also true in South Africa, with the local film "Mr Bones" being ranked the second biggest film of all time in South Africa, second only to the "Titanic". The point that this makes is that different genres of movies outside the fair of Hollywood are a significant factor in growing cinema attendances in South Africa. The same can be said of genres such as Bollywood as well as arthouse product.

Nu Metro Theatres in South Africa runs a near exclusive circuit of Bollywood products in South Africa. Bollywood product constitutes 10% of attendances at Nu Metro Theatres. This is a significant number and further illustrates the point that by being able to offer alternative genres of movies that consumers are interested in can help grow attendances in an environment characterised by declining attendances.

Arthouse products have also been identified as a genre of movies that could grow cinema attendances. According to Nielsen EDI's new research in Australia, generally art-house product appeals more to the older cinemagoers, who have recently been marginalised by the type of movies that have been made in Hollywood. Nielsen has suggested putting more of a focus on cinemagoers aged 55 years and over as a way of addressing Australia's current box office demise. While about two-thirds of 18-39 year olds have gone to the cinema in the last six months, one in three of this group were not going so often, one in four were dissatisfied about pricing, and two thirds had seen a pirated movie in the previous six months. One in three of the 55 years and over was also going less but, in contrast, they were more satisfied with the cinema experience than any other age group and only 23% had watched a pirated movie (www.screendaily.com).

Research of this nature does not exist in South Africa, but the performance of Ster Kinekor Cinema Nieuwe in Rosebank indicates that there is a demand for arthouse type of product in South Africa. The success of films like "Crash" and "Sideways" have shown that if the movie has a good story, and is of a quality nature, audiences will come watch.

This indicates that exhibitors should have available the type of genre movies that caters for this market as they have more disposable time, money and prefer films with a storyline, and to the studio's advantage are cheaper to make. Unfortunately this type of product only seems to come out during the Oscar period, and is not prevalent enough during the course of the remainder of the year.

Piracy of Movies

Piracy takes the form of sales of DVD's from car boots, local flea markets, or through online file sharing programs. The quality of the pirated DVD copies varies from those that have been camcordered in the cinemas to those that have been copied immediately after their DVD release. This is possible because of the varying release dates of movies in different markets (The United States is usually before the United Kingdom).

Generally people pirate movies for either self-entertainment or for resale purposes. Both these forms are illegal, and both affect cinema attendances. The reason why people pirate movies for private use could be that the opportunity to see a film sooner than it comes out is enticing. This is created by trailers being screened way in advance of actual release dates via cinema trailers or on rented DVD's. The cost of taking the entire family to

the cinema could also be a factor. Add to this the cost of the confectionery, and the option of a pirated DVD becomes even more enticing.

Movies can also be pirated by means of downloading from the Internet. This form of piracy is becoming (not yet) a bigger problem than the copies camcordered in the cinemas, which means policing camcorders in the cinema, is not the only solution to the piracy problem.

The effects of piracy include substandard copies of movies being available before the movies even start showing at cinemas. The quality of these movies gives a poor impression of the movies, and creates bad word of mouth even before the movies goes on circuit.

This is further worsened by the speed with which the Internet allows this bad word of mouth to be spread.

This forces distributors to spend even more on marketing the movies to curb this bad word of mouth, and to shorten the windows between the theatrical and DVD release to reduce their risks. This further worsens the plight of the exhibitors, and ultimately leads to lower attendances at the movies.

The increased costs of the marketing also puts pressure on the costs of distribution and marketing spend of the distributors, which are passed on to the consumers. Higher ticket prices act towards declining attendances as consumers view the movies as being too expensive, and make the pirate copies look more financially enticing to consumers.

The reality of the pirate market is that there is a lot of money to be made in distributing pirated movies, and hence the difficulty in trying to stop it.

If studios do not recoup the investments that they have made in making movies, then they will simply stop making movies. It is therefore incumbent on all the stakeholders to ensure that piracy is minimised, as it most probably will not be eradicated completely. Exhibitors have a big role to play in this, as most pirated movie copies are camcordered from cinemas as a source. If exhibitors can stop the trail here, then there is a big upswing that can be realised by all concerned. Studios will make more money out of movies, which they would then use to make bigger and better movies. Exhibitors will also make more money, which they can use to invest in creating the right environment for moviegoers, which will in turn lead to consumers going to the movies more often. It is a continuous cycle.

The opposite also applies, that if exhibitors are not able to see a profit from their exhibition businesses, they are likely to close off unprofitable sites. This would reduce the venues that would be available for consumers to see films, and would reduce the revenues that are likely to be made by studios, which diminishes the incentive to invest in movies as an investment option, which would result in a further decline in attendances, and ultimately the end of cinema houses as we know them. It is therefore important for all involved to fight piracy, and the consequences it brings.

The challenge of piracy is worsened by the fact that there are other camps who do not view piracy and in particular the practise of file sharing on the internet as piracy. In a video insert on British Broadcasting Corporation's website(www.bbc.co.uk) titled "Click debates online movie piracy", Glickman(2006), CEO of the Motion Picture Association of America(MPAA) debates the legality of online movie sharing with John Perry Barlow (is a retired Wyoming cattle rancher, a former lyricist for the Grateful Dead, and co-founder of the Electronic Frontier Foundation (EFF)- EFF is a non-profit group of passionate people — lawyers, technologists, volunteers, and visionaries — working to protect consumers digital rights).

Glickman (2006), states that the methods of transmitting movies illegally are getting better. This results in studios not able to realise the full returns from their movies. This leads to fewer movies being, and less quality movies being made. This is because studios returns from movies are reduced, and they can therefore not invest in making movies. This is the reason Glickman (2006) states why piracy should be aggressively fought. As far as he is concerned piracy is the illegal theft of intellectual property. According to him it is important to educate the public and in particular the young public that piracy is theft, but also offers alternatives so that they do not partake in piracy.

Barlow (2006) disagrees totally with Glickman (2006) stating that file sharing is not theft. According to him theft is when you take something from somebody and they do not have it anymore. If you still have it then it is not theft. This is the case with movies, in a sense that the owners of the movies still have the movies even after they have been downloaded. The people to whom these movies are being used by would possibly not afford to see the movies anyway; therefore the financial losses to the studios are negligent.

There are merits to both these arguments, and what is clear is that online downloading and sharing of content is not going to go away. The film industry needs to channel its

efforts rather on taking advantage of this platform, rather than try and impose legislation that will make it illegal. A lesson can be learnt from the new initiative that Universal Studios (music division) is involved in with a company called Spiralfrog, where music will be available to be downloaded for free online. The business model works in the following way:

- Consumers can access the content for free as long as they are willing to live through the large amounts of adverts that will form part of the program
- Advertisers pay to have their adverts on the website
- Universal will share in the revenues from the advertising for making their content available to be downloaded for free (www.bbc.co.uk)

What is of most interest is that the music industry was a couple of years ago going through the challenges that are facing the film industry today. They have however with the advent of Napster and I tunes been forced to review their stance on online music procurement. An industry that was fighting tooth and nail a couple of years ago against piracy and the internet is now toying with giving the content away for free.

Geographic Location of cinemas

Cinema attendances are not growing in South Africa. Some of the reasons for these flat attendances include a consistent decline in the sector of the more “traditional white audiences” (Appendix 2, and the continuing lack of access by the population at large “black audiences” to this medium.

The attendances in the “black” locations have been growing (Table 2). There are however fewer of these locations, and the growth has come because these cinemas charge a lower price (Sterland charges R10, Carlton Centre charges R10, The Wheel charges R10, and Southgate charges R14).

Exhibitor	Site Location	Designation	dances(march - Oct 04)	(march - Oct 05	attendances	tendances(04)	tendances (05)	in attendances
MT	Menlyn Park	"white"	805,155	730,795	-9.24%	22,365	20,880	-6.64%
MT	Pavilion	"white"	568,479	610,291	7.36%	15,791	17,437	10.42%
CT	Sterland	"black"	455,531	589,888	29.49%	13,398	16,854	25.79%
CT	Sandton City	"white"	479,572	449,667	-6.24%	14,105	12,848	-8.91%
CT	Cavendish Cineplex	"white"	454,551	403,975	-11.13%	13,369	11,542	-13.67%
CT	Tyger Valley	"white"	556,295	398,906	-28.29%	16,362	11,397	-30.34%
CT	The Wheel	"black"	258,056	345,110	33.73%	7,590	9,860	29.91%
CT	Brooklyn Cineplex	"white"	430,491	317,500	-26.25%	12,662	9,071	-28.35%
CT	Rosebank Nouveau	"white"	285,069	266,973	-6.35%	8,384	7,628	-9.02%
CT	Carlton Centre	"black"	196,028	261,754	33.53%	5,766	7,479	29.71%
CT	Southgate	"black"	162,858	245,122	50.51%	4,790	7,003	46.21%

Table 2: Attendances for the 8 months (March to October 2004 versus March to October 2005) in the "White" and "Black" locations. (source :Cinemark Report – October 2005)

While attendances have been flat, a number of multiplexes have been built in the same areas where the traditional "white" audiences reside, resulting in a large number of screens servicing a declining customer segment.

It is in this context that Ster Kinekor cinemas on the 18th of March 2005 embarked on a price reduction strategy to get more people into the cinemas. The prices were cut in 70% of their cinemas from R35 to R14. A more exclusive "Ster Kinekor classic" option was created for the remaining 30% of their cinemas in the more upmarket centres nationwide. These sites have retained the R35 price point. This strategy was aimed predominantly at tapping into the "emerging black market". Ster Kinekor's research found that 45% of customers cited high cinema prices as a major deterrent to attending, preferring instead to rent a DVD or video and watch at home (www.sterkinetor.co.za).

The large concentration of multi and megaplexes in the same areas (e.g. 5 cinemas within a 10km radius- Hyde Park, Sandton, The Zone, Rosebank Mall, and Village Walk) leads to price discounting to attract audiences. This leads to cannibalization of existing cinemas therefore all becoming unprofitable. There is an emergent black middle class that is not catered for in South Africa in terms of accessibility to cinemas. Most industries in South Africa have taken advantage of this middle class; the exhibitors and the distributors have not taken advantage of this. This market still remains an opportunity for cinema exhibitors.

Below is a spreadsheet illustrating the number of 10-24 year olds, which provinces they live in, the % of the populations in the different provinces against the national population of 10-24 year olds, the number of cinema screens in the different provinces and the number of screens as a % of the total number of screens (Statistics South Africa and Cinemark Report, July 2006). For the purposes of this study we will name the group of 10-24 year olds the "Youth Market"

While Gauteng represents 15.37% of the youth market, 52% of the cinema screens are in Gauteng. Eastern Cape has the largest % population at 16.85%, but only 4.11% of available cinema screens in South Africa. The same applies to Limpopo, with a youth market % of 14.08 and only 1.03% of the cinema screens. It is clear to see that there is a disproportionate amount of screens concentrated in the urban areas, and almost a non existence of cinema screens in the rural areas. This is a challenge that cinema exhibitors need to deal with.

POPULATION ESTIMATES OF 10-24 YR OLDS IN SOUTH AFRICA				
Province	Population	% of population to total	No. of cinema screens	% of no. of screens
Eastern Cape	2474300	16.85	24	4.11
Free State	905300	6.17	13	2.23
Gauteng	2256550	15.37	303	52
KwaZulu- Natal	3223100	22	89	15.27
Limpopo	2067800	14.08	6	1.03
Mpumalanga	1058000	7.21	16	2.74
Northern Cape	255500	1.74	0	0
North West	1131300	7.71	10	1.72
Western Cape	1309800	8.92	117	20
TOTAL	14681650	100.05	578	94.99

Table 3: Population estimates of 10-24 year olds in South Africa by Province, and the number of cinema screens in those provinces.

Source: Statistics South Africa and Cinemark Report, July 2006

There is a difference in the way and the types of entertainment that is consumed by the urban and rural youth.

Urban and rural youth entertainment alternatives

Cinema exhibitors have been channelling most of their efforts in urban locations. This means that the cinema offering to date has been geared towards urban youths which make the bulk of the target market for cinema exhibitors. The challenge of stagnant cinema attendances however requires that cinema exhibitors look further than just the traditional urban locations for possible growth. As elaborated on in Table 3, the biggest concentration of cinema screens (number of cinemas) is in the urban areas with almost no cinema screens in the rural areas. The challenge for cinema exhibitors is make movies available to youth in rural areas, and more importantly this needs to be in a format that will appeal to rural youths.

There is a big difference between the patterns of leisure activity and time utilisation of urban, rural and semi rural African young people. Cinema exhibitors need to pay particular emphasis to this difference when opening cinemas for these different youth groups.

According to Mkhize(2003) Zulu traditional culture adolescents are brought up in different ways pertaining to the rites of passage to adulthood. Likewise their leisure activities are integrated with traditional beliefs. In his research titled "Convention and Invention as factors in the patterns of leisure time utilisation of Zulu adolescents in rural and semi-rural settings in Kwazulu-Natal" , Mkhize states that some of the leisure activities of rural and semi-rural youth include games such as Arigogo,Bar, Bullying, Climbing trees and swinging, cats and mice. Cats cradle, Dolly Bafana and Donkey Game. These games involve a lot of creativity from those playing them, and require very little in terms of equipment to play these games. In an environment where the youths have very little in terms of facilities, they have learnt to compromise and to make do with the little that they have.

Mkhize(2003) sites the following as the major barriers to leisure activities perceived by rural adolescents: availability of time (as the youths have to help out with family chores in their spare time), availability of resources in the rural locations (including cinemas) and income levels of parents (therefore the pricing of the leisure activity has a bearing on the potential take up of the activity).

In comparison to the rural and semi-rural youths, Shandu (2003) in his research titled "Convention and Invention as factors in the patterns of leisure time utilisation of urban African young people around Durban in KwaZulu-Natal, states that some of the recreational activities available to urban youths include the following: Cinemas, Sports Fields, Parks, Libraries, Live Theatre, Art Galleries, Beaches, and Museums. Even though most of the above are not available in the African Townships, and the urban youth living in the townships are not able to fully exploit these leisure activities, a point can be made of the fundamental difference in the leisure activities of the urban, rural and semi-rural youth in the KwaZulu-Natal area.

Even though both these studies were based only in KwaZulu-Natal, the overall findings in these studies can be extrapolated to most urban, rural and semi-rural areas according to the researcher. The most important point to be made is that there is a difference in the consumption patterns of leisure activities between urban, rural and semi-rural youth, and that cinema operators need to take this into consideration when moving into these areas.

Technological development

Currently digital exhibition is small in South Africa, but seems to be gaining popularity overseas. Studios have invested large sums of money in coming up with the most efficient and safest ways to distribute digital movies (e.g. Water marking on the products for ease of tracing). Digital movies are cheaper to produce than the traditional 35mm film prints which, could be good for local film makers, however old generation film makers do not believe in the digital format yet, and produce movies for the 35mm film print.

The advantage of the digital era is that a digital facility gives the exhibitors capabilities to use their cinemas for other revenue generating events such as sports, concerts etc.

Confectionery (prices and range)

The prices of confectionery are the biggest bone of contention with consumers who frequent the movies. They are seen to be expensive relative to what they cost in traditional supermarkets and convenience stores. In South Africa a medium coke and medium popcorn will cost about R20. This seems even higher when some of the members of loyalty programmes such as Discovery Movie Club pay as little as R7.00 for a film on half price Tuesdays. It just is not relative.

The exhibitors in South Africa have put a lot of focus on the price of cinema tickets through the price war between Ster Kinekor and Nu Metro Theatres. Parallel to that a lot of attention has been focussed on the prices of confectionery, proportionate to the ticket price. Consumers are justified in asking why a medium popcorn and coke can cost as much as three times the cost of a movie ticket, when we all know the cost of a packet of popping corn.

Confectionery is however a large part of the profits those cinema operators make, and the prices of confectionery items are unlikely to decrease. Profits from confectionery items are even more important in an environment of stagnant cinema attendances and suppressed box office revenues.

Other media

There are a lot of Medias that are competing for the consumers' attention such as Internet, magazines, video games and radio. All these media are competing with each other for the consumers' precious time as well as resources.

Quality of Movies

There are inconsistencies in the availability of good films made in Hollywood. This results in fluctuating performances at the box office. The Hollywood studios in the absence of local and alternative content are solely responsible in ensuring that there is a consistent stream of good quality movies, this however is not always the case.

In order to minimise their risks, Hollywood studios have gone to great length to build what they call franchises (James Bond, Harry Potter and The Matrix). These are titles that are familiar to the audiences, and are likely to find a more receptive audience. Initially these worked well for the studios, but have become boring and predictable to cinema patrons. This has been the case with sequels, and comic book adaptations such as Spiderman, The Incredible Four, Superman, X-men and Batman. This process has stifled the creativity of Hollywood studios and has been cited as one of the reasons for the stagnant cinema attendances.

Industry consolidation

The cinema exhibition industry is currently going through a period of consolidation. The large number of cinema chains that are on the brink of being bankrupt because of the consistent decline in cinema attendances, and reduced profits, making them easy take-over targets, brings this about. Some of the biggest buyouts in the world include Loews Cineplex Entertainment (in North America) being bought by a trio of private equity outfits led by Bain Capital for around \$1.5 billion. In Britain, Guy Hands' Terra Firma has acquired UCI and Odeon Cinemas for \$1.1 billion in August 2004.

With South Africa's attendance trends following that of its international counterparts, consolidation of the South African cinema industry could also be on the horizon. The lower attendances might not be viable/enough for all the operators in South Africa. This could result in a consolidation of the exhibitors. Whether this will make a difference for the consumers is debatable. But it is likely to make a difference to the operators as it should enable them to take advantage of economies of scale, and possibly give them a better bargaining position with the distributors/studios.

A phenomenon that has proven to be popular is of the bigger exhibitors selling of their unprofitable sites to independent operators, who are able to make profits out of these operations because of their lower operating cost structures. The negative of this is that these independent operators tend not to invest in these operations, further degrading the cinema experience.

Increasing demand for traditional retail space

With the booming retail market that we have seen recently in South Africa, property developers and shopping centre managers are starting to question the rental amounts that they receive from cinema exhibitors as opposed to rentals from smaller retailers (Adam Blow, Retail Director Zenprop Properties). Cinema exhibitors pay an average rental amount of R40 per squared metres and occupy large spaces as opposed to smaller retailers who pay an average of R380 per metre squared (a comparison between Nu Metro Theatres and Exclusive Books, which together form Johncom Retail). The developers are of the impression that they can get better yields for their investment if they did not have cinemas in their shopping centres. They would rather rent the spaces out to smaller retailers who would pay them higher rentals. This argument is further augmented by the declin-

ing/stagnant cinema attendances, diluting the exhibitors' argument that they are bringing feet to the shopping centres.

The National Association of Theatre Owners (NATO) believes that the stagnant cinema attendances are part of a cyclical downturn, and that this downturn will pass. NATO's president John Fithian, states that there is no truth in the statements that the stagnant attendances, the perceived lack of value of the experience and the evolving entertainment options in the home are the imminent death of the movie theatre. Fithian states that "we are beginning to turn the public perceptions tide as the numbers pick back up, and people realize that what we have been saying is true-the short term cycles depend on the product, while the long-term prospects for our business are sound" In Focus, The panic of 91, (June 2006:69).

What Fithian is proposing in the above statement is that the business idea of cinema exhibition in light of all its challenges is sound, and that short term attendance shortfalls should not be mistaken for a long term crisis in the exhibition market. He further draws reasoning from a article that was written on the 18th of February 1992 titled "The state of the Industry", by the then president of NATO, William F. Kartoizian, which states " My concerns were founded, for although 1991 box office will have been the third highest on record, theatrical attendances fell to a 15 year low. I do not have those same concerns today. In my opinion, 1991's results were 80 percent product driven and 20 percent economy driven. In the latter regard, it should be clear by now that with all of the in-the-home entertainment options available to people, we are not recession proof. We are recession resistant, however, as the least expensive form of out of home entertainment. In fact when we experience a fall-off in our business due to economic hard times, it is probably a signal that the economy has bottomed out and that in the normal course of events a recovery soon will begin."

Kartoizian (1992) therefore suggests that like the economy, exhibitors go through booms and busts, but however the business idea is sound even in light of all the new technologies and alternative entertainment opportunities available to cinema patrons. The researcher believes that this philosophy is a bit naïve and that the existing challenges and threats facing the cinema exhibition industry should be taken a bit more seriously, and not only discounted to a cyclical downturn.

Parallel to this stagnant progression in the cinema exhibition core business there have been dramatic innovations in the form of TV, Video, DVD, satellite, CD's and video games. With the introduction of each of these innovations the cinema exhibition industry has been challenged. For businesses to survive they have to see changes long in advance and prepare for them. That is the reason why business planning is so important.

According to Hamel & Prahalad (1994), strategic planning typically takes, as its point of departure, the extant industry structure. Traditional planning seeks to position the firm optimally within the existing structure by identifying which segments, channels, price points, product differentiators, selling propositions, and value chain configurations will yield the highest profits. Although a view of strategy as a positioning problem is certainly legitimate, it is insufficient if the goal is to occupy the high ground in tomorrow's industries. If strategy is seen only as a positioning game, it will be difficult for a company to avoid becoming trapped in an endless game of catch-up with farsighted competitors.

The above illustrates the point that paying attention only to the existing environment is not sufficient to secure a profitable future. Further, traditional strategic planning tools do not always yield the best results because of the emphasis it places on the current environment and not enough on the future environment and the external factors shaping that future. Applying a more visionary perspective to strategic planning would require that the business take into consideration not only the existing business environment, but also the future business environment. This would give the organization a perspective on the factors that are driving change in this environment, internally and externally.

The description of the external environment in which the business operates is essential because the environment has become more complex and uncertain; to be able to overcome this complexity and uncertainty business leaders need to plan for the future that fits new demands forced by external change and complexity. Porters five forces model will be used to describe the industry's external environment (section 3.7).

While strategic planning is used to measure the merits of business strategies, their feasibility and viability, if approached strictly traditionally, the organizations risk being unable to see the opportunities that lie outside only what is visible. For businesses to be able to see these opportunities, they need to have a clear understanding of what is shaping these opportunities in the forms of new competitors, changes in technology, demographics, and

the regulatory environment to name a few. Businesses need to know what shape and form their businesses need to be to remain relevant and carve a future position for them that is relevant to future consumers. Businesses need to take a new perspective on business planning.

Traditional planning approaches have to date been used in the cinema exhibition industry, and these have yielded stagnant results.

By looking at a wider pool of competitors and an enlarged trading environment, the industries management would already be breaking away from the traditional planning approaches such as forecasting that places little emphasis on the factors driving change in the cinema exhibition environment. Amara and Lipinski (1983) best elaborated on this approach and they termed their interpretation the planning framework. A more elaborate explanation of the planning framework is given in subsection 3.7.

3.5 NEW PERSPECTIVE ON BUSINESS PLANNING

One of the best definitions of planning is "Planning is the design of a desired future and of effective ways of bringing it about" (Ackoff 1970: pp 1). The emphasis being on the initiatives that needs to be taken to ensure that the desired future/"scenarios" does actually take place.

It is of no use to accurately predict the future if a business does nothing with these predictions. Industries should be aware of the increasing changes that technological innovations bring. In this context, the question then is "what are the factors driving change and shaping the future of cinema exhibition?" Alternative strategic planning is intended to modify existing rules, and to look at industries in an exploratory and open-ended way.

As in cinema exhibition, businesses need to know what they want to achieve, what they can do to achieve these objectives, and be aware of what they know and what they do not know.

To be able to most accurately determine which strategies are most suitable for a business, and at what stage, businesses need to conduct an analysis of their industry and be aware of the stage in the business cycle that their businesses are in.

3.6 DETERMINING THE ENVIRONMENT

As a starting point, to effectively use the recommended-planning framework, an industry needs to determine the environment in which it operates. This determination needs to consider the internal as well as the external industry environment. There are a number of techniques that has been written on determining an industries environment such as Competitor Analysis, Experience Curve Analysis, Industry Evolution Analysis, SWOT (strength, weakness, opportunities, and threats) Analysis and Value Chain Analysis. The decision of which method to use is dependent upon a variety of factors, some of which are: the industry; the time horizon; key success factors; past experience; degree of diversity and the size of the organisation, Walls,(1987:pp2).

The techniques that have been determined to be useful in this paper based on the above are: Porter's Five Forces Model for analysing industries, which integrates industry structural analysis, competitor analysis, and Industry Evolution Analysis, the Swot Analysis and the theory of the Business Cycle.

3.6.1 Industry analysis

The objective of industry analysis is to identify the profit potential of an industry; uncover the forces that would harm profitability; driving the profit potential; protect competitive advantage by defending against the forces that would harm profitability; extend competitive advantage by favourably influencing these forces; and proactively anticipate changes in industry structure.

From the above description of industry analysis, the following are most relevant to this research:

- The business/ industry have to determine the profit potential of their industry. All businesses are in business to make money
- Uncover the driving forces that influence this profitability. To be able to maximise these profits, businesses need to know what the factors driving profitability are, and to favourably influence these forces to maximise profit

According to Fleisher and Bensoussan (2003), Bain (1956) of Harvard University pioneered the theory of industry analysis; by disputing the theory of industrial organisation by suggesting that industry structure is not limited to size but is also determined by mobility barriers. The meaning of mobility barriers in this study is broken down into mobility

meaning moving easily, and barrier meaning obstacle. Bain suggested that the industry structure is also influenced by easily moving obstacles. This is not dissimilar to driving factors that are continuously changing, which are mentioned in paragraph 2.2.

However, it was Porter (1980) who integrated three key areas of analysis- industry structural analysis, competitor analysis, and industry evolution analysis to form a new model of competitive industry analysis. This model was called Porters five forces model.

The advantages of using this method are that it improves the analysis of the industry environmental component of strategy formulation and implementation, and enables a much tighter strategic fit in relation to the industries environment. The ability to effectively analyse the industries environment is important in being able to understand the driving forces in the industry. The driving forces shape the future of the industry, and are the basis for which an alternative strategic planning tool such as scenario planning can be used.

3.6.2 Porter's Five Forces model

Porter (1980) came up with a new model of competitive industry analysis known as Porter's Five Forces. Porter classifies five forces or "rules of competition" as follows:

1. Threat of new entrants.
2. Bargaining power of suppliers.
3. Bargaining power of buyers.
4. Threat of substitute products and services.
5. Rivalry among existing competitors.

Attached is the cinema exhibitions industry analysis as per Porters five forces model.

Threat of new entrants:

- The barriers to entry are high in this industry. It requires huge capital investments to open a cinema versus a retail operation such as a supermarket. On average it costs R1 million per screen. It is also difficult to find suitable sites. Cinemas need to be in big shopping centres as they take up a lot of space.
- With two big players in the industry (Nu Metro Theatres, and Ster Kinekor Cinemas), the new incumbents would face fierce responses should they encroach on their markets. Ster Kinekor Cinemas and Nu Metro Theatres have

the economies of scale and financial resources to make it difficult for a new entrant

- Cinema exhibition is a specialised industry, and the current operators have been in the industry for a long time. They have acquired a lot of experience and know how which would make it difficult for the new entrant to compete with
- The existing players have also managed to build brands for themselves that are easily recognisable by the consumers, and which results in customer loyalty. The new entrant would have to compete with this
- The new entrant could also encounter hurdles in the distribution of products, particularly new release movies. This is made worse by the fact that two of the biggest distribution companies are owned by the same company that owns the two biggest exhibitors in the country (Nu Metro Distribution and Ster Kinekor Distribution). There are anti-competitive laws that monitor the relationships between distributors and exhibitors to ensure that the playing fields are level and that one exhibitor/distributor is not treated unfairly against the other. This is particularly important since the two exhibitors have distributors as part of their companies
- There are small switching costs for consumers to switch to the new entrant provided the offering is of the same standard as the existing operators

2. Bargaining Power of suppliers:

- The bargaining power of suppliers is concentrated in this industry. There are three distributors that service the cinema industry with films. These films cannot be procured from anybody else. They decide to whom and in what quantities they are going to supply the films to
- With the above in place, the exhibitors also have substantial influence on the business of the distributors. When a film is first released, the distributors rely solely on the exhibitors to show their product, and this is how they make

their revenues, therefore it is in the supplier's interest that the relationship with the buyers (exhibitors) is sound and stable

- There is strong competition between the different distributors, and buyers can use this competition to play one studio against the other. This tactic however is available to the distributors too, and they can play one exhibitor against the other
- There are anti-competitive laws that monitor the relationships between distributors and exhibitors to ensure that the playing fields are level and that one exhibitor/distributor is not treated unfairly against the other. This is particularly important since the two exhibitors have distributors as part of their companies

3. Bargaining power of buyers:

- Buyers in this industry have a multitude of available entertainment alternatives to choose from.
- The industry operates in an environment of stagnant cinema attendances, and in a mature market. The number of cinema patrons is not growing, and therefore the current cinema patron has a lot of power. These current cinema patrons represent the bulk of the industries revenues
- Buyers in this industry do not have a thorough understanding of how the industry works. This lack of information often results in unfair requests from the buyers. They do not understand that distribution and exhibition are two different businesses, and that there is a supplier/distributor relationship between the distributors and the exhibitors.

4. Threat of substitute products or services:

- There is a high threat of substitute products and services in the form of alternative entertainment options. These vary from dining out, clubbing, picnics, to watching DVDs at home
- There is little if any switching costs to these other entertainment alternatives

5. Rivalry amongst existing competitors:

- The cinema industry operates in a market with no market growth. Therefore market share growth at the expense of the competitors increases the intensity of rivalry amongst existing competitors. The exhibitors are also faced with escalating operating structures in an environment of stagnant attendances. The pressure to service these escalating operating costs leads to fights for a bigger share of the market and effectively intensity of rivalry
- This is a specialised industry with specialised assets, which can't be sold to anybody else, but a cinema operator. This means that companies tend to stick it out longer than they would if they could exit the industry. There are high barriers to exit. Cinema operators also have to sign long leases with their landlords, and this means that it is extremely difficult and costly to exit non-profitable sites.
- There is little differentiation between the different exhibitor's offerings, therefore they tend to compete on price alone to gain market share.
- There rivalry between the two biggest exhibitors is worsened by competition from strong regional independent exhibitors in different markets and with different business models. Competing with all these independents and still look after the national business is a challenge and intensifies the rivalry between the bigger exhibitors as having more competitors reduces their share of the market in those regions

There are a number of challenges that could confront a business in its business cycle, and these different challenges require different corporate strategic choices.

3.6.3 The business cycle

There are 10 different examples of corporate strategic choices that illustrate the different stages in the evolution or development of actual businesses (Amara and Lipinski, 1983). These are; defining the corporate culture, developing new ventures, diversifying into new business, expanding into new businesses, expanding into new geographical areas, developing new products, increasing market share, maintaining a one-product strategy, turning a company around, phasing out of a declining business, and liquidating a business.

What is specific to this study is the choice of turning around an industry that is experiencing a decline in revenues primarily because of a changing external environment, particularly technological innovations.

The cinema exhibition industry is in the maturity stage of the classical product life cycle (cinema attendances have been stagnant for the past four years). This stage is characterised by price competition intensity (price war between Ster Kinekor cinemas and Nu Metro Theatres), finer distinctions between competitive products attributes (Ster Kinekor classic cinemas differentiated from a normal cinema experience by having couches in the foyers, flowers in the toilets etc).

Without the appropriate strategic intervention this industry could progress to the decline stage. However there are some characteristics of an industry in the maturity stage that the cinema exhibition industry does not have, such as market saturation. There are still some markets that have not been fully exploited in this industry, an example being the "black" market. This creates an opportunity for growth.

It is important to know the industries position in the business cycle to choose the correct strategic choice. In this study the industry is in the maturity stage of the business cycle, which has resulted in intense competition based on price to reduce the risk of unsold inventory (low occupancy rates) thereby commoditising the product. It is important at this stage to avoid initiating a price war, as generally none of the participants emerge victoriously. This is contrary to what has happened in South Africa with the two biggest competitors initiating a price war in the year 2005. This has not resulted in attendances growing substantially (growth from 2004 vs. 2005 is 4.6% Cinemark, January 2006)

It is therefore safe to say that the strategic decisions taken thus far have proven to be less than successful.

The shortfall with both Porters five forces model and the industries stage in the business cycle is that they are a snapshot of the industry at a specific time, and while they shed light in where the industry is at a particular time, they do not shed enough light on where the industry will be in the future. While strategic planning tools should use these models as a base, they however need to employ further tools that are more forward looking.

A different strategic direction needs to be taken, using different strategic planning tools. According to Hamel and Prahalad (1994), these planning tools need to rewrite industry rules and create new competitive spaces, which are more exploratory and open ended, and require a search for new functionalities or new ways of delivering traditional functionalities thereby enlarging opportunity horizons.

If the industry is in danger of moving into the declining stage in the business cycle, then industry players will need to come up with different strategies to get out of this stage and salvage what they can, or alternatively exit the businesses. To be able to identify the appropriate strategy, there has to be a view on the state of the industry (industry analysis), stage in the industries business cycle, factors driving change in this industry, and what influence these have on the shape of the industry both currently and into the future.

This research has as its core objectives, the determination of factors driving change in the cinema exhibition industry, and what influence these factors have on the shape of the industry both currently and into the future and the determination of strategies robust enough to deal with these futures.

There are a number of different approaches that a business could use to strategise for the future. In this study the approach chosen is scenario planning. The basis that scenario planning is the most appropriate strategising and planning approach for this research is based on the theory of the “three schools of thought” as distinguished by Van Der Heijden (2005).

The “three school of thoughts” distinguish between three different ways of approaching strategic management, and the emphasis that management places on strategy, driving factors that determine the future of an industry, as well as how much influence management has in influencing and ensuring a competitive position in this future.

More detail is given on the “three schools of thought” in section 3.13. A description of the movie industries business idea, as well as scenario planning and how both relate to the objectives of this research is given first.

The theory used in this research for business planning has at its core the framework determined by Amara and Lipinski (1983) called the Planning framework.

Amara and Lipinski(1983) were attracted by the explicitness and elegance of the analysis techniques for evaluating options and candidate strategies but troubled by the inadequate treatment of the external environment. They believed that corporate managers were confronted with a much wider variety of economic, social, regulatory, and competitive factors influencing performance. In summary according to them the factors affecting managers were:

1. More uncertain external environment
2. A wider range of candidate choices
3. Less stable performance.

Amara and Lipinski(1983) felt that choices based on historical experience or simple extrapolations, choices that are merely products of an obsolescent corporate culture, or choices designed primarily “not to rock the boat” would certainly lead to difficulties.

They therefore developed the Planning Framework.

3.7 THE PLANNING FRAMEWORK

According to Amara and Lipinski (1983) the planning framework was broken down into three sections:

1. Scenarios
2. Options
3. Consequences

Section 1: Scenarios

Their belief was that it is important to describe the external environment in which a corporation is likely to operate. While there might be a number of factors affecting an industry, only the factors that are likely to have the biggest influence on the company need to be considered. Management interviews and structured questionnaires can be used as methods for eliciting this information. Amara & Lipinski identified that drawing knowledge from within a company only was flawed and that external input was needed.

Raymond (2003) further reiterated the importance of tapping into external networks for planning purposes by stating that a company can use the present information that its “network” has collected to construct versions of the future that may or may not happen.

In this sense a “network” is a group of individuals from different walks of life, which the company has identified and has access to. The type of people invited to join this network is important. They must be people who think out of the box, and are able to offer different insights to a similar question. The company would put a question to its network members, and the network members would stream down their thoughts as and when things are happening. The company would have up to date information of the present, which they could then use to construct versions of the future.

This is relevant in the cinema exhibition industry as the competitors are not only exhibitors operating in the same industry, but also any other form of entertainment available. It is important for cinema exhibitors to know what is in and what is not. They have to stay on top of these changes to ensure that cinemas remain relevant and enticing when compared to other entertainment alternatives. A network of individuals in different industries plugged into the same customer segment can ensure this.

This highlights the importance of not taking a narrow view on the factors that could affect the industry, and to involve as many relevant participants in networks to identify possible external factors that could have influence on the future performance of the organization. In the cinema industry this means including people such as restaurant owners, pub owners, and music shop owners as opposed to only studios, distributors and exhibitors. The factors that are driving change in the alternative industries could also be driving change in the cinema exhibition industry.

Section 2: Options

To be able to deal with the scenarios identified above, options need to be pursued. This requires that both “ends” of the management process (thinking and action), be examined because of their closely intermingled nature of option generation. This means that decisions have to be looked at in conjunction with options, or in Amara and Lipinski’s terminology, the allocation of resources need to be pursued hand in hand with candidate decisions to be evaluated. In the cinema exhibition world this would mean that before deciding on the option to be pursued to grow cinema attendances, the resources that need to be allocated to pursue the choice options need to be considered. If the option is to pursue a technology intensive option to become technologically more relevant, then the amount of investment in technology (digital projectors, 3D enabling technology etc) must be considered with the option.

The resources can be of three levels:

1. **Financial:** which are derived from equity capital, debt instruments, or retained earnings.
2. **Physical:** this includes plant and equipment needed to carry out the research and development, product/service production and marketing
3. **Human resources:** this is the pool of human talent and skills required to carry out corporate functions.

Muddling Through

As an alternative to the traditional approach, the term “muddling through” (Lindbloom (1959)) was first used to describe the “cut and try” small steps that are used by management in some attempt to feel ones way into a new direction. This is pursuing an option by not fully pursuing it, but rather by trying it piecemeal, and incrementally investing further if it seems to be working. Strategy requires full commitment, and cannot be implemented partially or on a “cut and try” basis. Adopting this approach might not give the option a full chance to succeed. This approach can be seen as the safe approach, and is likely to produce safe results- nothing outstanding. This approach could be appropriate in an industry that was trending positively, and whereby the industry players just wanted to keep the status quo, and not rock the boat too much. This approach is however not appropriate in an industry that could be nearing its extinction if drastic and new approaches are not tested.

Logical Incrementalism

An extension to “muddling through” was described by Quinn (1980), based on a study of strategic change in 10 major corporations. According to Quinn (1980), “logical incrementalism” is shorthand for an “artful blend of formal analyzing behavioural techniques and power politics to bring about cohesive step by step movement toward ends which initially are broadly concerned, but which are then constantly refined and reshaped as new information appears”. This management approach is similar to “muddling through”, but is more analytical and systematic than “muddling through”. The shortcomings to this management process are similar to those of “muddling through”, the only difference being the analytical and systematic way that the process of incremental changes takes place.

Driving force

Another method is called the “driving force” (Tregoe and Zimmerman (1980)) where a dominant figure in the business (e.g. Managing Director) selects a theme on which corporate goals and objectives will focus on e.g. service, quality etc. While many business leaders can be remembered for the genius visions which set their businesses apart (e.g. Sam Walton of Wal-Mart fame), sustainable businesses cannot always be driven by the ambitions of the leader, which in some instances is driven by self fulfilment needs, and does not take into enough consideration the ever changing business environment, that requires ever changing and relevant strategic interventions. This approach is adopted by many businesses in a compromise to please the leader.

While a business leader should be allowed to determine the options that the business should be pursuing, the approach should however be more inclusive, and should as previously stated in this paper place a considerable emphasis on the factors driving change in the industry. The leader is unlikely to know all these factors without applying an approach that places great importance on them.

According to Amara and Lipinski (1983), the incrementalism and muddling through approaches rely heavily on “trial and error” to evaluate the “goodness/appropriateness” of a particular choice. A useful planning framework needs to be able to accommodate scenario inputs generated from an analysis of the external environment. It needs to reflect the dimensions of resource allocation choices (financial, physical and human). It also needs to be able to translate the interplay of scenarios and options or candidate strategies into specific consequences or measures of corporate performance. Management increasingly needs access to means of simulating the future performance of a corporation that will permit it both to evaluate its options or candidate strategies and stimulate generation of new ones.

This then means that to be able to choose the most appropriate options, corporations need to measure these options in light of the scenarios they are likely to be employed in. The chosen options should be able to withstand and carve a competitive advantage for their corporations in the most likely of the scenarios. They should also facilitate the allocation of resources based on their expected performances. The approach should be to fully explore the options that are robust enough against the most likely scenarios that have been identified.

The approach should not be to test the waters first, as this could prove detrimental to an organisation that is operating in an environment that is continuously changing (particularly on the technology front like the cinema industry), and whereby the options to try first might not be available. This then means that a great deal of emphasis needs to be placed on the factors which have the biggest influence, as well as the determination of the likely scenarios, to enable the most accurate choice of options and allocation of resources.

Section 3: Consequences

The greatest challenge after possible scenarios and options have been determined is to evaluate the expected corporate performance of each option (along the lines of financial, physical and human resource). Most corporations use financial modes, where scenarios of the external environment generally focus on economic factors and options tend to focus on financial resources. Parallel to this have been the development of judgemental modes, these are mental modes that guide the decision making for aggregating group judgements and focus on the impact of non-economic, softer variables in the external environment. At the third level are corporate strategic modes that deal explicitly and quantitatively with environmental variables, a range of options, and can formulate the interaction between variables and options into impacts on both financial and non-financial measures of performance.

The approach of Amara and Lipinski (1983) is different in the following ways:

1. It formulates a comprehensive framework for strategic planning
2. It focuses on strategic management for pivotal decisions rather than on the mechanics of budgeting or formal planning roles
3. It simplifies the process by reducing planning to its essential elements without distorting the more complex processes that underlie these elements

3.7.2 Development of the framework

The development of the framework was based on six component questions and descriptors attached below. According to Amara and Lipinski (1983), the cycle of six basic questions/activities can be related to the pragmatic world of corporate decision-making by constructing the complete process from the "ground up" in progressive stages.

QUESTION	DESCRIPTOR
1. What are the objectives?	Objectives
2. What principal factors and changes may influence achieving the objectives?	Scenarios
3. What choices do we have?	Options
4. How do we value the choices in light?	Consequences
5. How do we best allocate our resources?	Decisions
6. What do we monitor to improve the process by iteration?	Results

Stage 0: Little or no formal strategic planning:

This category includes actions that have been pre-programmed from the repetition or actions that stem from considerable prior experience that is still deemed to be a direct and useful guide to action. Decisions based on historical precedent or “muddling through” are the most common representatives of this mode of operation.

In the context of this paper, this would include following strategies based on past practises in the cinema exhibition industry. The film industry is viewed predominantly as a content (movies) dependent industry, and everything flows from content. All decisions and planning is centred on the movies and not enough emphasis is placed on the exhibition side of the industry. While film exhibition is at the core of the cinema industry, cinema operators have little influence on the content that comes out of studios, however this still remains the key variable used to plan and to extrapolate into the future. According to the researcher, this approach is flawed, as exhibitors should channel their strategic planning on variables that are directly in their control, and re-look at their strategic planning approach.

Stage 1: Objective driven planning:

“Objective driven planning is often concerned with achieving non-financial and financial goals/objectives, and one of its distinctive features is the creation of a dominated distinguishing corporate culture”, (Ouchi, 1981, pp225).

This approach is a step in the right direction as it takes into consideration both non-financial and financial objectives, however it is still not forward looking enough. The non-financial and financial objectives are still predominantly based on the past.

Stage 2: Financially driven planning:

This usually begins with a budgeting process tied to the statement of a set of predominantly financial objectives in terms of profitability or return on assets. This is the planning process that is probably used by most organisations. The same applies to the cinema exhibition industry. The budgeted amounts are inputted into a spreadsheet based on the expected returns set by the holding company, or as a minimum inflation amounts. The initiatives that are required or identified as the most likely to enable the achievement of these objectives are then identified and pursued. Very little if any emphasis is put into the driving factors that might be influencing change in the industry, and how they could inhibit or enable the achievement of these objectives. According to the researcher, this process is flawed because of the little attention it places on the external environment, and the factors driving change in this environment.

Stage 3: Strategy (or option) driven planning:

This stage has a wider range of strategic options provided to the decision maker. At this stage more elaborate corporate models are used that include marketing functions as well as financial operations (Naylor (1979)). Options that may be orchestrated into candidate strategies by corporations fall into three major categories: human, physical and financial. There majority of the types of option driven planning deal with physical and financial elements.

This approach considers more than just the financial objectives, but also takes into consideration the human elements required such as the selection of people required to achieve the objectives/strategies as well as how they will be remunerated. It also considers the physical elements such as production, location, capacity etc. This approach takes a much wider consideration of the different elements in the planning process, but still places little emphasis on the external environment as a basis for strategy formulation, but is rather inward looking in its approach and requirements to execute effectively.

Stage 4: Scenario (or environmentally) driven planning:

At this planning level, the full arrays of external environmental factors are included. Macro variables such as basic demographic and labour force characteristics (not only internally, but also externally) particularly as affecting consumer behaviour (external) and human resource needs, description of the regulatory climate (external), competitive variables

(external), and indices of new technological developments (internally and externally) and rates of technological diffusion are considered. Since variables can never be forecast precisely (unlike the stage 0 approach), the treatment of uncertainty now becomes an explicit and pervasive feature of the planning process.

For a business/industry to be able to plan at this level, a thorough appreciation and acceptance of the importance of the external environment and its uncertainty is required. Without uncertainty in the business environment, all participants would be able to determine the future, and what strategies they would require to win in this future. It needs to be emphasised that it is important to identify the key environmental variables and factors, and not all variables and factors can be considered.

Stage 5: Strategic management:

At this planning level, the final range of tools and approaches from the preceding stages are available to the management. A balance can be achieved between the “thinking- which includes scenarios, consequences, options and objectives” and “acting-, which includes decisions and results” components that matches the requirements of the situation. At this stage, the full range of environmental scenarios can now be played against a set of strategies or options to compare consequences. Correctional financial modes such as “forecasting” cannot be used for this purpose. Required are corporate strategic models that handle the wide variety of environmental and decision variables.

To be able to plan at this level what is important is the need to monitor the external environment rather than trying to forecast it.

There are three key components of the Amara & Lipinski's planning framework that need to be highlighted:

1. The probable (the environment)
2. The possible (options)
3. The preferables (values)

Or alternatively, what do we know, what can we do, and what do we prefer. For this study this equates to what is important to the cinema exhibition industry (the driving factors), what can we do (what scenario's are likely to take place, and how do we deal with

them/strategies), and which strategies do we prefer that are robust enough to deal with the scenarios identified as likely to take place in the industry.

To be able to apply the planning framework, it is important to:

1. Conduct an industry analysis to determine the environment,
2. Apply the theory and approach of scenario planning to come up with the driving factors and scenarios and
3. To formulate strategies to deal with the likely scenarios.

3.8 ORIGINS OF SCENARIO PLANNING

Scenarios were first used in World War 2 as a method for military planning for the US Air Force to imagine what its opponents might do and prepare alternative strategies. In the 60's a gentleman by the name of Herman Kahn, who was part of the Air Force, refined scenarios as a tool for business prognostication. Scenarios however reached a new dimension in the early 1970s with the work of Wack, who worked for Royal Dutch/Shell (the international oil enterprise) as a planner in their London offices.

Wack and his colleagues were looking at events that might affect the price of oil. Oil was seen as a strategic commodity, consuming nations wanted to keep the price as low as possible since the prosperity of their nations depended on it. There were however various significant events that could adversely affect the price of oil such as, the fact that America was using more oil, Organization of Petroleum Exporting Countries (OPEC) was flexing its muscles. These countries were Islamic and resented the western world's support for Israel.

There likelihood of oil prices going up was almost certain, the only question was when. Royal Dutch/Shell wrote two sets of scenarios. These scenarios were used to help the managers at Royal Dutch/Shell imagine the decisions they might have to make if and when these scenarios did take place.

3.9 STRATEGIC PLANNING TIMELINE

Dincer *et al.* (2006) gave a timeline of how the strategic planning process evolved through the years. This timeline is important to illustrate the acceptance of strategic planning and more specifically scenario planning by the management fraternity, and highlights some of the reasons for the demise and acceptance of the importance of strategic planning.

This also highlights the merits of using scenario planning, as specified by management through the years. This timeline ends in the years 2000's with scenario planning once again being accepted as an effective strategic planning tool.

1960-1970's: in this period managers acknowledged strategic planning as "the best way" to develop and implement strategies, and were capable of providing businesses with a competitive edge (Mintzberg (1994)). In these years strategic planning was viewed as being effective, and was employed by most businesses.

1980's: in this period strategic planning suffered a downturn in popularity and influence because of the failures of most corporate planners in foreseeing the two consecutive recessions of 1980 and 1982. Strategic planning was blamed for these failures. Doubt was cast on the view that strategies are always explicitly and deliberately formulated. But rather, it was argued that strategies can come about from actions of the employees of the organisation without any grand strategy (Mintzberg and Waters (1985)), and that strategic planning during turbulent times was questionable and planning was viewed as leading to rigidity and stifling innovation (Frederickson and Mitchell (1984)).

1990's: At this time the value of strategic planning was diminished and companies had reduced the size of their planning departments. In 1996, the business week heralded the return of strategic planning, the reason being the prevalent feeling at the time that "practical strategic advice can be based on sound deduction and systematic observation" (Foss (1997)). The development of the resource -based view of strategy or in Amara and Lipinski's terminology- the allocation of resources to pursue strategy also played a role in the resurgence of practical strategic planning (Barney (1991), Grant (1991)).

2000's: A number of studies were carried out to ascertain the relationship between strategic planning and corporate performance by (Greenley (1986), Miller & Cardinal (1994), Pearce *et al.* (1987), Kukalis (1991), Bresser & Bishop (1983)). Armstrong (1991) in his extensive review of the relevant literature concluded that formal planning systems had a positive impact on corporate performance. Other research, Andersen (2000) provided further evidence that strategic planning measured on the basis of the conventional strategic management paradigm (good formulation, environmental analysis, strategy formulation, implementation and control) is conducive to higher organisational performance. This study noted a positive association between planning and performance, particularly in dynamic

and complex industries, by enhancing the effectiveness of management throughout the organisation.

Scenario planning has therefore gone through periods of being viewed negatively; however through research conducted by a number of academics, a correlation even though not quantitative was concluded between the use of scenario planning as a strategic management tool and the performance of the organisation.

3.10 SCENARIO PLANNING AS A TOOL TO PLAN FOR A PROFITABLE FUTURE

The term “scenario” is taken from the world of theatre and film, and refers to a brief synopsis of the plot of a play or movie. In a planning context, scenarios can be described most simply as stories of possible futures that the organization might encounter (Wilson *et al.* (1994)). They are holistic, combining social, technological, economic, environmental, and political factors and events, the qualitative as well as the quantitative. Scenarios involve coming up with possible futures for the industry taking into consideration the above trends. With a perspective on the future, devising strategies required to succeed in those futures.

There has been an increased interest in the use of scenario planning as a strategic planning tool. While all the reasons for this interest are not known, the common reason sighted for the growth in the use of scenario planning has been the increasing dissatisfaction by management of conventional planning methods such as forecasting.

Projections are commonly used to predict expected business revenues. In cinema exhibition this takes the form of predicting the cinema attendances and multiplying them by the expected ticket prices to work out the expected revenues. This is particularly difficult in the cinema industry as there is no precise measure of how well future movies will perform. The performance at the box office could go either way. Therefore predictions are in most cases not very accurate but are rather done to fulfil budgeting requirements. These predictions therefore place a large emphasis on assumptions about the future, which make it difficult to predict the future.

Scenarios are intended to enable management to question the assumptions that they are making around the attendance and ticket price numbers, and not only look at the numbers. What are important are the driving factors behind the numbers, even more than the numbers themselves.

According to Schoemaker (1995), scenario planning attempts to compensate for two common errors in decision making – underprediction and overprediction of change. Most people and organizations are guilty of the first error. Although change in all aspects of our lives is accelerating dramatically, we tend to imagine the future without such a rate of change. Think how it would have been a hundred years ago to imagine the factors that propelled society into today's brave, new technological world where cars, airplanes, televisions, stereo's, computers, ice-makers, and pacemakers are common place.

Cinema exhibition requires a large amount of capital investment in the form of exhibition equipment. The investment decisions made today will depend largely on the expected returns into the future. The future will determine the success of these investments. If the future is predicted incorrectly by incorrectly diagnosing factors driving change in the industry, then investment decisions made today could have dire financial consequences to any business operating in this environment. There has to be a calculated view on what the future of cinema exhibition is likely to be.

Scenario planning is not the only planning tool, but is deemed to be the most appropriate when being compared with industry foresight and forecasting as the other two alternative planning tools.

3.11 CHALLENGES FACING SCENARIO PLANNING

According to Millet of the energy products group, Battelle(2003), in his paper titled "scenarios; challenges and opportunities"; some of the biggest challenges and reasons why corporate leaders and mid level managers have not fully embraced scenario planning as a strategic management tool is because top management view scenario planning as a tool to determine the " big picture" strategic scenarios, and mid level managers complain that these "strategic scenarios" do not address the competitive issues and the critical decisions that they face on the day to day running of their business. Therefore scenario planning is viewed as good for the pie in the sky business thinking, but lacks the operational appropriateness to translate to an added advantage at grass roots level.

Some of the reasons for this opinion sighted by Millet (2003) include:

- The amount of confusion that is present over the definitions and methods of scenarios. Consultants use the term "scenario development" to describe a variety of different methods and practices. Millet states the importance for business leaders to

clearly articulate what methods and types of results would best be suited to their needs

- Lack of experience of the consultants hired to employ scenario planning. Consultants might be good at conducting scenario planning, but have no knowledge about the industry within which they are conducting this planning.
- Lack of evolvement of the scenario planning methodologies. Both the intuitive and analytical scenario methods have been practised for more than 30 years with many marginal improvements but no radical revision. According to Millet, Scenario planning needs to go to the next level, for example where a combination of the creative, intuitive scenario methods can be combined with the analytical scenario methods. Analytical scenarios can be used to give the thinking more vigour and precision. The outputs of scenarios can be used as inputs to more qualitative models

Solutions to these challenges:

- Scenarios need to be used for much more than just strategic thinking for senior managers, but should also be used for “near-term decision making”, for example as a forecasting tool
- Scenario planning can also be used for market research and new product development. Millet states that scenario planning could be more suited for this objective more than traditional market research that is effective for identifying short-term consumer demand, but not effective when considering long-term demand. Scenarios can help simulate the needs and desires of the future consumer, and the development of new products. It is this use of scenario planning that is most appropriate to the researcher for the purpose of this paper

An example of how successfully this can be done is the work done in the 1990's by Battelle. They generated scenarios on the future of household cleaning, and helped create products from these scenarios better suited for this future.

From the practical application of scenario planning by Battelle, it would then be accurate to draw the conclusion that it would be appropriate to use scenario planning for determining the future of cinema exhibition industry in South Africa. The process used by Battelle was to identify major trends in the cleaning industry, and through this process

identified a new product that would be suitable taking into consideration these trends. Similarly scenario planning can be used to determine the factors driving change in the cinema exhibition industry and using these factors determine the best strategies for this future.

3.12 PITFALLS IN SCENARIO PLANNING

Earlier to Miller's paper, Schoemaker (1999) of the Emerging Technologies Management Research Program at the Wharton Business School came up with 20 pitfalls for scenario planning that he had come across in his article entitled "Pitfalls in Scenario Planning. A checklist of traps to be avoided". He divided these pitfalls into 2 parts:

1. Process – problems with the way scenario creating activity are conducted.
2. Content – problems with the quality of the input.

3.12.1. Ten process pitfalls

1. Failure to ensure top management support- top management should be involved in the scenario process from an early stage. They ultimately are the ones that determine any significant change in strategy. Failure to involve them early on hampers the credibility with which top management could view alternative futures that emerge from the process.
2. Not enough contribution from the outside – outside experts' e.g. consumers, suppliers, regulators should be involved to provide valuable knowledge. This is similar to the importance Raymond (2003) attached to Networks (explored in section 3.5.2). The involvement of these networks adds to the diversity of input.
3. Lack of involvement of line and staff people- generally consultants are brought in to conduct scenario planning and to facilitate the strategising process. However line management and staff are not involved in the process, even though they have valuable knowledge, and have to deliver on the strategy.
4. Unrealistic expectations- managers need to understand a) the extent to which scenario planning is concerned with the long term, b) that in this long-term the future cannot be extrapolated from the past, c) that although basic trends can be identified, there are key uncertainties that cannot be predicted, only explained.
5. Poorly defined roles and failure to keep on track. To prevent the process unravelling or drifting off course, roles must be well defined.

6. Roles and tasks must be clearly assigned.
7. Too many scenarios – the practitioner must not create too many scenarios.
8. Not enough time allowed – time must be allowed to do diligence to the process.
9. Failure to link to existing process. Scenario planning should not exist in isolation. It must be linked to existing organisational process such as budgeting and planning, and not be seen as a replacement.
10. Failure to link to everyday world. Scenario planning must stay relevant to the everyday business environment. Failure to do this leads to anxiety with line management on its suitability and practicality to the existing business environment.

3.12.2. Ten content pitfalls

1. Failure to take the long view. Organisations should not focus on existing products, markets etc. Scenarios investigate opportunities many years ahead, the timeframe depending on the industry, the rate of technology change etc.
2. Failure to take the wide view. The participants need to look beyond their own industry to see how factors such as globalisation and new technology have affected other industries.
3. Too much attention to trends. Participants should not focus too narrowly on current trends. This leads to a limited range of outcomes. This effectively means that the past is simply projected forward and unpredictable possibilities are ignored.
4. Too homogeneous a range of views. Organisations should capture the full range of opinions from inside and outside the industry.
5. Lack of internal logic. Practitioners need to check that they do not combine elements that wouldn't happen together in the real world.
6. Failure to look at the deeper level causes. Practitioners should not only concentrate on immediate factors that affect the organisations. Scenarios should explore the underlying drivers of such indicators, e.g. growth of home viewing of movies etc.
7. Failure to challenge mindsets. Scenarios should challenge conventional wisdom, but not become too difficult to contemplate.

8. Failure to make scenarios dynamic. Scenarios need to show how a particular future came out of the particular present.
9. Irrelevance. Scenarios must be relevant. Decision makers must be able to identify with them.
10. Failure to create a real breakthrough. The aim of scenarios is to generate new strategic initiatives. Adopting fresh approaches may appear too risky to those who did not take part and therefore may not understand the thinking behind the moves.

From the above pitfalls, the reasons why scenario planning has not become a more commonly used strategic planning tool, and in some cases lacks credibility is not about the effectiveness, relevance and appropriateness of the planning tool, but rather the execution of the tool.

The failure of scenario planning in its inability to gain widespread acceptance is because the process is mostly either not well understood and therefore not executed properly, or if well understood is not executed with the inclusion of all relevant stakeholders who have the knowledge and ability to make the tool as robust as it should be. This is further complicated by its subjective nature, and the different interpretations available. The process however has an advantage, and can be used competitively to carve a successful position for an organisation/industry that is able to fully embrace its benefits, and avoid the traps inherent in the process.

Scenario planning is therefore still relevant, particularly in the context of defining factors affecting an industry such as cinema exhibition in South Africa which is characterized by a continuously changing environment driven by technological, market and consumer changes.

3.13 SCENARIO PLANNING AS A STRATEGIC MANAGEMENT TOOL-THE 3 SCHOOLS OF THOUGHT

According to Van Der Heijden (2005) there are three different schools of thoughts to distinguish strategy:

1. Rationalist, aimed at finding the "optimal strategy"
2. Evolutionary, assuming that strategy emerges and can only be understood in retrospect

3. Processual, allows managers to intervene in the process, in order to improve the chances of success in the future

3.13.1 The rationalist school of thought

There are fundamental differences in these three schools of thought. The rationalist thought aims to get as close as possible to the most suitable strategy for a business, or the closest to this. Emphasis is based on the variance theory that result "A" is associated with a change in variable "B". That way it is possible based on history to predict fairly closely the future. Forecasting falls into this school of thought. Meaning that it is possible to predict what the future will bring, and the strategists' job is to identify a strategy that will enable the company to win in the future.

This school of thought is what has been used to predict future performances in the cinema exhibition industry. Attendance figures of the year before are used as a base and expected escalations are added on to this base, therefore ensuring that for budgeting purposes, a growth in the attendance numbers is budgeted. Short term driving forces might be taken into consideration in coming up with these numbers, such as poor performing sites will be budgeted down in accordance with the previous year's performances'. Not enough attention is put on the reasons for these poor performances though.

Cinema ticket prices are continuously increased along expected inflation rates. Not enough attention is however placed on the decreasing costs of entertainment alternatives that compete with cinema exhibition. Home entertainment units are getting cheaper and cheaper, while cinema film tickets and confectionery are getting more expensive, thereby diminishing the value proposition that cinemas used to offer. Things such as, location and pricing cannot be taken as a given, they are continuously changing.

This school of thought is found to be unacceptable in this study. There are uncertainties in the business environment, and these uncertainties must be taken into consideration.

3.13.2 The evolutionary school of thought

The evolutionary school believes that it is not possible to predict the future, and that there is no merit in trying to come up with a future focused strategy as such a thing does not exist. The business environment is ever changing and all that managers can do is react favourably when the future does take place. "The evolutionists tell us that the idea that we

can change and improve our corporate survival chances by thinking through our situation and trying to develop an adequate strategy is based on an illusion” Van Der Heijden (2005), (2005). Strategy emerges as the future unfolds. This theory leaves managers disempowered as it means that managers are in fact unable to affect any real difference in the future of their respective organisations.

If managers are not actively able to pursue a competitive position for their businesses, then the whole idea of strategising is flawed according to the evolutionary school of thought.

This school of thought means that cinema operators should not be concerning themselves with the driving forces affecting their industry, but should rather take it as it comes.

This thought is unacceptable. Future success of any business cannot be left to chance, based on the premise that the organization that reacts the best to changing environments will win, without taking a view of what those changes are likely to be and the factors driving this change. This is particular to the cinema industry, as there is a lot of technologies that are continuously being developed that compete with movies as an entertainment alternative.

3.13.3 The processual school of thought

The processual school believes that managers are able to intervene as environments unfold and can improve the chances of a businesses success in the future. This school accepts that there is uncertainty in the future, but unlike the evolutionary school they do not believe that there is nothing that can be done by the organization to navigate through this uncertainty and create an organisation that combines both action and thinking to come up with a number of environments in which the business is likely to operate in, and direct the business towards the more favourable environments where they have a better chance of survival.

While uncertainty cannot be done away with, by applying resources and thinking long and hard, it can be narrowed to a point where the most important uncertainties are the ones that the business focuses on, and where action needs to be taken.

This last “school of thought” is the most appealing. The belief that “Gurus” can use some sort of mathematical forecasting tool to predict suitable strategies for different businesses without having an inherent understanding of the particular business environments,

its uncertainties and predetermined elements is flawed. All businesses differ, and the likelihood of a business succeeding in the future is its ability to come up with an innovative and unique solution to tomorrow's challenges sooner than any of its competitors.

The processual "school of thought" is the underlying rationale for scenario planning as a tool to plan for a profitable future and it is the "school of thought" that is most appropriate to this study based on the emphasis it places on factors driving change in this industry, predetermined elements and critical uncertainties inherent in the business environment.

3.14 THE IMPORTANCE OF DRIVING FACTORS, PREDETERMINED ELEMENTS AND CRITICAL UNCERTAINTIES TO SCENARIO PLANNING

An essential belief that Wack (1985) had was that some elements of the future were preordained, and that they would be the consequential outcomes of events that had already taken place. These were predetermined elements. In other words aspects of the future can be determined with a high degree of certainty simply by looking at the world as it is now and using the detail accrued to create a level of knowledge that allows you to project forward.

This is exactly what this research is intended to do. To determine the future of cinema exhibition in South Africa by using events that have already taken place and are currently persistent (driving factors), those that have not taken place, but can with a level of accuracy be predetermined as well as those that remain uncertainties, but could have a significant influence on the industry should they become a reality.

"The idea of strategising implies that there is both uncertainty as well as predictability in the business environment". Without these two ingredients, there would be no point in strategising. What is important is to determine what will make the biggest difference in the cinema exhibition industry. Not all uncertainties can be looked at, but rather those that will have the biggest bearing on the industry. The art of scenario planning is combining these uncertainties with predetermined elements and coming up with different futures that reflect various different structures of cause and effect, depending on how these uncertainties play out.

3.15 UNCERTAINTY

Uncertainties have to be taken into consideration before decisions can be taken. The period within which a business should plan is a balance between the force and instability in the business environment. This point further illustrates the importance of conducting an industry analysis, as well as determining the industries stage in its business life cycle.

According to Van Der Heijden (2005), "the degree of predictability gradually goes down the further we look, and uncertainty goes up. In the very short term predictability is high and (frequent) forecasting is the preferred planning mode. In the very long term everything is uncertain and planning demonstrates diminishing returns. In the middle zone where there is a level of predictability (there is ability to predict what the driving factors are) but also considerable uncertainty and scenarios are more suitable.

Uncertainty is a significant challenge facing the cinema exhibition industry. Traditional planning methods such as industry foresight and forecasting place very little emphasis on uncertainty and are therefore not suitable to be used for strategic future planning purposes. Scenario Planning, which places a lot of emphasis on uncertainty, is more suitable.

3.16 PREDICTABILITY

Acceptance of the fact that some things are predictable is one of the bases which strategising becomes relevant. If nothing was predictable, why even strategise, as there is no way of predicting what the future holds.

If we look back a number of years very few people would have predicted that animated movies would be such a big and important part of studio revenues. Today, movies such as Shrek 2 gross more than 35 Million rand in box office returns in South Africa alone (www.uip.co.za). What will be the animated equivalent five to ten years from now?

With scenario planning, some of the events are considered predetermined and are perceived as similar within all different scenarios and some are uncertain and will differ for the different scenarios. It is through analyses that we are able to differentiate one from the other.

An analysis starts with perception through observation of events. While observing driving factors we start seeing trends and patterns. Once we see a pattern we then ask

where this pattern comes from “causal thinking”. This leads to an underlying cause/effect structure behind the events we are observing. This then becomes our process theory/mental map of reality. Using the above approach, we can determine a better response to the challenges presented by the observed events/driving forces.

An example of this is the observation that ice cream/frozen yoghurt retailers do particularly better when their operation is in close proximity to a cinema operation. Sales of the above peak around the same time as those of cinema exhibitors. There is therefore a cause and effect relationship between cinema exhibition and ice cream sales. Cinema exhibitors could look at offering ice cream as part of their confectionery range, as consumers who watch movies seem to enjoy ice cream as part of their outing.

There are a number of these trends and patterns that can be observed. These trends should form part of the basis for which decisions about the future are made.

The assumption is that events do not happen at random, but are related to each other through a structure where causes drive effects and one event leads to another. It is important to look for a correlation between the multiple trends, and ideas to get an underlying structure (the relationship between two variables). If every time the price of movies is reduced, there is an increase in attendances, then there could be a relationship between these two variables (price and attendances). This could help answer the question of why things happen.

Scenario planning is however not the only strategic planning tool. Its appropriateness is however validated when being compared to other planning tools such as industry foresight and forecasting.

3.17 SCENARIO PLANNING IN OPERATION

Section 3.17 deals with the theoretical review of scenario planning in operation.

3.17.1 Scenario planning in action

According to Blau (2004), practitioner at the Global Business Network (GBN), Scenario planning involves making decisions regarding:

1. The problem and the timeframe
2. The forces that are driving the market, and,

3. Certainties and uncertainties

Determining the “problem” facing the organization/industry is the prerequisite to being able to conduct scenarios. Articulating the business idea is the start to using scenario planning. The organization has to have a clearly articulated business idea to be able to determine key factors/forces in the business environment, certainties and uncertainties as well as selecting scenario logics. Once this is determined, then decisions regarding the above can be made.

3.17.2 The business idea in the context of scenarios of the Business environment

- The organization starts with its concerns, e.g. the stagnant cinema attendances. This is happening overseas, and can be seen to be happening in South Africa. This is a good start to search for structure around the area of puzzlement around this big issue
- There are some predetermined elements that can be included in the first analysis phase. These predetermined elements could include demographics of those that frequent cinema exhibitions, economic developments in the country-the economic empowerment of the previously disadvantaged and cultural beliefs (demand for more culturally relevant product vs. Hollywood blockbusters)
- The scenario process needs to identify the causal links behind these slow-changing causal structures of the systems studied
- The scenario planner needs to search wide for these relationships. All ideas at this stage need to be taken into consideration. These will be fine-tuned as the process unfolds
- There are two processes that can be used in developing these scenarios; generative and adaptive scenario based planning

3.17.2.1 Generative Scenario based planning

Information is sought in an effort to gather more knowledge about the situation. All information that could be relevant is considered. The scenario planner uses scenarios to make sense and to create some order of this knowledge.

The first round of this knowledge gives a better understanding of what is known and what is not known. The questions of what still needs to be known will emerge. These questions will lead the planner to further relevant information. This process carries on for a number of cycles until diminishing returns set in. With further consultation, and interviewing, the planner will get closer to the nature of the concerns. These will still however be poorly structured, and vaguely outlined. This needs to be transformed to a clear understanding of what is predetermined and what is uncertain in the situation. The more uncertain's that can be discovered the closer the organization would be getting on top of the situation. The process is to get as many predetermines as possible.

3.17.2.2 Adaptive scenario based planning

The difference between adaptive scenario based planning and generative scenario planning is that the adaptive process is not so open ended. In most cases the first or second-generation scenarios will be considered the final set against which the business idea will be evaluated. This means considering the existing business idea (e.g. cinema exhibition value proposition) against what scenarios tell us about the characteristic of the future business environment, to establish the degree of fit. Once we have decided on the set of scenarios of the future that are considered relevant to the business situation, each scenario must be treated as equally plausible. This is similar to the inductive method (Schnaars (1987)). This method first reduces the number of factors to a manageable number, and then project potential future values to multiple combinations of these factors to derive plausible scenarios.

The business idea must be gauged how it would stand up if any of the scenarios where to play out. The analysis should address the following questions: will the "customer value system" overlap sufficiently with the organization/industry competence system (will cinema exhibitors be able to fulfil customer expectations in terms of value- going to the cinema vs. other leisure alternatives?). Will this competence allow the organisation/industry to appropriate enough profits to be sustainable (can cinema exhibitors keep customers coming back without reducing the prices to a level that it becomes unprofitable to exhibit movies? Will the organization/industry be able to defend this competence against competitive emulation (technological advancements in home entertainment and competition from other entertainment alternatives are high? Will cinema exhibitors stay relevant and evolve with these changes?).

Having gone through the scenarios, a judgement needs to be made on whether the answers are positive enough to instil confidence in the future strength of the existing business idea formula.

The answer could be that the business idea is strong and there is a need to exploit this winning formula. There is difficulty in knowing with certainty that the business idea would be strong in the future. Adaptive scenario planning would help alleviate this doubt by continuously asking, "could anything go wrong with the existing business idea?"

The other alternative would be that the business idea is weak, and has no future. In this case new insight is needed for the business ideas reinvention. This then becomes the reason for conducting scenario planning. The process then reverts to the generative mode.

In summary, the difference between generative and adaptive scenario planning is that the generative process takes a broad view of ways to improve and/or change the competence system of the existing business idea (exploring the environment, leading to new and unique strategic insights) and the adaptive process takes a limited view of the possible scenarios that might plan out, but will exhaust the relevance of the competence system based on these scenarios (evaluating and adapting the organisation business idea).

The choice of which process to use depends on the organizations understanding of its environment, ideas and insights, the driving forces, system structure, uncertainties and predetermined elements. For the purpose of this research, the adaptive process will be used because of time constraints.

3.17.3 The problem and the timeframe

"Problems" which will consume management's time in the future are unlimited. It is important to determine what challenges are ahead, and that they are dependent on future forces that are uncertain and critical. The period/timeframe that the industry needs to forecast is also important. An appropriate timeframe must be chosen. It must not be too short that it loses the benefit of scenario planning, and it must not be too long.

3.17.4 The forces that are driving the market

It is important to articulate the driving forces that determine and shape the industries problem. These could include economics, the environment, politics, society, and technology. This could be done by using the STEEP model.

The STEEP model covers the (social, technological, economic, ecological and political or legal) aspects that impact the industry. According to Fleisher & Bensoussan (2003), industry's are embedded in a wider microenvironment that can significantly impact the competitiveness of industries and the companies within industry's. In order to make the task of environmental analysis more meaningful, the general environment has to be broken down into more homogeneous and manageable subcategories. The STEEP categorization is an effective one.

Fleisher & Bensoussan (2003) further state that the most significant purpose underlying macroenvironmental analysis is to arm decision makers with accurate and objective forecasts of significant trends in environmental factors. It has the explicit task of leading executive thinking beyond current activities and short time horizons, although it must make frequent and sensible linkages to current and shorter-term activities to retain credibility.

3.17.5 Certainties and uncertainties

Once the driving factors are identified, they are categorized by which are certain (e.g. the growth of home entertainment systems) vs. which are uncertain (e.g. the future of compressed content distribution).

Scenario's can then be created based on which driving factors are most important and most uncertain to the problem at hand.

There is a vast amount of literature that is written on "the steps to develop scenarios". The approaches are more or less the same, and most draws from work written by Schwartz (1996) in his book "The art of the long view". One of the other pioneers of scenario planning is Jay Ogilvy (2002). Jay Ogilvy is a cofounder of GBN, a Partner in the Monitor Group of Companies, and author of Creating Better Futures.

A combination of Ogilvy and Schwartz's approaches to describe developing scenarios is used.

Step 1: Organizational Decision(s)/ Identify Focal issue or Decision

The first step involves clarifying the strategic decisions that the organization is faced with, and that the scenarios should help to address, ("What will decision makers in the cinema exhibition industry be thinking hard about in the near future?"). The decisions can be as broad as the strategic future of the industry (e.g. "what initiatives should exhibitors pur-

sue to grow cinema attendances?), or as specific as pursuing other digital content (e.g. exhibit soccer matches and use cinemas as venues for Church services on Sunday mornings?).

The best way to ensure that scenario planning makes a difference in the industry is to begin with important decisions that need to be made, as well as the mind-set of the managers making them. It is important to clarify the “decision focus”, because scenarios are not an end in themselves, but rather a means to help exhibitors make better strategic decisions. Also a tight focus will prevent the scenarios from moving into broad generalizations of the future, losing their implications for the particular industry.

Van Der Heijden (2005) further elaborated this approach in his book “Scenarios, the art of strategic conversation by stating the following:

- The purpose needs to be articulated upfront in order to select the appropriate methodology. (Why do we want to do this in the first place)?
- Articulating the organisations business idea (as detailed above). This helps the organisation recognise, articulate, and understand the driving forces in their business environment and how these are related
- Asking the business to express its concerns and its anxieties about the future. From this an agenda can be developed of issues that the industry feels to be important for its success
- Need to determine what drives the success of the industry. This can be done by either challenging and engaging the business leaders by means of individual interviews of a semi-structured nature or conducting a questionnaire to determine the factors

Step 2: Key Decision Factors/Key Forces in the Local Environment

These are the main things exhibitors would like to know about the future in order to make their strategic decisions. While it is accepted that the future can’t be known for certain, exhibitors need to have a position on such issues as future populations, technological advancements in the future, listing facts about customers, suppliers, competitors etc. Maintaining focus on the essential decision factors will ensure that exhibitors concentrate on what is important for their planning purposes. What will decision-makers in the exhibition

industry want to know when making key choices? What are the considerations that will shape those outcomes?

Step 3: Environmental Forces/ Driving Forces

Accessing key forces that will shape the future of the “driving forces”. This can fall into both narrow based trends that impact directly and specifically on one of the factors e.g. consumer education (the question “what are the forces behind the micro-environmental forces identified in step 2 can help determine this”), or broad based trends that have a more broad effect such as demographic patterns, economic growth and income distribution. To be able to have more realistic planning, reduce the element of surprise, and have a better ability to prepare for sudden shifts in trends, the exhibitors must understand the multiplicity, interaction, and uncertainties of these forces.

It is important to know what is inevitable and necessary and what is unpredictable and still a matter of choice. In order to define the driving factors, research is usually required. This research may cover markets, new technology, political factors, economic forces etc. The point is to limit this list to factors that are the most important, and the most uncertain.

Two key approaches that can be used for step two and three are conducting interviews and a questionnaire. For the purpose of this research, a questionnaire will be used.

Step 4: Selecting Scenario Logics

This step is important in establishing the basic structure of the scenarios, and is the heart of the scenario planning process. Most of the “high-impact/high uncertainty” forces can be grouped among two or three critical “axes of uncertainty”. It is very important to determine these axes to get the best results in the entire scenario- generating process. Each of these axes presents two opposite “logics” (different views of the way the industry might work in the future). The goal is to end up with a few scenarios whose differences make a difference to decision makers. These differences must be few to force exhibitors to consider only the possibility of drastically different futures otherwise the process dissipate.

Importance of not falling into the trap of having two extreme axes, and one middle of the road must be stressed. This would take away from using scenarios and perpetuates the “blinkers” dilemma.

Step 5: Fleshing out the scenarios

When fleshing out the scenarios, it is important to refer to the list of key factors and trends identified in steps two and three. Attention must be given to each key factor in each scenario. Scenarios must have some of these features:

- They must be dramatic, compelling, logical, and plausible
- They need to describe how the world would get from here to there?
- They need to have highly descriptive titles that convey the essence of what is happening in each case
- They need to have a table of comparable descriptions to help planners and decision makers see how the scenarios differ along given dimensions

Step 6: Strategic Implications

This is the stage where the scenarios are interpreted, linking them back to the strategic decisions focused on in step 1. Asking the following questions can help here:

- What are the main opportunities and threats that each scenario poses for the industry?
- How well is the industry prepared to seize these opportunities and obviate or minimise the threats?
- How does the decision look in each scenario?
- Is the strategy/decision robust across all scenarios or does it look good in only one or two of these scenarios?

Step 7: Selection of leading indicators and signposts

It is important to know as soon as possible which of several scenarios is the closest to the course of history as it actually unfolds. Once the different scenarios have been fleshed out, the different scenarios and their implications for the focal points determined, it is worthwhile spending time and imagination on identifying a few indicators to monitor in an ongoing way. It is important to have the ability to identify scenarios as they unfold, to be able to implement there required strategies as per the strategic implications as noted in

Step six. This will help the exhibitors in knowing what the future holds for their industry, and how the future is likely to affect strategies and decisions in the industry.

3.18 PRIOR RESEARCH ON THE EFFECTIVENESS OF SCENARIO PLANNING AS A STRATEGIC PLANNING TOOL

Dincer *et al.* (2006) conducted a research paper, the purpose of which was the findings on the nature and practice of strategic planning from a sample of 135 large companies based in Turkey. Attitudes towards a range of strategic planning tools such as: Economic forecasting models, Strength, Weaknesses, Opportunities, and Threats (SWOT analysis), scenario construction and financial analysis of competitors were reported.

The finding of the paper was that the respondents indicated a very favourable attitude towards strategic planning which was seen as important by the firms in the sample.

This paper was an extension to a conclusion reached by Glaister & Falshaw (1999) that despite the fluctuating popularity of strategic planning in its various guises since the 1960's, strategic planning was still being perceived to be of benefit and was still going strong. This conclusion was based on their analysis of the extent to which tools and techniques of strategic development advocated by the classical model of strategy formulation were adopted in a sample of UK firms and the views and attitudes towards strategic planning of senior executives in these firms. Dincer *et al.*, (2006), "the strategic planning process: evidence from Turkish firms".

According to Dincer et al (2006), an effective strategic planning system for a firm will link long-range strategic goals with both mid range and operational plans. As a process, those involved in strategic planning will collect data, forecast, model, and construct alternative scenarios. The approach to strategic planning would incorporate an external environment analysis (e.g. Porters Five forces model), to identify the opportunities and threats facing the organisation, and an internal analysis to identify the organisations strengths and weaknesses.

In their research paper, Dincer *et al.*, (2006) concluded that managers should firstly be encouraged to adopt a longer time horizon when engaging in the planning process. Scenario planning as a tool was well suited to this. Secondly, firms seem to have a greater commitment to formulation aspects of strategy and relatively less commitment to the implementation and execution of strategy, further elaborating Millet's (2003) and Schoe-

maker's (1999) conclusions on the pitfalls and challenges of scenario planning. The conclusion being that execution was where most organisations failed, and not scenario planning as a strategic planning tool.

3.19 RELATED RESEARCH

The problem of stagnant/declining cinema attendances is not unique to South Africa. While in general the worldwide box office numbers have remained steady at over \$23 billion in the 2005, United States of America(USA) cinema admissions decreased 8.7% in 2005 to 1.4 billion (MPA Market Research and Analysis).

These attendance numbers have prompted a large amount of debate on the future of cinema exhibition in the world. The Motion Picture Association of America (MPAA) commissioned research in August 2005 by Nielsen Entertainment/NRG to determine some of the factors that could be affecting the cinema exhibition industry. Some of the findings of the research included the following:

- An overwhelming 81% of moviegoers who saw at least one movie in 2005 believed the experience was one of time and money well spent, versus the 15% who preferred watching on DVD and the 4% who had not seen a film
- Four in ten of these cinema-goers plan to buy the last film they saw, with more than half of them making this decision immediately after seeing the movie
- Consistent with past years, Parental Guidance (PG)-13 films comprised the majority of top grosser's for the industry, with PG and PG-13 films accounting for 85% of 2005's top 20 films
- Average theatrical costs remained in line with 2004, and below the \$100 million peak of 2003, this in spite of increasing marketing costs of 5.2%. For MPAA member company subsidiaries/affiliates, theatrical costs declined while marketing costs increased by 33%, including increases in overall advertising expenditures, less the cost of prints
- Technology continues to provide new opportunities for the industry. The analysis conducted by Nielsen Entertainment/NRG indicated that

those moviegoers who owned or subscribed to four or more home technologies (e.g. DVR service, large television, DVD player, VOD) were actually more avid moviegoers, seeing an average of two movies more per year than the moviegoer who owned or subscribed to fewer than four (Nielsen Entertainment/NRG, August 2005)

The above research results only stated the positives of the cinema experience, and could be construed as being a bit subjective. Special note needs to be made that this research was commissioned by the MPAA. Cinema attendances were however still down and an explanation was required as to the reasons, and if whether this trend would continue in the long term.

According to an article "Exhibition a slump in 2005, based in part on Kogan Film Publications' annual research report" *The Business of Movie exhibition in 2006*, the film exhibitors were blaming the studios for declining attendances, claiming that they were producing less compelling content than prior years, thus keeping customers from coming to the cinemas (Holden (2005)). These declining attendances were further worsened by the fact that DVD sales were also stagnant in the year 2005 in the US (United States). Could this be because consumers were changing the way they watched movies, and were moving away from both cinema and DVD's? Some of the sentiments were that the on-demand availability of content by other channels such as I pods and the internet necessitated that the "traditional window periods" be reviewed. The simultaneous release of movies via as many channels as possible was one of the recommendations of the research paper. This could ensure that the studios were able to catch consumers in the channels that they preferred the most.

An independent research for sale was conducted by Nielsen Entertainment in 2006. A conclusion paper on this research paper titled "The avid moviegoer" was presented to cinema exhibitors on the 15 March 2006 at the Showest (cinema exhibitors' annual conference) Marketing Summit in Las Vegas. The purpose of the research was to garner a snapshot of those moviegoers who are leading the changes in the consumer's perception and consumption patterns of the movies. The research was conducted via an online survey, targeted at 2600 members of the newly formed Movie Advisory Board.

The research results were that of those that were surveyed, 70% of them attended a movie 10 times or more in the past 12 months, and 30%, 1-9 times in the past 12 months.

Asked how their movie habits compared with those of a year ago, the sample produced a near-draw: 44% reported “about the same” with 27% saying that they went to the movies “more often” and 29% going “less often”(Nielsen Entertainment/NRG, August 2005).

The question “why have you been going to the movies less often” had the following results:

- Ticket prices too high – 47.7%
- Recent movies haven’t been very good– 44.4%
- Lifestyle changes and less time to go – 39.6%
- Concessions (confectionery) are too expensive – 36.5%
- Too many ads before the film starts – 26.7%
- I’d rather wait for the film on DVD – 22.6%
- People talk inside the cinema – 19.1%
- Parking is a hassle – 10.7%
- Not enough variety at the closest theatre – 9.8%
- Inconvenient start times – 7.4%
- Lines too long – 5.45
- I’d rather play video games – 5.1%
- Seats are uncomfortable – 4.6%
- Too many trailers before the film starts – 3.9%
- I’ve had a bad customer experience – 1.6%
- Movies are too long – 1.1%

From the above results the biggest complaints were that the consumers viewed the price of the cinema experience to be too expensive. The consumers were also not happy with the quality of the movies. Lifestyle changes had made it difficult for 39.6% to go to the movies. Other significant deterrents were long trailers and ads before the movie, and

people making noise in the cinemas. The consumers however did not view the availability of movies on DVD as too much of a deterrent. Even though movies could be downloaded for \$3.99 on the internet, vs. an average spend of \$15.85 at the cinema, less than a third of the sample opted to download. Another 40% said they would see the film in a theatre and download it as well if they liked it, and 29% did not care about downloading and preferred paying to see the film in a theatre at full price. (www.hollywoodreporter.com).

On the question “what influences you most frequently to select which theatre to visit?” the results were as follows:

- Selection of movies – 67.8%
- Cleanliness and ambience – 66.6%
- Type of seating offered (e.g. stadium) – 63.3%
- Comfort of seating offered – 62.4%
- Distance from home – 59.3%
- Size of screen – 55.7%
- Digital sound – 51.2%
- Digital projection – 46.5%
- Availability of discounted tickets – 33.7%
- Availability of parking – 31.4%
- Selection of concessions – 11.2%

The most important factor in choosing which cinema to frequent was the selection of films. Just as important was the cleanliness, type of seating offered, the comfort of the seats, the distance of the theatre from their home, and the availability of parking. What could be of particular interest to the cinema exhibitors is the importance of digital projection, and the quality of the sound. Among a dozen alternatives presented to the sample, interest was expressed in concerts, Broadway shows and professional sports (www.hollywoodreporter.com).

3.20 RELATED TECHNIQUES

3.20.1 Industry foresight as a strategic planning tool

The goal of competition for industry foresight is, at one level, simple: to build the best possible assumption base about the future and thereby develop the prescience needed to proactively shape industry evolution. In the cinema industry this would entail taking a view on what the industry should look like, and coming up with strategies to ensure that this future does take place. It is almost like creating the future. Companies such as Kalahari.net have taken a view that book and CD sales will take place in a virtual environment as opposed to traditional retail spaces, and are working hard in ensuring that this happens. Up till today, Kalahari.net has yet to make a profit. Trying to shape the future of an industry comes with its own risks, and rewards. The rewards have to be offset against the risks, and decisions taken appropriately.

A cinema industry equivalent would be to sell content directly to the consumer without having to consume it in a cinema. The challenge however is that most of the equity of cinema exhibitors lies in the cinema sites and not in the content, and therefore this strategy is unlikely to be more profitable. The created future still has to be within the cinema environment. This amounts rather to incremental improvement of the cinema experience rather than creating anything new. Industry foresight does not present the same opportunities for cinema exhibition as it might for other industries.

Hamel & Prahalad (1994:73) state that competition for industry foresight is essentially competition to establish one's company as the intellectual leader in terms of influence over the direction and shape of industry transformation. Industry foresight gives a company the potential to get to the future first and stake out a leadership position. Industry foresight allows a company to control the evolution of its industry, and thereby, its own destiny. The trick is to see the future before it arrives.

This has happened in the cinema industry in South Africa to a certain extent. Consumers have always looked for more than just seeing a film on the big screen from cinema exhibition. Consumers want more out of the cinema experience. Ster Kinekor introduced the Classic cinema experience, which consisted of much more than just a screen and cinema chairs, but incorporated couches in the foyers, plasma screen televisions at the box office counters showing trailers, and offering Nachos as part of their confectionery offering.

Nu Metro Theatres introduced coffee shops as well as warm cheese straws as part of their confectionery. These incremental additions while trying to fulfil future trends of South African cinema goers, where driven by what the exhibitors believed to be appropriate, as seen in other overseas markets as opposed to what the consumers wanted. Once again these are incremental changes to the industry and not revolutionise in the industries business model.

These efforts were not far-reaching enough, and where not based on thorough research in terms of what the future should be. They have failed in the short term to win either of the organisations any market share, or growing the number of patrons that frequent cinemas.

If proper industry foresight had been pursued, the following questions would have been asked to essentially help the organization create this future:

1. What type of customer benefits should the organization strive to provide in the future? Is it the film they are going to watch or is it an entertainment offering which incorporates the film as part of the experience? If the core of the benefits required by the customers is not the actual movie, then the exhibitors' business model would need to be changed.
2. What competencies does the business need to develop or acquire to be able to provide the benefits identified above to the customers? The exhibitors' core competencies are film exhibition, if the benefits required by the customers are not just the movie, then the exhibitors need to acquire the competencies required to provide the other benefits that the customers require. This would effectively put them at a disadvantage, as they would effectively be trading in an environment that they do not specialise in.
3. How must the interface between the customer and the organization be reconfigured in the future? In what format should the offering be offered? By properly using industry foresight the cinema exhibitors could effectively be making their industry obsolete. If that is effectively what is required, then exiting the industry could be the solution for the exhibitors, which leaves them with no businesses. This alternative would not be preferable to the exhibitors.

Industry foresight is essential for an organization to secure a future for itself, but having industry foresight does not guarantee success. Not all companies that are insightful achieve industry leader positions. Their reason being poor execution. Execution goes hand in hand with foresight; one is not worth much without the other.

There is an intertwined relationship between industry foresight and achieving operational excellence. What organizations conclude to be operational failures today could actually be yesterday's foresight failures, and visa versa. If this statement is extrapolated to what is happening in the cinema industry today, then it would be safe to assume that the stagnant attendances being experienced today could have been avoided had more thought and planning been put into the future of exhibition. This failure elaborates the importance of taking a view on what the future of any industry is likely to be if you want to operate in that future.

To get to the future first, organizations must see opportunities not seen by anyone else, and be able to exploit those opportunities. This is easier said than done. As mentioned, operational excellence is just as important. To be able to achieve this, the organization has to have the capability or the means to foresee the future.

Industry foresight takes the approach of trying to shape the future in a way that will benefit the business. This is based on the premise that the future can be determined. Some companies have shaped the future of industries; examples that come to mind include Apple with the Ipad, Sony with the Walkman. It is important to note however that while shaping their industries, they made part of their business obsolete. This was acceptable, as the new technologies would take over from the old technologies, and their businesses could still flourish.

These companies however invested heavily in research and development in creating a competitive future. Cinema exhibitors spend very little money on research and development, and any technological breakthroughs in the industry are bought about by the manufacturers of equipment used in the cinema exhibition industry. Exhibitors are not even at the forefront of their own industry and are strongly dependent on their suppliers. This makes it almost impossible for them to use industry foresight to achieve a competitive advantage.

Industry foresight is more useful to organisations that are in industries that experience continuous technological changes such as information technology. By using industry

foresight they are able to continuously evolve the technologies, and thereby create a competitive advantage for themselves by being first to market. The cinema exhibition business model has not changed in the 100 years it has been in existence, and is therefore not an industry that is characterised by continuous technological changes; therefore industry foresight is not as effective a business-planning tool.

3.20.2 The difference between industry foresight and scenario planning

The fundamental difference between “scenario planning” and “industry foresight” is that scenario building and planning typically starts with what is, and then projects forward to what might happen. Industry foresight starts with what could be, and then works back to what must happen for the future to come about.

Industry foresight involves the organization imagining and creating the future, and scenario planning involves the organisation predicting what the future will look like paying particular attention to the factors driving change in the industry, and planning ways to deal with the future.

These are two fundamentally different ways of approaching the future of an industry. Scenario planning is a more suitable planning tool for cinema exhibitors to use as opposed to industry foresight because of their inability to fully use industry foresight. Cinema exhibitors will not benefit from creating their future, but rather by predicting what the future might be like, and coming up with strategies to deal with this future.

Forecasting is another planning tool available to use to determine what the future of an industry would look like.

3.20.3 Forecasting as a strategic planning tool

Forecasting is to make plans for the uncertainties that lie ahead and accept the limits that the business have so that when uncertainties do take place the business has prepared (with greater accuracy in the short term) for them, and with lesser precision in the longer term. Forecasting works on the premise of “variance theory” meaning ongoing correlations between variables in the environment persisting over time.

The problem with forecasting is the danger of settling into a routine implying that the historical situation will continue forever. However a time will always come where behaviour changes structurally, a new trend is bound to happen.

Moyer (1984) studied the performance of forecasts and stated that the main reasons for their errors were:

1. Forecasts may analyse and measure only surface factors and ignore important underlying forces.
2. Long-range predictions pay too little attention to substitution effects.
3. Assumption problems compound forecasting errors.
4. Time in itself causes problems due to an inability to realise the time lags involved in certain developments.
5. Forecasts may err because of errors in the forecasts of its components.
6. Bias may cause forecast error." Walls (1987).

To substantiate on the above, forecasts have become less appropriate because of the lack of insight and prodding that goes into formulating forecasts. The factors that are known are used to extrapolate the future, and not enough emphasis is placed on the issues that might lie deeper and out of the direct view of management to forecast.

The difficulty of using forecasting as a tool is that it does not deal effectively with the fact that the future is uncertain, and that to be able to deal with this uncertainty, more future focussed planning methodologies need to be used. This was clearly articulated by Wilson of General Electric (Zentner, 1975) when he stated:

"However good our futures research may be, we shall never be able to escape from the ultimate dilemma that all of our knowledge is about the past, and all of our decisions are about the future."

Uncertainty is always inherent in the future, and a strategic planning tool that does not accept this uncertainty is likely to be shortcoming.

It is extremely dangerous to base the future on the past. This type of approach would not have taken into consideration the increase in televisions popularity in the 80's and the effects that it had on the cinema exhibition industry, as well as the effects that home entertainment systems and pirated DVD's are having on the industry today.

While there is merit in forecasting expected trends into the future that will drive revenues, traditional forecasting methods are based on the future staying much the same as the

present. It is effectively using the past to predict the future. This method does not work particularly well for the cinema exhibition industry, as some of the movies that will be shown in two to three years have not even been made. Their commercial success cannot be predicted. What the businesses should rather do is consider other factors driving change in the industry such as the increasing popularity of alternative film delivery channels, increasing use of digital projection technology overseas, and changing demographics to name a few.

This void can be filled by rather using a methodology such as scenario planning which forces managers to take the driving forces, uncertainties, as well as predetermined factors that are driving change in the industry and play such a crucial role in the make up of the industries future into consideration. Based on the above significant shortcoming of forecasting, scenario planning is a better method to be used for determining the future of cinema exhibition in South Africa.

3.20.4 The difference between forecasting and scenario planning

Scenario-based planning is based on the premise that the future is not predictable, and contains uncertainties. It is however possible to develop a “process theory” of why things happen as they do. There is a cause/effect structure where predetermined elements/knowable can be surfaced and expressed. It allows strategising to be possible by giving new insight into what is driving these underlying events. Scenarios force the business to answer the question “if the current offering will not be relevant in the future, then what will be?” Forecasts will tell you that the current offering will not be relevant in the future. Then what?

By using scenario planning, cinema exhibitors are able to dig deeper into the reasons why cinema attendances are stagnant, and if these reasons are likely to persist into the future, and if so, what this future is likely to look like (what are people going to be doing rather than going to the cinema), and how should the business appropriately deal with these factors into the future.

Another shortfall of forecasting is that consultants who are far removed from the business usually do them. The flaw in this is that the managers that receive these forecasts are not always aware of the underlying thinking process and the margin of error inherent in the forecasts.

The people closest to the business should be the ones taking a view on the likely future of the business. Delegating this responsibility externally takes many forms, the most common being the extrapolation of past performances into the future by means of excel spreadsheets.

Scenarios specifically address uncertainties through chains of cause and effect. Scenarios look at the driving factors that could move the business one way or another, and not just the outcomes. An example is the likely effects that digital projection is likely to have on cinema exhibition. This effect will not be in the historical data, and by relying on historical data alone means that those effects could be easily missed.

In order to apply forecasts, we must first know what we want to forecast. An example of this is when a car manufacturer wants to know the demand for cars in the future. They will get consultants and experts to predict the total demand for cars over time and in various categories. The analysis is second to “what to forecast”. This does not take into consideration any uncertainties that could affect the business.

A business needs to be able to take stock of the driving factors in their industry such as the following in the exhibition industry: piracy, other forms of entertainment, home entertainment etc. The business needs to address the influences that these driving forces have on their business. These could vary, and by digging deeper they could be able to gain more insight into some of the factors that they need to be looking at. For the exhibition industry some of these could include the effects of changing demographics, and the advent of the “emerging market”. Without trying to answer only one question, scenario planning allows the business to take a broader look at their business. This will give the business the ability to understand why things happen.

Senior managers are more receptive to forecasting, as it is easier to measure, While scenarios are not. Scenarios are based on the idea that we do not know what will happen. They are meant to give a better understanding of the driving forces so that when things do happen the business has made strategic decisions that are appropriate even in those situations.

Scenario planning is therefore more appropriate than forecasting as a strategic planning tool.

3.21 THE APPROPRIATENESS OF SCENARIOS AND SCENARIO PLANNING

The ability to be able to use scenario planning to determine factors driving change in the cinema exhibition industry could provide insight into the changes currently being experienced in the industry, as well as the effects that these changes have on the strategies that are currently being employed by the exhibitors operating in this environment.

Scenarios are important particularly when we work of the foundation that to be able to make decisions about the future of the cinema exhibition industry, it is imperative that we know what the industry will have to deal with in the future. This is not as easy as it sounds. It is basically trying to map out with surety the factors that will shape the cinema industries future, even though the future is unknowable.

Scenario planning is a compromise in that it allows the cinema industry to predict future scenarios, and refuses to accept that there is nothing that can be done to envision the future. Scenario planning answers the questions “whether the industry as a whole has the ability of seeing in time any significant developments in the business environment, outside of the blinkers that develop over time?”

Scenarios portray different futures, and these different futures will obviously require different strategies. Generating ideas, relating to the future business success, does this. The difficult part of this is that it is not known which one of the scenario futures will actually happen. Scenarios are therefore suitable to test the robustness of the strategies of the organizations in the industry. The organizations should ask themselves if their current strategies are relevant from scenario to scenario. This does not mean that the organizations must develop a strategy for every single scenario, but merely ask the question “if one of the scenarios had to evolve would their current strategies hold?” An action option that is relevant in all scenarios would be the most robust and would be the best bet.

Scenario planning is appropriate to be used as a strategic planning tool for this paper because of the following five fundamental points:

1. The business environment is continuously changing, and that a planning tool that accepts these changes is needed to plan for a future in this environment.
2. The past can't always be used to extrapolate into the future.
3. That the future is not predictable.

4. That uncertainty is inherent in the future environment
5. That conventional planning tool such as forecasting are flawed because of the emphasis that they place in the past when planning for the above-mentioned future.

From the literature survey, the most appropriate strategic planning technique namely scenario planning was recognized, and the best research method for fully implementing scenario planning identified. This method draws from the prior work of Ogilvy and Schwartz (2002). Ogilvy and Schwartz (2002) approach to applying the technique of scenario planning was deemed adequate to achieve the research's objectives and to answer all the critical questions in the research. It is however important at this point to highlight the limitation of time that the researcher has. One of the implicit recommendations from the literature survey on using scenario planning is that the process requires that it is applied diligently and that enough time is given to fully achieve the benefits of using this technique.

3.22 CONCLUSION

In this chapter, the theory of strategic business planning, and its timeline from its heydays through its demise and back to popularity was elaborated. Amara and Lipinski's (1983) new perspective on the strategic planning process as encompassed in the planning framework, and its importance in the theory of forward looking strategic planning was discussed. The film business idea, its value chain, and exhibitors challenges into the future was presented. The researcher went into detail on the theory of scenario planning and how it relates to the research methodology chosen for this paper, the technique, the process, the merits and demerits, as well as a comparison to other planning tools was discussed.

In the next chapter, the researcher will elaborate on the methodology to be employed in the fieldwork part of the research and the application of the findings of the literature review in being able to answer the research question.

Chapter 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

In this chapter the research objectives taking into consideration what was discovered in the literature review will be restated. This is followed by a brief description of the critical questions that need to be answered for this research purpose. A description of the methodology utilised for the pilot study and questionnaire, as well as a list the respondents that took part and how this list of respondents was chosen is given. The administration of both the pilot study and the questionnaire is dealt with. The research company chosen to assist with the administration of the questionnaire is introduced. The problems that were experienced in the administration of the field study section of the research are stated, and a conclusion of the entire chapter is given.

4.2 RESEARCH OBJECTIVES

The purpose of the research was to use a strategic planning tool called scenario planning to determine scenarios that are likely to shape the future of the cinema exhibition industry in South Africa, and to recommend specific strategies to deal with these scenarios.

This would be done by achieving the following objectives:

Objective 1:

The research would have to provide insight into the state of the cinema exhibition industry in South Africa by identifying the key factors driving change in the industry.

Objective 2:

The process of scenario planning would have to be used to formulate a number of possible future scenarios that the industry is likely to take, paying particular attention to the key factors driving change in the industry.

Objective 3:

The researcher would have to ascertain the appropriateness of the current industry business ideas and strategies in being able to deal with these scenarios.

Objective 4:

The researcher would recommend specific possible strategies for the South African cinema industry that are robust and appropriate in these different futures (scenarios).

To be able to achieve the above objectives and taking into consideration the theory of scenario planning, the following critical questions would have to be answered:

4.3 RESEARCH QUESTIONS

1. What are the driving factors affecting the cinema exhibition industry in South Africa both contextually (social, economic, political and technological environments which the industry players cannot change), and transactional environments (which are the driving forces in the industry, which the industry players can change)?
2. What is the cinema exhibitions business in a form of a business idea?
3. What strategic planning tool is the most appropriate to use to plan for the cinema exhibition industry in South Africa?
4. What is the future of the cinema exhibition industry in South Africa likely to be, with particular emphasis on the most important factors driving change in the industry currently and into the future?
5. Are the current strategies and business ideas being employed in the industry robust enough and appropriate to deal with this future?

Should the answer to critical question number 5 be NO, a recommendation of strategies and business ideas will be required.

4.4 RESEARCH METHODOLOGY TO ANSWER THE CRITICAL QUESTIONS

Section 4.4 discusses the methodology employed to answer the critical questions of the research.

4.4.1 Literature and Electronic Data Survey (Secondary Data Collection)

For the researcher to be able to answer the critical questions, a literature survey was conducted to gather data on the planning tools that have been used in the strategising processes of businesses and industries that face an uncertain future brought about by an ever-changing external environment.

A number of existing literature and electronic databases was used to gather data on strategic business planning, the use of scenario planning as a strategic planning tool, Strate-

gic Business Planning, Forecasting, Industry Insight and the Delphi Technique with a particular emphasis on the use of these planning tools in the cinema exhibition industry.

A more detailed list of the literature and database sources is given in Section 1.5 and the Bibliography.

Even though the researcher identified data on the above-mentioned planning tools and how they have been used to forecast and determine the future of an industry, the researcher could not find a research paper that applied these tools to determine the future of the cinema exhibition industry. At the core of the literature survey was to find the most appropriate planning tool to use to answer the research question.

The researcher found Forecasting and Industry Insight (two of the three tools surveyed) flawed and inappropriate to use to answer the research problem of stagnant cinema attendances as compared to scenario planning because of the following:

- The cinema industries inability to fully use industry foresight as a strategic planning tool. This is because industry Foresight would require that the cinema exhibitors create the future, rather than predicting what the future might be like, and coming up with strategies to deal with this future
- Scenario planning gives new insight into what is driving the underlying factors driving an industry and accepts the fact that there are uncertainties in the future environment. Forecasts are only effective in determining whether the current business offering will/will not be relevant in the future by extrapolating from the past what the future is likely to be. Not enough emphasis is placed on the uncertainties inherent in the future. This is less than adequate when dealing with an industry such as the film exhibition industry that is continuously changing, where the past only can't be used to plan for the future, and whereby the future driven mostly by technological advancements is uncertain
- Forecasting also has an over reliance on external parties that are used to plan for the future. This is based on the premise that these external parties are better equipped to execute strategic interventions. The literature survey revealed the disadvantage of this approach. This is because while the consultants might have better knowledge of the planning tools, they however lack important industry knowledge. Any strategic direction taken without this knowledge could be dangerous. Scenario

planning stresses the importance of industry knowledge, and the importance of gathering in depth knowledge about the industry by means of “networks”, which are individuals who are close to the business. This lack of industry knowledge was highlighted as one of the main reasons why most strategic interventions failed

The deduction that the researcher drew from the literature survey was that the most appropriate planning tool to determine the future of the cinema exhibition industry in South Africa should take the following characteristics of the industry into consideration:

- The uncertain external environment that the industry faces
- The number of the possible futures that the future is likely to take
- The wide range of strategic choices that is available to the industry players in light of the above
- The less stable performance of the industry in the form of stagnant/declining cinema attendances

With the above four points as the basis for choosing the most appropriate planning tool, scenario planning was the tool deemed most appropriate to use in this research paper because of the following:

- That the cinema industry is continuously changing
- That the past can't always be used to extrapolate the future of the cinema exhibition industry
- That the future of the cinema exhibition industry is not predictable
- That uncertainty is inherent in the cinema exhibition environment

The researcher could not identify a research paper that used scenario planning as a strategic planning tool to determine the future of the cinema exhibition industry. This research will therefore not replicate any research that has been conducted in the past, and will make a contribution into the use of scenario planning as a strategic planning tool in the cinema exhibition industry.

However, the process used in this research paper draws from existing literature on the steps required to fully implement the use of the Scenario Planning tool.

4.4.2 Primary Data collection

This part of the research was carried out in two phases, namely through a pilot study with industry professionals and a questionnaire to a larger sample. In this chapter the research methodology used in the pilot study and the questionnaire will be presented. The researcher will present in this chapter the questions that form part of the pilot study, and its contribution to the final questionnaire. The variables included in the final questionnaire are discussed. Finally, the administration of the questionnaire, and the techniques used to analyse the data are discussed.

4.4.3 Pilot Study

A pilot study of the variables that are likely affecting the cinema exhibition industry were carried out. This pilot study was conducted in the form of informal interviews. Given the varying involvement of the professionals in the film industry the pilot study was intended to give insight to the professionals understanding of the cinema industry business in the form of a business idea, and the driving forces and their interrelationships in the business environment.

The researcher used existing contacts to form the sample for the pilot study. The researcher personally contacted the identified professionals for the informal interviews by phone. The researcher gave a short description of the research, emphasising that it was for academic purposes, and that the research findings would not be used for competitive reasons. A firm appointment was made with the respondents that were based in Gauteng. For purposes of speed, the respondents based outside of Gauteng were interviewed by phone.

The researcher emphasised the informality of the interview and its purpose. The researcher explained to the respondents that a more formal questionnaire would be administered, and that a formal request would be sent to the identified sample.

All the respondents knew the researcher, and his position at Nu Metro Theatres.

To determine the level of these professionals, a brief profile of the sample of professionals is given:

The pilot study was conducted with the following respondents:

1. The Chief Executive Officer (CEO) of Nu Metro Theatres – the CEO of Nu Metro Theatres runs the second biggest exhibitor chain in South Africa. This chain

consists of 26 cinemas. He is also the CEO of Exclusive Books, the biggest retailer of books in South Africa. Jointly Nu Metro Theatres and Exclusive Books are called Johnnic Retail. He is on the executive committee of Johnnic Communications, a media and entertainment company.

2. The Financial Director of Nu Metro Theatres - the Financial Director of Nu Metro Theatres is responsible for the financial well-being and viability of Nu Metro Theatres as a going concern. He is also responsible for forward projections for the business to facilitate capital expenditures, and has to have a strong view on the future outlook of the business. He is also the Financial Director of Exclusive Books.
3. The Group Chief Executive Officer (CEO) of Johnnic Communications- Previously a journalist, followed by appointments in media and communications in Government, the CEO was appointed as a director at Johnnic Publishing Limited in November 2000 and as Johnnic Publishing Limited Chief Executive Officer in April 2001. He was appointed a director of Johnnic Communications Limited on 1 October 2001 and Group Chief Executive Officer on 17 March 2003. Other major directorships include Electronic Media Network Limited, SuperSport International Holdings Limited and Caxton and CTP Publishers and Printers Limited. The Group Chief Executive of Johnnic Communications is responsible for all business units in the Johnnic Communications stable, which includes Nu Metro Theatres, Nu Metro Distribution, Nu Metro Home Entertainment, Gallo Music, Exclusive Books, The Sunday Times to name a few. Johnnic Communication is a media and entertainment company. As the CEO, he is responsible for the strategic direction of one of the biggest entertainment businesses in South Africa.
4. The Deputy Group Chief Executive Officer (CEO) of Johnnic Communications - He was appointed Deputy Chief Executive Officer effective 1 April 2005. His previous positions held in the Johnnic Communications group are Group Financial Director and Group Finance and Operations Director of Johnnic Publishing Limited, and Group Finance and Operations Director of Johnnic Communications Limited. Other major directorships include Electronic Media Network Limited, SuperSport International Holdings Limited, Caxton and CTP Publishers and Printers Limited and the Wits Health Consortium. The Deputy CEO of Johnnic Com-



munications is responsible for the entire operational well-being of all the business units that comprise Johnnic Communications.

5. The Group Commercial Director of Johnnic Communications - he is responsible for all commercial and legal aspects of Johnnic Communications. He held in the past the position of Group CEO of Johnnic Entertainment, before the restructuring, which housed Nu Metro Theatres, Home Entertainment, Distribution, Gallo Music etc. He is a director of Nu Metro Theatres, as well as on the main Board of Johnnic Communications.
6. The General Manager of Nu Metro Distribution - Nu Metro Film Distribution is responsible for the distribution of films in South Africa, East Africa and West Africa. Nu Metro Distribution currently represents two Hollywood studios for the above territories namely, Warner Bros and 20th Century Fox. Nu Metro Distribution is also involved in film acquisitions from Independent Licensees and their main suppliers are New Line Cinema, Icon Entertainment, IS Entertainment, Hyde Park Entertainment and Strike. Nu Metro Film Distribution is a marketing and sales driven company and their key customers are Nu Metro Theatres and Ster Kinekor Theatres. The division is also responsible for the supply of product to East Africa and West Africa. Nu Metro Film Distribution, in terms of independent acquisition also exploits rights to Home Entertainment and Television, being M-net and free TV Broadcasters.
7. The Chief Executive Officer of Nu Metro Home Entertainment -She has the full responsibility of Nu Metro Distribution which markets and distributes both DVD and VHS product into the rental and retail trade and holds prestigious distribution licences for Warner Brothers, 20th Century Fox, Buena Vista (Disney), Paramount, New Line, MGM, BBC and various other independent studios. As the market leader in South Africa, Nu Metro Home Entertainment has represented these licences for many years. Nu Metro Distribution sales teams serve some 2500 dealers in the rental and retail markets across the length and breadth of southern Africa.
8. The Chief Executive Officer of Gallo Music Group- The CEO of Gallo Music Group is Ivor Haarburger. The Gallo Music Group is South Africa's foremost producer and distributor of recorded music and music copyrights. For the past 80

years Gallo has been associated with many of the major international entertainment groups, either as a licensee or as a partner for South Africa. The company has a proud track record in the recording and development of South African music, both locally and internationally. Warner Music Gallo Africa (WMGA) is a music-based content company, which is a joint venture between Warner Music International and Johnnic Communications. WMGA houses worldwide digital rights to Gallo Music's domestic repertoire and marks the first time Gallo Music's entire catalogue will be made available in digital formats. The CEO of Gallo music is involved in taking the Gallo Music Group into the digital era. Music as an industry has been through many challenges. Finally music companies are viewing technology as an opportunity as opposed to a threat. The CEO of Gallo music would be able to shed valuable insight into the effects brought about by technology, the internet and music downloads.

9. The Retail Director of Zenprop Properties- Adam Blow as the retail director of Zenprop is responsible for the development of new buildings as well as the redevelopment and customisation of existing buildings to suit the specific needs of tenants. Some of Zenprop's properties include the Design Quarter in Fourways and Atholl Square, as well as the Maponya Mall which is currently under construction. As a property developer, Adam Blow represents that developers view on the suitability and viability of having cinemas as part of the entertainment offering in shopping centres.
10. The owner of the Labia cinema chain (Cape Town) - The Labia Theatre at Orange Street in Gardens is probably Cape Town's oldest independently run cinema. The Labia specialises in the showing of local South African feature films, documentaries and shorts, including film productions originating from other African countries as well as art products. The Labia catered mostly for the older cinema patrons, with an emphasis on upmarket foreign movies. Ludi Kraus, the owner of Labia sources movies from overseas markets independently for the Labia cinemas
11. The Chief Operating Officer of Tsogo Sun Gaming (Casinos) – Tsogo Sun gaming prides itself on being one of South Africa's leading casino and entertainment companies. With five properties strategically located throughout South Africa, you are seldom too far away from being able to visit one of these exciting developments. Rob

Collins is the Chief Operating Officer of Tsogo Sun Gaming. Rob Collins spent most of his executive days in the film business, the last position in the film business, being the Chief Executive Officer of Ster Kinekor Cinemas, the biggest exhibitor in South Africa. Tsogo Sun also has some investments in the cinema exhibition industry in South Africa. Tsogo Sun owns the cinemas at Hemmingway's, and The Ridge Casinos, and are part owners of the cinemas in Montecasino and Suncoast casino.

12. The Part-owner of the Movies@woodlands cinema. Movies@woodlands is situated inside Woodlands Boulevard, and offers guests a high quality cinema environment within the 7-cinema theatres. The cinema is part owned by Jonathan Fox. Jonathan spent most of his corporate years in the film business; the last position in the corporate world was as the Chief Executive Officer of Ster Kinekor Distribution. In addition to being part owner of the cinema Movies@woodlands, Jonathan Fox also buys films independently in the film markets for distribution in South Africa.

The researcher was unable to get the Chief Executive Officer (CEO) of Ster Kinekor (the biggest exhibitor in South Africa) to participate in the Pilot Study. The CEO's response was that he was uncomfortable to speak to an employee of Nu Metro Theatres and that a formal request to participate in the questionnaire phase of the research would be required.

The researcher compensated for this by including discussions with the owner of the Labia Cinema Chain and the owner of the Movies@woodlands Cinema to have a more representative sample of cinema exhibitors.

The pilot study consisted of a list of six priority discussion points, most of which the professionals would either be interested in or would be conducting some sort of research in their own industries. The pilot study, however, only concentrated on the cinema exhibition industry.

List of the six priority discussion points:

1. Industry concerns and uncertainties that will have the biggest effect in what the future holds for the cinema exhibition industry.

2. The future of the cinema exhibition business environment, and what this environment is likely to be.
3. Critical events in the past of the industry, good or bad that should remain important lessons for the future.
4. Major decisions with long term implications the industry face at the moment, decisions that need to be tackled in the next few months.
5. Current constraints inside or outside the industry that limit what can be achieved in the current industry situation.
6. The industries business idea.

The researcher spoke to the professionals around the six discussion points. These interviews were informal, and the researcher noted the priority points throughout the interviews with the professionals.

Method of drawing up the statements for the questionnaire from the pilot study:

All key points highlighted from the interviews were noted, and a list of all the key points was formulated. The researcher then removed any points that were duplicated in the responses, for example, the short life of movies at the cinemas and the early arrival of films at the rental and retail shops, which together means “the shortening window of releases of movies between theatrical and DVD releases”. The list of points was narrowed to 33 statements. These 33 statements were used as a basis for the questionnaire phase of the research. The list of statements is included in Table 4.

List of statements:

STATEMENT
Decreasing prices of Digital Video Discs (DVD's) are affecting attendances at cinemas in South Africa
Increasing competition from home entertainment systems is affecting attendances at cinemas in South Africa
Loyalty pricing programs (Discovery Vitality movie benefit, Edgars movie club) are driving cinema attendances in South Africa
Cinema advertising (trailers and advertising) is a deterrent to the cinema experience in South Africa
Shortening window periods between theatrical and DVD release of movies is contributing to declining cinema attendances
Technological developments (online booking, telephone booking, cell phone booking) are driving cinema attendances in South Africa
Shortening window periods between theatrical and DVD release of movies is contributing to a growth in home film viewing
Income levels are a contributing factor to cinema attendances in South Africa
Geographic location of cinemas in South Africa is a driving factor in declining cinema attendances
Piracy/illegal Internet downloading of movies is affecting cinema attendances in South Africa
Confectionery (popcorn, coke) prices are a deterrent to cinema attendances in South Africa
Pricing (value for money) for movies is negatively affecting cinema attendances in South Africa
Confectionery is an added value to watching movies at the cinema as opposed to at home
Lack of local content (movies) in South Africa is a deterrent to growing cinema attendances
The availability of blockbuster movies in the form of pirate DVD's instantaneously as cinema releases is growing a film loving culture in South Africa
Competition from other media (magazines, Internet, television etc Consumer attention is splintered among myriad satellite and internet offerings-marketers find it difficult to convince consumers of a new release's significance) is affecting cinema attendances
The decreasing film marketing budgets by studios (decline of celebrity based marketing in mass media) is affecting attendances at cinemas in South Africa
The quality (story line, acting, budget, special effects) of products being produced by Hollywood studios is affecting attendances at cinemas in South Africa
Digitization of cinema screens (digital cinema advertising, product releases meeting customer demands at the touch of a button) is an area of growth for cinema exhibitors in South Africa

Demographic shifts towards older age groups/aging population with disposable income is growing cinema attendances in South Africa
Behaviour patterns of younger age groups of cinema patrons is ruining the cinema experience in South Africa
The emerging black middle class is driving attendances in cinemas in South Africa
Gender (types of movies seen, by gender) of cinema patrons is a driving factor in cinema attendances in South Africa
Film placement by cinema (placement of product)-is a factor in declining cinema attendances in South Africa
The rate of population growth is a driving factor to declining cinema attendances today and into the future in South Africa
The cinema environment (pre-films drinks in comfortable lounges, love seats, bars, cafes, range of food etc) is important in enhancing the cinema experience
Arthouse/alternative content (movies) have potential to grow attendances at cinemas in South Africa
The use of cinemas for other events (sports broadcasts) is taking away from cinemas as traditional cinema houses
Genres of movies such as Bollywood have potential to grow cinema attendances in South Africa
The release of Hollywood products during school holidays is a driving factor to stagnant/declining attendances in off school holiday periods
The growth in the number of sequels (Spiderman ,,) is stifling the creativity in movies coming out of Hollywood studios
A consolidation of cinema exhibitors is possible in South Africa in the long term
It is important to have more than one exhibitor in South Africa

Table 4: List of statements that made up the research questionnaire

4.4.4 Questionnaire

The statements from the pilot study were formulated into a questionnaire to be administered to a carefully chosen sample for the second phase of the primary data collection.

The questionnaire was intended to measure the participant's attitude towards the effects that the variables in the questionnaire affect the cinema exhibition industry in South Africa. The participants were asked to rate the extent to which these statements/factors were deemed to be affecting the cinema exhibition industry by indicating a number on a scale from 0 - 10, where 0 indicated "strongly disagree" and 10 indicated "strongly agree", based on the degree to which the respondents agreed or disagreed with the statement.

4.4.5 Sample selection

The executives chosen as a sample for the questionnaire were selected from industries that are closely related to the cinema exhibition industry currently and in the past. The list of questionnaire respondents consisted of the following:

1. Film distributors. Film distributors are directly affected by the stagnant attendances being experienced in the cinema exhibition industry.
2. The cinema exhibitors.
3. A home entertainment company. There is a direct correlation between cinema exhibition performances and that of home entertainment. Home entertainment is seen as a competitor to cinema exhibition in South Africa.
4. A music company in South Africa. Music is an alternative entertainment form in South Africa. The purchase of music competes with going to the movies as an entertainment alternative. The music industry has also and is still going through its own changes where the industries business idea has also been tested with the introduction of MP3 players, music downloads etc. This situation is similar to what is facing the cinema exhibition industry.
5. Shopping centre managers. Cinema exhibitors are in most cases the anchor tenant in the shopping centres in which they operate. They occupy very large spaces in the centres, and account for a large percentage of the shopping centres footfall (number of patrons who visit the shopping centres). Shopping centre managers are starting to question the merits of having cinemas in shopping centres. The question is "Do they provide satisfactory yields (financial returns per squared meters) versus the amount of space that they occupy?"
6. Property developers. With the number of different shopping centres that they build on a yearly basis, they are very much in tune with what customers require in the form of entertainment. There is a lot of research that is conducted before a property is developed. This group of people could have interesting perspectives on the shape of cinema exhibition and the factors driving changes in this industry.
7. Ex- cinema exhibition executives. This is a group of individuals who have at a point in their lives have run a company in the cinema industry. They have since left the

industry, and should have strong views of the state of cinema exhibition in South Africa today, and into the future.

8. The National Film and Video Foundation (NFVF). This foundations responsibility is to grow local cinema and video production in South Africa. This can only be achieved if local cinema exhibition grows. The NFVF's goals and those of exhibitors in South Africa are aligned.
9. Cinema patrons. This group of people determines the shape of the future of the industry.

The researcher identified the most appropriate executives to contact in the sample to facilitate access to their organizations employees. The identified executives were phoned and informed of the questionnaire, and told that a formal letter would be sent from the University of KwaZulu-Natal requesting their participation in the questionnaire. The researcher clearly articulated the purpose of the research and that the researcher requested that they facilitate access to their company's senior management team and staff to act as respondents to this study.

The researcher and his supervisor brainstormed an introductory letter. The researcher's supervisor on behalf of the University of KwaZulu-Natal, requesting the respondents' permission to participate in the research questionnaire, wrote the letter.

The introductory letter contained the following aspects of the research:

- The name of the researcher (who is undertaking the research)
- The purpose of the research
- What is being requested of the respondent
- Who is being asked to participate
- Who would be administering the questionnaire
- What these data will be used for
- That the respondents can have access to these data
- That participation was voluntary
- That the identities of the participants would not be revealed

- That all participating organisations would be given prompt and unrestricted access to the results of the study, upon request

The identified Executives were the Chief Executive Officers (CEO) and Managing Directors (MD) of Ster Kinekor Cinemas, Nu Metro Distribution, United International Pictures, Ster Kinekor Distribution, Gallo Music, Nu Metro Home Entertainment, Labia cinema, Cine Centre Cinema, Tsogo Sun Gaming, Zenprop Properties, Computicket, **Movies@woodlands**, Cinemark and the General Managers of the following shopping centres: Hyde Park Shopping, Victoria and Alfred and Canal Walk.

The introductory letters were sent electronically and by posted mail to the Executives.

The Chief Executive Officer of Ster Kinekor refused to participate in the research. The given reason was as follows:

“We did receive a request to participate in this research project but it is our understanding that Mr Marumo is an employee of Nu Metro Theatres and as such, and particularly the lack of disclosure of this in all the correspondence, we are not willing to complete the questionnaire”

Ferdi Gazendam, CEO Ster Kinekor Cinemas

The researcher managed to get the consent of the remainder of the Executives in the sample with the exception of Ster Kinekor. The executives from Zenprop Properties, Victoria and Alfred Shopping centre, Gallo Music, Labia Cinema, and Movies@woodlands did not respond to the request to participate in the questionnaire, and did not form part of the final questionnaire respondents.

In addition to the above executives a generic introductory letter was forwarded to 100 cinema patrons (regular cinema patrons who had been to the movies more than 3 times in the past 12 months (1st of April 2005 to 31st of March 2006). This list of respondents was received from Computicket.

Computicket is the online and telephonic booking agent for Nu Metro Theatres. This list was therefore based on actual tickets purchased through the Computicket online and telephone booking system.

The researcher also used the Cinemark Industry Statistics mailing list to formulate a list of respondent e-mail addresses that the questionnaire was forwarded to. Cinemark Industry Statistics is a monthly industry report on industry attendance statistics and market shares percentages that are sent to the senior management teams of the companies that were identified as the sample.

4.5 NUMBER OF RESPONDENTS

The total sample for the questionnaire was 180 potential respondents. The total number of completed questionnaires was 114.

4.6 QUESTIONNAIRE ADMINISTRATION

The 33 questionnaire statements were constructed by the researcher from the list of factors identified in the informal interview stage. This questionnaire was then forwarded to a specialist research company for administration. The questionnaire was administered by Consulta Management Consultants (Pty) Ltd t/a Consulta Research. A copy of the questionnaire is attached under Addendum 3, Research tools.

Consulta Research is a specialist marketing and communications research company founded and managed by the former Head of the Department of Marketing at the University of Pretoria - Professor Adré Schreuder. Consulta was ideally positioned as an affiliate company of the University of Pretoria's campus company - BE@UP (Pty) Ltd to provide the research management expertise needed for this research. Through the association with BE@UP, Consulta ensured access to expertise, research integrity and a reputation for scientific research that is world class.

Consulta Research used a customised internal research system to make the measurement instrument (questionnaire) electronically available. The questionnaire was sent to the sample respondents in the form of a bulk email. The researcher forwarded the e-mail addresses to Consulta Research from the sample identified in section 4.3.5.2 and 4.3.5.3.

The questionnaire was completed electronically via the respondent's email and submitted to Consulta Research where it was collected and combined into one database. The list of respondents was automatically loaded into the system and the questionnaire/measurement instrument was sent to each respondent via email.

There was no particular method or order in which the questionnaire was sent to the respondents - it was sent randomly per the list of respondents provided by the researcher.

In the second attempt to increase the number of responses, Consulta Research combined a number of respondent details in groups identified by employers in the Entertainment industry i.e. "Nu Metro Theatres" employees; "Cinemark " employees.

The responses from the respondents appeared in an Excel spreadsheet in the form of a "flat file" (Appendix 6), where each respondent's responses appeared in a separate column per answer/variable.

The number of respondents appeared in rows and the answers/variables appeared in columns.

4.7 LIMITATIONS IN DATA COLLECTION

The following problems were experienced in the data collection process:

1. Responses to the introductory letters came back to the researcher instead of the Supervisor, even though the Supervisor addressed the letters.
2. The rate of questionnaire responses was slow. In the first attempt of sending out the questionnaire, and after three weeks, Consulta Research only received 44 responses out of 180. This was a response rate of only 24%. Consulta Research had to identify the participants who had not responded to the questionnaire, and a second request to participate in the questionnaire was resent to the group of participants.
3. In the second attempt the questionnaire was sent to respondent details in groups identified by employers in the entertainment industry i.e. "Nu Metro Theatres" employees, Cinemark "employees. Consulta research received a further 30 responses in two weeks, which brought the number of responses to 74 out of 180 in period of 5 weeks. This was a response rate of 41%. The researcher had to contact the executives who were identified as the organizations gatekeepers, and ask for further assistance with getting the participants in their organizations to respond to the questionnaire. The executives agreed to help with getting the participants to respond. A second request was also sent to cinema patrons that had not responded to the questionnaire in the first attempt.

4. Consulta Research had to identify the list of participants who had not responded to the questionnaire, and the questionnaire was sent out to those participants for the third time. With the third attempt, Consulta Research received a further 40 responses. This brought the total number of respondents to 114 out of 180. This was a response rate of 63.33%. This was an adequate respondent rate to ensure that the results were reflective of the sample.
5. Ster Kinekor Cinemas (the biggest cinema exhibitor in South Africa) and its senior management team did not participate in the questionnaire. To compensate for this, and to ensure that the sample still remained representative, a further two independent cinema exhibitors were included in the sample. The two cinema exhibitors were Movies@woodlands, and Labia cinema. These two cinema exhibitors also did not respond to the research questionnaire, even though they participated in the informal interview phase of the research, and had given their commitment to participate in the questionnaire phase of the research.
6. A small percentage of respondents responded directly to the researcher, instead of Consulta research. These responses had to be redirected to Consulta Research by the researcher. The number of respondents that responded directly to the researcher was less than 5, and therefore did not pose a serious challenge to the research.
7. A small percentage of the respondents replied with blank information in the demographic profile part of the questionnaire. This skewed the accuracy of the demographic profile data. Detail of the blank respondents is given in section 5.3.
8. The questionnaire results for question 1.5 & 1.6 in the demographic profile section of the questionnaire could be misleading. Question 1.5 asked for the number of years working in the entertainment industry and question 1.6 asked for the respondents' current position. Of the 114 respondents, 75 (65.8%) were cinema patrons from the Computicket list. With reference to question 1.5, of the 75 cinema patrons, 71 patrons (94.7%) answered the question on the number of years working in the industry. 44 patrons (58.7%) answered the question on the number of years working in the entertainment industry under categories 5->21, which means the respondents not working in the entertainment industry could have applied this question to their own industry. 27 patrons (36%) answered the question on number of years

working in the entertainment industry under category 0-5 years – meaning between 0 and 5 years. This could range from 0 years, (which would be correct if not working in the industry) to 5 years working in the industry. The category 0-5 was therefore not appropriate.4 cinema patrons (5.3%) did not answer the question. With reference to question 1.6 (current position), all respondents answered the question, which means the respondents not working in the entertainment industry could have applied this question to their own industry.

4.8 CONCLUSION

In this chapter a description of the research methodology was given. The list of objectives and critical questions was discussed. The rationale behind the pilot study and the statements that formed the final questionnaire were discussed.

Chapter 5

DATA ANALYSIS AND RESULTS

5.1 INTRODUCTION

This chapter discusses the results of the questionnaire. There number of participants that responded to the questionnaire and the theoretical framework of the analysis of the questionnaire. The research results are presented in a summary format. The level of significance of the results of the questionnaire is given. A brief description of the demographic profile of the respondents is presented, and the significant results are presented by demographic profile. To facilitate ease of reference, the questionnaire statements are coded. The factors that are deemed to have the most significant impact on the cinema exhibition industry and which will be used in the scenario generating process are summarised.

5.2 DEMOGRAPHIC PROFILE OF RESPONDENTS

The number of respondents who answered the research questionnaire was 114. The demographic profile of the respondents is as follows:

AGE	NO. OF RESPONDENTS
46 Years and over	12 respondents (10.52%)
36 -45 yrs	36 respondents (31.58%)
25 - 35 yrs	58 respondents (50.88%)
20 - 27 yrs	8 respondents (7.02%)

The majority of the respondents were between the ages of 25 and 35 years of age.

GENDER	NO. OF RESPONDENTS
Female	53 respondents (46.49%)
Male	60 respondents (52.63%)
Blank	1 respondent (0.88%)

The majority of respondents were males.

RACE	NO. OF RESPONDENTS
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Indian	19 respondents (16.67%)
White	85 respondents (74.56%)
Black	3 respondents (2.63%)
Coloured	5 respondents (4.39%)
Blank	2 respondents (1.75%)

The majority of the respondents were white.

REGION	NO. OF RESPONDENTS
Gauteng	95 respondents (83.33%)
KwaZulu-Natal	1 respondent (0.88%)
Western Cape	17 respondents (14.91%)
Blank	1 respondent (0.88%)

The majority of the respondents were from Gauteng.

NO. OF YRS WORKING IN INDUSTRY	NO. OF RESPONDENTS
21 years and over)	14 respondents (12.28%)
20 years	13 respondents (11.40%)
15 years	23 respondents (20.18%)
10 years	22 respondents (19.29%)
5 years	37 respondents (32.46%)
Blank	4 respondents (4.39%)

Of the 114 respondents that answered the questionnaire, 75 (65.8%) were cinema patrons from the Computicket list. Of the 75 cinema patrons, 71 patrons (94.7%) answered the question on the number of years working in the industry. 27 patrons (36%) answered the question on number of years working in the industry under category 0-5 years – meaning between 0 and 5 years. 4 cinema patrons (5.3%) did not answer the question.

POSITION	NO. OF RESPONDENTS
Managerial	63 respondents (55.26%)

Marketing	9 respondents (7.89%)
Supporting services	28 respondents (24.56%)
Account Holder	8 respondents (7.02%)
Back Up	2 respondents (1.75%)
Blank	4 respondents (3.51%)

The majority of the respondents were in managerial positions. The respondents answered this question as it related to their own industry, and not specifically to them working in the film industry.

FREQUENCY OF GOING TO MOVIES (per month)	NO. OF RESPONDENTS
6 times and over	10 respondents (8.77%)
4 times	49 respondents (42.98%)
2 times	54 respondents (47.39%)
Blank	1 respondent (0.88%)

The majority of the respondents went to the movies 2 times (twice) a month.

Table 5: Demographic profile of respondents

5.3 SUMMARY OF DEMOGRAPHIC PROFILE OF RESPONDENTS

The demographic profile of the majority respondents in the research questionnaire was between the ages of 25 to 35 years old (50.88%), male (52.63%), white (74.56%), from Gauteng (83.33%), and goes to the movies 2 times a month (47.39%).

5.4 QUESTIONNAIRE RESULTS

CODE	STATEMENT	SCORE	% of scores between 9 & 10	% of scores between 10 & 1
1	Decreasing prices of Digital Video Discs (DVD's) are affecting attendances at cinemas in South Africa	54.6	11.4%	9.6%
2	Increasing competition from home entertainment systems is affecting attendances at cinemas in South Africa	57.3	15.9%	8.8%
3	Loyalty pricing programs (Discovery Vitality movie benefit, Edgars movie club) are driving cinema attendances in South Africa	72.9	44.7%	5.3%
4	Cinema advertising (trailers and advertising) is a deterrent to the cinema experience in South Africa	36.6	8.0%	22.1%
5	Shortening window periods between theatrical and DVD release of movies is contributing to declining cinema attendances	55.0	16.8%	9.7%
6	Technological developments (online booking, telephone booking, cellphone booking) are driving cinema attendances in South Africa	65.0	22.1%	4.4%
7	Window periods between theatrical and DVD release of movies is contributing to a growth in home movie viewing	70.4	38.4%	3.6%
8	Income levels are a contributing factor to cinema attendances in South Africa	57.0	13.2%	7.9%
9	Geographic location of cinemas in South Africa is a driving factor in declining cinema attendances	63.5	28.3%	6.2%
10	Piracy/illegal Internet downloading of movies is affecting cinema attendances in South Africa	53.8	17.9%	9.8%
11	Confectionery (popcorn, coke) prices are a deterrent to cinema attendances in South Africa	56.9	20.4%	14.2%
12	Pricing (value for money) for movies is negatively affecting cinema attendances in South Africa	61.3	21.1%	7.0%

13	Confectionery is an added value to watching movies at the cinema as opposed to at home	65.5	31.3%	7.1%
14	Lack of local content (movies) in South Africa is a deterrent to growing cinema attendances	42.5	8.8%	19.3%
15	The availability of blockbuster movies in the form of pirate DVD's instantaneously as cinema releases is growing a movie loving culture in South Africa	34.4	7.1%	30.4%
16	Competition from other media (magazines, Internet, television etc Consumer attention is splintered among myriad satellite and internet offerings-marketers find it difficult to convince consumers of a new release's significance) is affecting cinema attendances	48.4	12.6%	16.2%
17	The decreasing film marketing budgets by studios (decline of celebrity based marketing in mass media) is affecting attendances at cinemas in South Africa	46.8	3.5%	9.7%
18	The quality (story line, acting, budget, special effects) of products being produced by Hollywood studios is affecting attendances at cinemas in South Africa	42.1	7.1%	15.2%
19	Digitization of cinema screens (digital cinema advertising, product releases meeting customer demands at the touch of a button) is an area of growth for cinema exhibitors in South Africa	54.2	15.2%	9.8%
20	Demographic shifts towards older age groups/aging population with disposable income is growing cinema attendances in South Africa	57.0	7.1%	3.5%
21	Behaviour patterns of younger age groups of cinema patrons is ruining the cinema experience in South Africa	49.5	1.8%	6.1%
22	The emerging black middle class is driving attendances in cinemas in South Africa	55.5	17.0%	1.8%
23	Gender (types of movies seen, by gender) of cinema patrons is a driving factor in cinema attendances in South Africa	48.8	2.7%	8.0%
24	Film placement by cinema (placement of product)-is a factor in declining cinema attendances in South Africa	43.9	3.5%	14.2%
25	The rate of population growth is a driving factor to declining cinema attendances today and into the future in South Africa	46.1	6.3%	11.6%

26	The cinema environment (pre-movie drinks in comfortable lounges, love seats, bars, cafes, range of food etc) is important in enhancing the cinema experience	43.9	14.2%	18.6%
27	Art house/alternative content (movies) have potential to grow attendances at cinemas in South Africa	60.6	22.3%	9.8%
28	The use of cinemas for other events (sports broadcasts) is taking away from cinemas as traditional movie houses	49.4	8.0%	17.0%
29	Genres of movies such as Bollywood have potential to grow cinema attendances in South Africa	46.9	17.9%	18.8%
30	The release of Hollywood products during school holidays is a driving factor to stagnant/declining attendances in off school holiday periods	58.9	15.2%	8.0%
31	The growth in the number of sequels (Spiderman ²) is stifling the creativity in movies coming out of Hollywood studios	49.1	8.8%	10.6%
32	A consolidation of cinema exhibitors is possible in South Africa in the long term	56.3	18.6%	9.7%
33	It is important to have more than one exhibitor in South Africa	54.8	22.1%	9.7%
OVERALL SCORE		53.3		

Table 6: Questionnaire results

5.5. COVARIATE ANALYSIS

5.5.1 Questionnaire overall results by demographic profiles

DEMOGRAPHIC PROFILE	OVERALL SCORE	All profiles score	% Variance to all profiles score
ALL PROFILES	53.30%	53.30%	0.00%
Age - 46 Years and over	51.60%	53.30%	3.29%
36 to 45 yrs	52%	53.30%	2.50%
25 to 35 yrs	54.20%	53.30%	-1.66%
20 to 24 yrs	48.20%	53.30%	10.58%
24 to 27 yrs	49.70%	53.30%	7.24%
GENDER			
Female	53.30%	53.30%	0.00%
Male	53.30%	53.30%	0.00%
Blank	51.70%	53.30%	3.09%
RACE			
Indian	54.40%	53.30%	-2.02%
White	52.50%	53.30%	1.52%
Black	53.50%	53.30%	-0.37%
Coloured	64.90%	53.30%	-17.87%
Blank	48.30%	53.30%	10.35%
REGION			
Gauteng	53.30%	53.30%	0.00%
Kwazulu-Natal	34.80%	53.30%	53.16%
Western Cape	54.20%	53.30%	-1.66%
Blank	56.40%	53.30%	-5.50%
NUMBER OF YEARS WORKING IN THE INDUSTRY			
21 years and over	54.80%	53.30%	-2.74%
20 years	55.60%	53.30%	-4.14%
15 years	51.10%	53.30%	4.31%
10 years	53%	53.30%	0.57%
5 years	53.60%	53.30%	-0.56%
Blank	51.40%	53.30%	3.70%
POSITIONS			
Managerial	52.50%	53.30%	1.52%
Marketing	56.10%	53.30%	-4.99%

Supporting services	56.10%	53.30%	-4.99%
Account Holder	53%	53.30%	0.57%
Back Up	48.80%	53.30%	9.22%
Blank	42.90%	53.30%	24.24%
FREQUENCY OF GOING TO THE MOVIES IN A MONTH			
6 times and over	51.30%	53.30%	3.90%
4 times	53.70%	53.30%	-0.74%
2 times	53.60%	53.30%	-0.56%
Blank	41.60%	53.30%	28.13%

Table 7: Questionnaire results by demographic profile

5.5.2 Significant factors by majority demographic profiles

AGE: 25 – 35 YEARS (50.88%)

	25-35 yrs	All
3	78.1	72.9
7	76.1	70.4
6	67.9	65

GENDER: MALE (52.63%)

	Male	All
3	71.2	72.9

RACE: WHITE (74.56%)

	White	All
3	73.5	72.9
7	69.2	70.4

REGION: GAUTENG (83.33%)

	Gauteng	All
3	73.6	72.9
7	69.4	70.4

NUMBER OF YEARS WORKING IN THE INDUSTRY: 5 YEARS (32.46%)

	5 Years	All
7	79.5	70.4
3	78.6	72.9
13	69.5	65.5

POSITIONS: MANAGERIAL (55.26%)

There were no factors that had a significance of more than 67% in this demographic profile.

FREQUENCY OF GOING TO THE MOVIES: 2 TIMES A MONTH (47.39%)

	2 Times	All
3	71.1	72.9
7	68.3	70.4

Table 8: Significant factors by majority demographic profiles

5.6 THE RESPONSE RATE AND SUCCESS OF THE QUESTIONNAIRE

The response rate and the quality of the replies are important in measuring the success of the questionnaire. Of the initial 180 participants that the questionnaire was sent to, 114 responses were received. The overall response rate was therefore 63.33%.

To be able to conduct a detailed analysis of the questionnaire results, the following had to be considered before a conclusion of the results could be done:

Independent variable(s) and levels

Understanding the relationships that exist between sets of variables was extremely important. Measures of correlation quantify the extent to which two variables are associated. Regression analysis is a model that attempts to understand the dependence of one variable, called the dependent or criterion variable (for example, CEO compensation), on one or more other variables, called the explanatory or independent variables (for example, performance), Dillon *et al.*: (1993:451).

Criterion or dependent variable

The variables to be predicted. The dependent variable in this case, or the value to be predicted, is the frequency of going to movies. The idea is that the "factors" described by

the independent variables influences the decision of going to the cinema or not. This influence would have an effect on the state of the industry expressed by stagnant/declining attendances.

Explanatory or independent variable

The variable upon which the prediction is based. In this questionnaire this would be the statements that formed the questionnaire and the underlying variables that formed part of the statement (for example, the statement "Loyalty pricing programme are driving cinema attendances in South Africa"), the underlying variable is loyalty pricing programs.

How were participants assigned to groups or conditions

Respondents were categorised according to age, gender, race, region, number of years working in the entertainment industry and their position. As part of the questionnaire results, the researcher attempted to see if an in depth analysis could be drawn between the different respondent categories.

How were the groups similar and different in how they were treated in the study

All the groups were treated similarly, but the responses can be viewed according to the different categories mentioned above.

What were the constructs of interest and how were they operationalised

The idea was to determine the factors that affect cinema attendances. Looking at the responses in the questionnaire to see which factors the different statements represented had a significant scoring did this.

What are the relevant reliability and validity data from previous research (and from the present study) that support the use of these measures for the present purposes

From the literature review, the researcher found that factors such as the quality of films, the increasing quality of home theatre systems and DVD's, the functionality of DVD's such as pause and playback features, Piracy, People talking on cell phones, Price of movie tickets, etc all influenced the decision of going to the cinema.

Reliability & Validity

Reliability = the extent to which a research instrument produces consistent results if repeated measures are made (International benchmark = 70%), (Churchill (1979))

Validity = the extent to which a research instrument measures what it intends to measure (International benchmark = 60%), (Churchill (1979))

Theoretical Definition

Reliability refers to the sampling variability of an estimate and is directly related to the size of the standard error, Dillon *et al.* (1993:248)

5.7 SIGNIFICANCE TESTS

In order to determine the above, the following tests were conducted on the questionnaire data.

Regression results

The purpose of a multiple regression is to "fit" a curve through the data to be used as a model. The null hypothesis is that all the "weights" assigned to the variables are zero. The respective weights are represented by B in the table. The only value of any real importance is the P values, which is the last column. These values are the individual probabilities that the null hypothesis is true, or in this questionnaires case that the respective weights are equal to zero. Common statistical practice is to use critical values (or "cut off" values) as 0.05 for significant results and 0.01 for highly significant results. If a P-value of 0.04 is for example perceived, it can be stated that the probability that the respective variable weight is equal to zero is 0.04. It is important to note that there is still a 4% chance that the variable weight is not zero, but statistical practice puts the significance at 0.05. As can be seen from this table none of the weights assigned to the variables in the questionnaire differ significantly from zero and consequently it cannot be highlighted key factors affecting cinema attendances. All the factors have equal weight with consumers (statistically). All the values needed are summarised below, e.g. R^2 etc. The important thing is that none of the variables differ significantly from the other.

Multiple Regression Results

Dependent: Var40 Multiple R = .53634448 F = .9912305

$R^2 = .28766540$ df = 33, 81

No. of cases: 114 adjusted $R^2 = -.00254499$ p = .495566

Standard error of estimate: 9.228644442

Intercept: -22.93816505 Std.Error: 5.341757 $t(81) = -4.294$ $p = .0000$

Refer to Addendum 4 (Significance Table 1) for the multiple regression test results table

Secondly Consulta Research performed an analysis of variance (ANOVA). The purpose of this test is to determine if there is a single variable whose mean (average) differs significantly from all others. The null hypothesis here is that all means are equal and again it is only the p-value which is important. In this instance the p-value is 0.49, which means that there is a 49% probability that all the means are equal. Again it is common statistical practice to use critical values of 0.05 for significance and 0.01 for highly significant. 0.49 is well above these critical values and it is therefore safe to say that we cannot reject the null hypothesis that all the means are equal.

Refer to Addendum 5 (Significance Table 2) for the ANOVA analysis of regression table.

There are other techniques which Consulta Research used to give a better explanation of the variables, for example the correlations, and single factor ANOVA.

The correlations just indicated that the variables are all highly correlated, which could be used as a possible explanation for why there is no significant difference in the means.

A single factor ANOVA tests the individual pairs of variables for differences with each other. When this test was done the findings were that some of the variables do differ from one another, but it is pretty useless information. This merely states that there is for example a difference in the weight people placed on the variable with the highest average and the one with the lowest average if all the other factors are ignored. This is something that occurs in almost all statistical studies, so there aren't any meaningful conclusions that one can draw from this.

Other tests are: (these tests are more applicable to datasets where 2 individual variables are compared with each other)

The F-test, which compares the variance of 2 variables with each other. The variance gives an indication of the "spread" of the data around the average. It is desirable to have as small a variance as possible, which would indicate that the population's opinion on a certain aspect does not differ much. The f-test hence compares the variance between 2 variables with each other. This again is senseless, unless you get a variable whose variance dif-

fers significantly from all other variables. In the data there were no such variables where the variance differs significantly with all others.

The T-test compares averages between variables. It is, however, not the purpose to determine if there is a difference between individual variables, as those are always prevalent, but rather to test for significant variable as done in the multiple regression.

The multiple regressions basically gave all the information that can be used and although there were no significant differences between variables, all the threats and shortcomings in the questionnaire were determined from it. This can now be used as a starting point if a similar study is to be conducted in the future.

To conduct the multiple regressions Consulta Research used Statistica Software. Excel can also do the test, but only with 16 independent variables. The important thing is to do a mean replacement for missing values by replacing the missing values with the averages of the specific variables and then running the process. It is important to note the importance of clearly defined dependent and independent variables as they form the core of the process.

The following statistical threats were noted:

Threat 1: A small sample of possible population that is active in the movie industry.

Threat 2: That the questionnaire design could have been done in such a way that the statements do not reflect the factors clearly enough. People perceived the factors combined in the many statements to exist, which is why the scores from all the statements are so highly correlated.

Threat 3: Furthermore the dependent variables could have been defined in such a way that they do not necessarily reflect the factors.

It, however, makes sense that some of the factors obviously play more of a role than others when a person takes the decision to go to the cinema or not. The researcher used a significance split of 67% and above (Table 9 & Appendix 7) to determine which of the factors inherent in the statements were significant in the movie exhibition industry based on subjective perception of the people active in the industry (the sample). All factors that scored higher than 67% were deemed to be significant, and were considered significant factors affecting the cinema exhibition industry (Table 9 & Appendix 7).

When a stringent criterion of 67:33 is applied, only two factors have a score of 67% and higher. More detail on the results is given in section 5.9.

The researcher applied a less stringent criterion of 60-67% to determine which factors were moderately significant. Five factors had a score of between 60-67%. More detail of these factors is given in section 5.9 (Table 10 & Appendix 7).

The researcher relaxed the criterion even further and looked at factors that scored between 50-59%. A further nine factors had a scoring of between 50-59%. More detail of these factors is given in section 5.9 (Table 11 & Appendix 7)

For the purpose of generating future scenarios for the cinema exhibition industry and testing of the cinema exhibition business idea, the researcher used factors that scored between 50 and a 100%. Attention needs to be paid to the fact that the researcher proposes that factors which scored lower than 67% form part of a follow up research paper.

Although the p-value lies relatively close to the 0.05 (industry standard), but is 0.07 and therefore not statistically relevant, the researcher felt that it would be best to re-visit the questionnaire results to try and distinguish between the variables in the questionnaire and the factors being examined.

This could confirm either that the questionnaire was not designed in a way to highlight key factors from the rest and/or that the sample was not big enough.

In retrospect had the sample size been bigger, what now appears, as being moderately significant, could be significant if a bigger sample had been had. The moderately significant factors will be looked at in the follow up research. The follow up research will have a bigger database of participants; will include consultation with industry experts, and will include a bigger participation from the general public.

5.8 SIGNIFICANT FACTORS

There were 2 questionnaire statements that had a significant scoring of between 67 and 100%. These were factors 3 and 7.

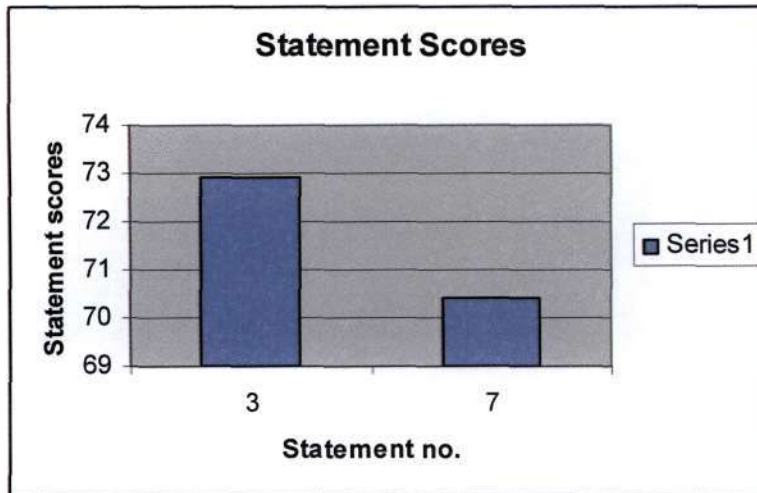


Table 9: Statements with an average scoring of between 67 and 100%

3-Loyalty pricing programs (Discovery Vitality movie benefit, Edgar's movie club) are driving cinema attendances in South Africa.

7-Shortening window periods between theatrical and DVD release of movies is contributing to a growth in home movie viewing

5.9 MARGINALLY SIGNIFICANT FACTORS

There were 17 factors that had a marginally significant scoring (statements that had an average scoring of between 50 and 67%) . The factors that scored between 60% and 67% are as follows:

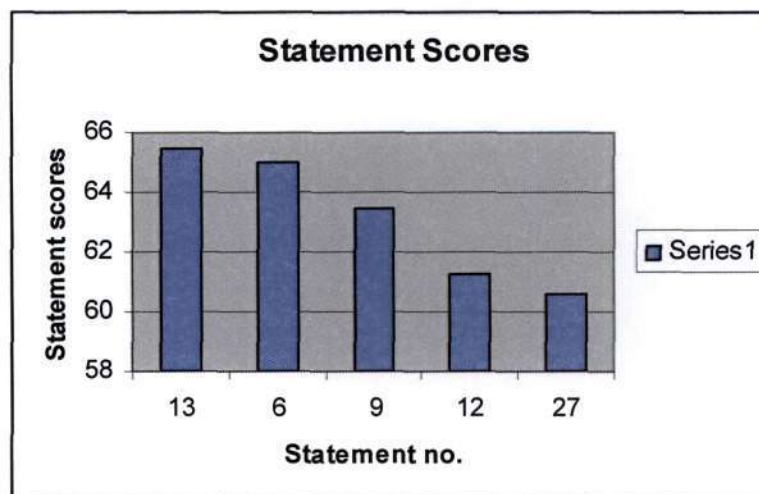


Table 10: Statements with an average scoring of between 60 – 67%

13-Confectionery is an added value to watching movies at the cinema as opposed to at home

6-Technological developments (online booking, telephone booking, cellphone booking) are driving cinema attendances in South Africa

9-Geographic location of cinemas in South Africa is a driving factor in declining cinema attendances

12-Pricing (value for money) for movies is negatively affecting cinema attendances in South Africa

27-Arthouse/alternative content (movies) have potential to grow attendances at cinemas. The factors that scored between 50 and 59% will not be considered in determining these scenarios. These are factors that were not as significant on movie going according to the research sample. The factors and their influence on movie going should be subject to further research.

Statements that scored between 50 and 59% are as follows:

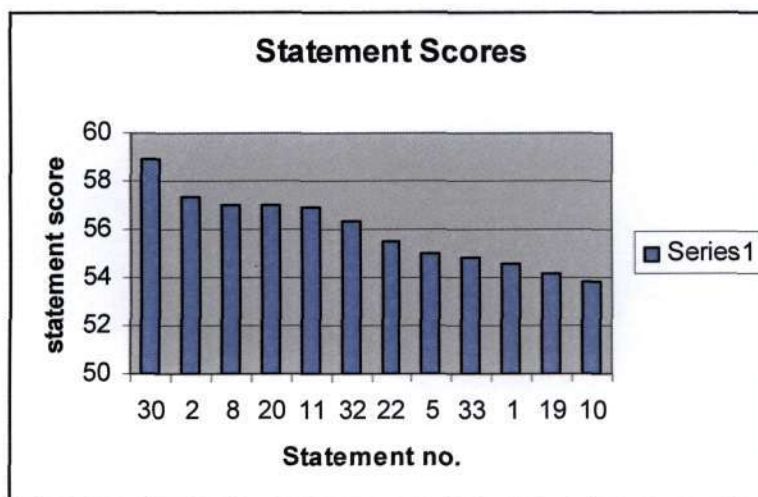


Table 11: Statements with an average scoring of between 50-59%

Only the factors that scored between 60 and a 100% will be considered for the scenario-generating phase of the paper.

5.10 CATEGORISATION OF THE STATEMENTS

CODE	STATEMENT	DECODE
3	Loyalty pricing programs (Discovery Vitality movie benefit, Edgar's movie club) are driving cinema attendances in South Africa.	Loyalty Programs
7	Shortening window periods between theatrical and DVD release of movies is contributing to a growth in home movie viewing	Shortening window periods
13	Confectionery is an added value to watching movies at the cinema as opposed to at home	Confectionery
6	Technological developments (online booking, telephone booking, cellphone booking) are driving cinema attendances in South Africa	Technology
9	Geographic location of cinemas in South Africa is a driving factor in declining cinema attendances	Location
12	Pricing (value for money) for movies is negatively affecting cinema attendances in South Africa	Pricing
27	Arthouse/alternative content (movies) have potential to grow attendances at cinemas in South Africa	Alternative Content

Table 12: Categorisation of the statements

5.11 SUMMARY OF THE SIGNIFICANT FACTORS TO BE USED IN THE SCENARIO CREATION PHASE OF THE RESEARCH

1. Loyalty Programmes
2. Shortening window Periods
3. Confectionery
4. Technology
5. Location
6. Pricing
7. Alternative Content

According to Wack (1985), some elements of the future were preordained, and they would be the consequential outcomes of events that had already taken place. These were predetermined elements. In the same context "the degree of predictability gradually goes down the further we look, and uncertainty goes up" Van Der Heijden (2005). This means

that even with the most effective planning tools in place, there is an element of the future that will always remain uncertain. In order to fully employ and to get the best results out the scenario planning technique, it is important to know what is inevitable and necessary (predetermined elements) and what is unpredictable and still a matter of choice (uncertain factors).

The identified significant factors need to be classified into either predetermined elements or uncertainties.

Variables (driving factor)	Predetermined	Uncertainty
Loyalty Programmes	yes	no
Shortening window Periods	no	yes
Confectionery	yes	no
Technology	no	yes
Location	no	yes
Pricing	yes	no
Alternative Content	no	yes

Table 13: Summary of significant factors

There core of the scenarios likely to take place in the future need to concentrate on the uncertain factors. These factors are those that are determined to be uncertain in the table above. Scenario's can then be created based on which driving factors are most important and most uncertain to the problem at hand.

Factors with a high level of uncertainty
Shortening window periods
Technology
Location
alternative content

Table 14: Factors with a high level of uncertainty

The above four factors are the most significant factors as determined by their scoring in the research questionnaire, and the level of uncertainty as determined by the researcher. These factors will be used in chapter six to come up with the cinema industry possible future scenarios.

5.12 SUMMARY

In this chapter the demographic profile of the research respondents and the questionnaire results broken down by demographic profile were presented. A number of tests were conducted to facilitate the quantitative significance of the research results. These tests which included the regression test, ANOVA test, F-test and the-test highlighted the fact that from the significance tests, none of the factors in the questionnaire could be statistically proven to be more significant than all the other factors. A number of statistical threats were noted. A model for determining which factors in the questionnaire were more significant than others based on the variables (questionnaire statements average) scoring in the questionnaire results were used. This model of a $> 60\%$ scoring (factors that scored higher than 60% in the questionnaire) was used to determine the factors that were significant in answering the research question, and to be used in the scenario generating phase of the research. The significant factors were classified into predetermined and uncertain factors, and the uncertain factors are used in chapter six to determine likely future scenarios for the cinema exhibition industry in South Africa, and recommendations made.

In the next chapter the researcher will present three plausible future scenarios of the cinema exhibition industry, followed by recommendations and an analysis of the extent to which the researches objectives and critical questions were answered. The researcher also submits areas of possible future research.

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

In this chapter three plausible future scenarios of the cinema exhibition industry will be presented, followed conclusions about the research and also make recommendations based on the research findings.

6.2 PREAMBLE

At the end of the literature review, the following was stated as being the most appropriate in answering the research problem; scenario planning is appropriate to be used as a strategic planning tool to determine the future of the cinema exhibition industry for the following five fundamental reasons:

1. The business environment is continuously changing, and a planning tool that accepts these changes is needed to plan for a future in this environment.
2. The past cannot always be used to extrapolate into the future.
3. The future is not predictable.
4. Uncertainty is inherent in the future environment
5. Conventional planning tools such as forecasting are flawed because of the emphasis that they place in the past when planning for the above-mentioned future.

The process of Scenario generation is based on a combination of the theoretical approaches of Ogilvy (2002), Schwartz (1996) and Van Der Heijden (2005) as elaborated on in the literature survey.

A summary of the key factors needed to ensure the correct fleshing out of the scenarios is as follows:

1. The scenarios must be dramatic, compelling, logical, and plausible.
2. The scenarios need to describe how the world would get from the current position to the future position.

3. The scenarios need to have highly descriptive titles that convey the essence of what is happening in each case.
4. The scenarios need to have a table of comparable descriptions to help planners and decision makers see how the scenarios differ along given dimensions.
5. The scenarios need to identify the main opportunities and threats that each scenario poses for the industry.
6. The scenarios need to determine if the industry is prepared to seize these opportunities and obviate or minimise the threats.
7. The recommended strategies suitability for the future need to be compared against all the plausible scenarios.

6.3 DESCRIPTION OF THE CINEMA INDUSTRY FUTURE ALTERNATIVE SCENARIOS

There are four significant factors as determined in Chapter five. Technology is the driving factor as it presents the biggest opportunities as well as threats to the future of the cinema exhibition industry. With technological advancements the future of the cinema exhibition industries business model is threatened. This is caused by new technologies that compete with the cinema theatres (e.g. I pods, Cellphone, the internet) to name a few. The film release window is also under severe threat as studios are pressured into making movies available to all the new technologies simultaneously in other channels as they are released in the cinemas. Consumers are just not willing to wait for this content to be available to view in formats that they prefer. This is the reason that threats such as piracy continue to thrive.

Technology developments also bring with them opportunities for cinema exhibitors. With movie projection moving from the traditional 35mm prints to a digital format, exhibitors have a wider choice of movies to choose from for exhibition purposes, as these movies can just be downloaded digitally via servers instead of waiting for prints to be made available. With a digital platform, exhibitors also have the opportunity to pursue other opportunities outside of just movies by means of "other digital stuff" in their cinemas.

These factors are the emphasis on which the scenarios in this paper are being developed. Location is, however, also a significant factor and forms part of the scenarios. In addition to location, the three "predetermined elements" are also included as part of the scenario generating process.

The following are three scenarios for the future of cinema exhibition in South Africa.

Scenario 1- The cycle will change

NATO states that the cinema exhibition industry is a cyclical business and as such the challenges being faced today will pass, and will be realised again in the future.

With the above in mind, the scenario of seeing the storm through, and not proactively look at the business idea of the current cinema exhibition industry is seen as defensible by the cinema exhibitors.

- In this scenario, exhibitors continue to operate in the same way as they are doing currently
- Discounted pricing remains prevalent
- Exhibitors' brands are eroded as loyalty programmes become more important. Cinema patrons are more familiar with the loyalty programme that they are a part of and make their choice to see a movie based on this value proposition.
- Exhibitors are more reliant on their loyalty partners
- Loyalty partners become more powerful, thereby, reducing the power of exhibitors in their own industry
- Segmented (budget and premium) film ticket prices prevail
- The value of a movie as entertainment is diminished, further enforcing discounting as a strategy to grow attendances
- Competing on price prevails
- Price overtakes the movie experience as a lever to use to increase attendances
- Exhibitors experience reduced revenues because of the suppressed ticket price
- Exhibitors are more reliant on other revenue streams other than film exhibition, which is their core competency
- Reduced profitability of exhibitors
- Reduced appeal from potential investors because of reduced returns in the industry which limits potential for growth

- The window period between the theatrical and DVD release of movies continues to be shortened
- Films become available through multiple channels (Ipods, cellphone and downloads to the computer)
- Exhibitors experience reduced revenues as the window of opportunity is reduced
- The business model of film exhibition is changed and the benefits flow to film studios and consumers
- Exhibitors experience low cinema occupancy levels
- The introduction of digital exhibition is cost inhibitive
- Digital film exhibition makes more film available to exhibitors but at a substantial cost to install digital projectors and servers
- With technological advancements, more devices are available to consume films (ipod and, cellphones) which increases the power of the buyers (cinema patrons)
- With technological advancements, the speed of downloading films increases, further increasing competition to exhibitors and fuelling the prevalence of piracy in the industry
- With technological advancements, enhanced film exhibition such as 3D exhibition becomes attractive as the experience can't be replicated at home
- Sports broadcasts and opera are available to be streamed to the cinemas which makes available alternative content
- With digital exhibition, independent acquiring of content based on the exhibitors customer profiles is possible
- Alternative content reduces the exhibitors reliance on Hollywood studios films (exhibitors can now showcase local production without having the producers incur film print costs)
- The cinema exhibitors are better able to satisfy consumer needs, however, at a high investment cost

- The cinema exhibitors have the ability to carve niche markets for themselves, by providing content that is targeted to the customers
- Prime locations become overtraded
- Cinema exhibitors are more willing to take risks with less prime locations
- Emerging markets offer cinema exhibitors an opportunity for growth
- Cinema exhibitors become more reliant on confectionery revenue streams
- Prices of confectionery are increased to offset suppressed film ticket prices and improve profitability
- Cinema exhibitors experience resistance from customers due to the increasing confectionery prices
- It becomes important to offer value adds/targeted ranges to offset the backlash from customers
- Exhibitors explore other food categories, which requires increased investment to garner competencies in other categories
- Cinemas are unprofitable in this scenario

Scenario 2: The renovation of traditional cinemas. Cinemas remain the preferred way to watch film

- Exhibitors, distributors and studios all agree that films are created to be watched on the cinema screen. This is the format that the producers and directors of the film have in mind when they make a film. Other available formats are welcomed, but are however seen as ancillary
- Big budgets are spent on the film making process paying particular attention to the visual effects, sound, the scale of the cinema screens and the magnitude of the digital sound in the cinema. The darkened environment and the clarity of the picture are deemed essential to the film viewing experience
- Exhibitors, distributors and studios all agree that all the above elements can't be done justice on an Ipad, cellphone, computer and even an average home entertainment system

- Consumer expectations of the cinema experience is heightened because of the general standard of visual and sound standards that have been set in the home environment because of technological advancements (through better television quality, music systems, home entertainment systems, I pods etc). These expectations are valid for all touch points of the cinema experience including the booking of a movie ticket online, by telephone, by mobile phone; redemption of the movie ticket at the cinema via stand alone self service terminals or the cash box office; the management of the ticket processing time (whether online or through the queuing at the cinema); the ease with which the confectionery is sold; the range of the confectionery and ultimately the actual film exhibition. The environment in which all this happens (look and feel of the cinemas, interactive facilities at the venue, the entertainment elements for the pre and post film exhibition through plasma screens showing trailers and the ability to have coffee and cake after the film as part of the entire outing to the cinema) becomes even more important
- Cinema exhibitors invest heavily in high definition digital projectors in their cinemas that meet the standards specified by the studios suitable for film exhibition, improving the quality of film distribution at the cinemas. Cinema exhibitors invest in comfortable, high quality seats and screens in their cinemas, and the best high definition sound systems that surpass the sound quality that is available for home film consumption. Cinema exhibitors build bigger cinemas with many cinema screens (multiplexes); there is no shortage of films to show as they are distributed digitally, and not through the traditional film print
- Cinema exhibitors show a wider variety of films (genres) and experiment more with content as the risk of trying different films is reduced. If the film does not sell well, then it is digitally removed from the film server and is not scheduled further
- Cinema exhibitors open coffee and alcohol bars providing light snacks and alcoholic beverages to offer a service to the movie patrons and increase the movie patrons dwell time spent at the cinema house. Similar facilities are incorporated to cater for children (chill out zones with interactive technologies e.g. film trailer clips, music downloads etc)

- Cinema exhibitors streamline the trailers and advertising before the main feature to make the pre-show (adverts and trailers) more entertaining and forms a seamless part of the movie experience. Consumers show up earlier at the cinemas and have a light snack to eat, sit through the entertainment before the film, enjoy the film, and later have a coffee and a piece of cake or a whisky to complete the experience
- Advertisers are drawn to cinemas as a marketing media as more consumers are watching the trailers and adverts (pre-show) and cinema exhibitors achieve increased revenues in the form of advertising spend
- Landlords change their views on the viability and necessity of having cinemas in their shopping centres as they play an important part in driving footfall to the shopping centres, and exhibitors are able to negotiate better rentals with shopping centre managers
- With the cinema experience being improved, exhibitors are able to charge a higher ticket price for the experience, and consumers are willing to pay this higher price because of the value of the outing to the cinema houses and not the film only
- Exhibitors have increased revenues from higher ticket prices, and reduced operating costs because of better rentals. Cinema exhibitors invest even further in improving the cinema experience by pushing the boundaries in technology, sound and seats of the cinemas
- The studios make more money as their percentage of the movie ticket is based on a higher ticket price. This excess profit is used to make bigger and better films, which ensures a consistent stream of good quality content for the cinemas.
- Cinemas are a profitable business in this scenario

Scenario 3: Multimedia and Eventing Destinations

Cinema exhibitors realise that they have invested large amounts of money in the facilities commonly known as cinemas. These investments are in the form of sound, stadium seating, large screens, projection equipment and large general foyers. Cinema exhibitors realise that they have a captive audience in the form of cinema patrons which they can sell ancillary opportunities to. Cinema exhibitors accept the fact that there will always be piracy, whether through copied DVD's or through online file sharing and computer downloads

which are then consumed by a varying amount of technologies such as I pods, Cellphones etc. A continuous denial of this phenomenon is counterproductive.

- In this scenario the exhibitors accept that the life cycle of the traditional window period is slowly coming to an end, and that simultaneous release of films is an imminent reality
- Cinema exhibitors find new and innovative ways to use their real estate, which are the cinemas for other opportunities other than showing films
- Cinema exhibitors start using their cinemas as eventing venues. This is made possible because of the compatibility of the cinemas to eventing facilities. Cinemas are now used for company results presentation, comedy nights, and distance education lecturing sessions, special national broadcasts, product launches, national debating sessions, national quiz sessions, company conferences and church services. All these events are made possible by the fact that cinemas can transmit a live feed via satellite to various venues across the country, and the use of digital projectors as opposed to reel projectors which can downstream content via servers
- Cinemas are also used as an interactive channel where individuals located all over South Africa can interact with each other without being in the same room or even the same province. Cinemas are used for gaming showdown championships across South Africa, where teams of players compete with each other across the country. This is the ultimate way of playing console games (on a large screen with the best possible sound, with a team that is as big as the particular game being played permits). Games are now created by Playstation and XBOX that are reconfigured for the cinema screen
- The foyers of the cinemas are interactive destinations, where patrons can walk through experiential tunnels owned by different companies, contracted to rent the cinema foyers from the exhibitors for these experiential centres. In these experiential centres patrons are able to sample the latest products from the centres sponsors. These experiential centres afford the sponsoring companies an opportunity to experiment with new communication and activation tools outside of the traditional advertising and communication mediums in a way that is large, interactive and exciting. Exhibitors are able to get rental and sponsorship revenues, and create a level of ex-

citement in the foyers, that is continuously changing as the sponsors change. This gives patrons a new reason to visit the cinema houses

- Patrons now spend more time at the cinemas whether they are there for the films, for an event, or to take part in the different activities taking place in the foyer area. Cinemas are now a destination venue to spend time at, instead of just traditional film houses
- The eventing and interactive new business opportunities are a significant revenue stream for cinema exhibitors, and contribute significantly in ensuring the sustainable profitability of cinemas
- Cinemas are profitable in this scenario

Table of comparable descriptors

COMPARABLE DESCRIPTORS	DE-		
SCENARIO 1		SCENARIO 2	SCENARIO 3
Ticket prices stagnant		Higher ticket prices	Cinemas seen as real estate vs. film house
Increased lease and operating costs		Reduced operating costs	New technologies seen as opportunities and not threats
Expense control initiatives		New technologies seen as ancillary	Diminishing traditional theatrical window periods
Reduced employee training		Higher service level standards at the cinemas	Cinemas used as eventing venues
Challenges from improved technology		Bigger budget movies	Cinemas used as interactive channels
No traditional theatrical window periods		Aggressive investment in digital projection, sound, seats, screens and foyers	Cinemas incorporate experiential tunnels
Rural/emerging market expansion plans		Improved pre and post show activity	Increased patron dwell time at the cinemas
		Wider variety of movies	Increased revenue from eventing & interactive opportunities
		Increased advertising at the cinema	
		Increased revenue from advertising	
		THREAT	
		OPPORTUNITY	
		THREAT/OPPORTUNITY (depending on execution)	

Table 15: Table of comparable descriptors by scenario

6.4 RECOMMENDATIONS

1. Even though the studios have worked tirelessly to protect their products against pirates, the reality is that it only takes one copy of a pirated film to have an impact on the financial returns of a film to a studio. Once the film file is put on the internet, it is available for millions of internet surfers to use through peer-to-peer file sharing networks to download the film and distribute it across the world. Cinema exhibitors

need to play their role in ensuring that film piracy is reduced, by looking out for such things as camcording in the cinemas, thereby reducing the challenges brought about by piracy.

2. Exhibitors in South Africa need to accept the fact that studios are beginning to make their best products available on the internet through services such as Movielink, iTunes and CinemaNow. Online distribution of content is likely to get even bigger and cheaper. This is further exacerbated by increased internet speeds which make downloading films easier and the gradual alignment of personal computers and television screens, making it easy to download a film on the computer, but watch it on a television screen elsewhere. The reality is that there is a shift in film viewing to new delivery methods other than cinema.
3. To be able to fight against this changing landscape, exhibitors in South Africa need to be at the forefront of creating a culture of local film exhibition and film production. Local content has played a big role in negating the effects of Hollywood content being shared on the internet in areas outside the United States of America by drawing people into the cinemas to watch local films. South Africa does not have a culture of local content support and one of the reasons could be the sparse availability of local content at the cinemas. Exhibitors must get involved in initiatives that are geared to ensure the growth of local film production and ultimately local film exhibition, even if it means introducing a quota system whereby a number of cinema screens will be dedicated to local films. Exhibitors must move away from the mentality that their responsibility is to exhibit films and not to make films. Exhibitors, film makers, distributors, non profit organisations such as the NFVF and the Department of Arts and Culture all have to work together to proactively ensure that a film industry and culture exists in South Africa.
4. Cinema exhibitors need to locate their new cinemas in previously under-serviced cinema areas. Most of the cinemas in South Africa are located in urban metropolitan areas (e.g. Sandton, Fourways, and Bedfordview). Attendances in these markets are not growing, however, more and more cinemas are being built in the same areas to cater for the same patrons leading to an oversupply of cinema screens in these areas. It is true that there is an emerging black market that is moving into these areas, however, there is an even bigger market that lives outside of these areas in the rural parts of

South Africa who are starved of entertainment alternatives. These patrons in some cases do not even have access to a television set. The exhibitors should see this as both a business and social responsibility opportunity. According to the Statistics South Africa 2006 Mid Year population estimates report, the youth market which for the purpose of this research is ages 10 -24 constitutes 30.97% (14 681 600) of the entire South African population. 6.47% of this group is White and 93.52% is Black (including African, Coloured, and Indian/Asian).

5. There is a disproportionate amount of cinema screens in provinces such as Gauteng (52% of the national total cinema screens) with 15.37% of the youth population residing in Gauteng, as compared to provinces such as Eastern Cape (4.11% of the national total cinema screens) even though 16.85% of the youth population resides in this province) Table 3. This clearly shows the opportunities that lie outside of urban areas such as Gauteng. Cinema exhibitors need to look beyond the traditional cinema market. The market is changing, and the more affluent patrons have a wider variety of entertainment alternative competing for their attention.
6. Cinema exhibitors need to pursue the opportunity of sourcing content that is suitable for segments of their business. It is therefore important to clearly understand who is visiting their cinemas. This can be done through research. Research will enable the exhibitors to tailor make their offering at the cinemas to closely meet their customers' expectations at a micro level as opposed to adapting the current philosophy of a national "one glove fits all" strategy. Truly understanding what their immediate customers want will enable the exhibitors to be able to enhance their patrons experience at the cinema. This will also lessen the dependency on film distributors, and allow the exhibitors to tap into other revenue opportunities, depending on how deep they participate in the film value chain e.g. television rights of sourced films etc.
7. Exhibitors should pursue other opportunities other than just traditional films. These opportunities are commonly known as "other digital stuff". These could be in the form of film festivals, music concerts, sports broadcasts, video conferencing and 3D stereoscopic exhibition.
8. Cinema exhibitors must transform the cinemas from just film theatres into entertainment complexes. They must create the perception that there is a lot going on at the cinemas. Exhibitors must provide customers with a place at the cinema houses

that enables patrons to engage with each other. Humans are social beings, and interaction plays a big part in how human beings decide to spend their spare time. At these entertainment complexes, consumers can take part in other events outside of just seeing a film. These can include interactive spaces at the entertainment complexes. The intention should be to cater for different types of entertainment required by customers with alternatives other than feature films. Cinema exhibitors must not play in this space at the exclusion of other distribution channels, but cinema houses must be seen as an extension of existing medias whether it is for advertising or for film exhibition.

9. The pre-show (trailers and advertising) also plays a role in achieving the repositioning of cinemas as entertainment complexes. The pre-show must form a part of the entire entertainment at the cinema. The content on the pre-show must be compelling to the market that is coming to that particular cinema, further stressing the need to know who is visiting the exhibitors' particular cinema. With the deployment of digital projectors, cinema exhibitors need to look for differentiators to the home entertainment experience by introducing such things as 3D technology. This technology can either be used for the main feature or for the pre-show, further differentiating the entertainment complex from the traditional cinema house. At the core of the entertainment complex should be the ability of the consumers to interact; this can be through such activities as video games, movie trivia via digital satellite etc. The incorporation of coffee and alcohol bars is also important. The entertainment complexes should be seen as innovative, fun, interesting places of interaction with all types of content and activities.
10. Cinema exhibitors need to fast track the deployment of digital projectors that meet the studios DCI specifications. There are a number of business models that have been created overseas that could help to fast track this process, and some include third party financing (venture capitalists etc) wherein equipment is installed into the cinemas, but financed in large part with "virtual print fees" from the studios. A virtual print fee is the approximate amount that the studio would have paid for the movie print, but is now paid as a sort of an allowance to the exhibitors to finance the cost of a digital projector, which could in some cases run into amounts of R1 million per cinema screen. Digital cinema will make it possible for exhibitors to take advantage

of the other opportunities as stated above. Revenues from the “other digital stuff” can be used to offset some of the costs incurred by exhibitors for the deployment of digital projectors. Future opportunities open to exhibitors’ lie in the digital world. Digital cinemas will also enhance the film experience by providing consistent, high quality images that will not degrade with time as with the traditional film print. Without an actual print of a film required, exhibitors would be able to offer a wider assortment of films. More importantly, this digital experience will be different from any other film viewing experience.

11. 7.Cinema exhibitors need to start maximising the cinemas dark periods (quiet times) by renting out the facilities for eventing opportunities e.g. church services, road-shows, launches, meetings, company seminars, lectures, and as multiplex classrooms (including interactive questions and answer periods and phone in questions from other cinemas across the country).
12. Cinema exhibitors must improve the condition of their cinemas to ensure that the film experience is consumed in the best possible cinema. This includes making sure that the following are of the highest standards:
 - Cleanliness of the cinema
 - Type and quality of the seating
 - The size of the cinema screens
 - The quality of the sound
 - The quality of the projection
 - Availability of parking at the venue
 - The range at the confectionery counter must be more diversified
 - The attitude of the employees at the venue and the extent to which they look after the patrons coming to the cinema

6.5 CONCLUSION

In this section the results of the research were summarised. In the key concepts chapter (Chapter 2) the key concepts that are most relevant in the theory and practise of strategic business planning, in particular the different paradigms in how strategic planning

is viewed and how different concepts relate to the research paper were indicated. Attention was called to the fact that traditional planning techniques are not appropriate when dealing with the future of an industry such as cinema exhibition, which is characterised by an ever-changing external environment which makes extrapolation from the past inadequate. The importance of accepting the uncertainty inherent in the future, and how acceptance of this uncertainty is a basis for the use of alternative strategic planning tools such as scenario planning to determine the future of cinema exhibition and achieve the researches objectives was stressed.

A thorough description of the theory of scenario planning, the process of scenario planning, and finally the methodology of scenario planning was given. Scenario planning is not without limitations, therefore a description of the limitations of scenario planning, as well as a timeline in the life of scenario planning was given for the purpose of articulating why this technique has not been fully utilised for strategic planning in the past and currently. Even with all the limitations stated, a case was made for the suitability of using scenario planning in this research as compared to other strategic planning tools, in particular forecasting and industry foresight.

In addition to all the secondary data presented in the literature survey, primary data was collected by means of a pilot study and a questionnaire. A detailed list of possible statements from the pilot study were formulated into a questionnaire and forwarded to a sample of respondents to determine which of the 33 statements had the most significant effect on the cinema exhibition industry and its likely future. From the questionnaire, most of the respondents attached a similar level of significance to the factors (statements) that comprised the questionnaire. The respondents were consistent in their responses. From this and the significance tests conducted, it was concluded that none of the factors could be significantly stated as being more significant than others and that statistical significance could not be presented by demographic profile as the respondents gave similar responses to the research questions. It was therefore concluded that the sample had the same opinion of what the factors affecting the cinema exhibition industry were, and that I was unable from the sample to get further insight into which factors are more important than others.

Through a significance ratio exercise and by using factors that scored 60% and higher it was however possible to shortlist the number of factors that from a percentage scoring had the biggest effect on the industry and factors that didn't. These factors were

used in coming up with three possible scenarios of the future of the cinema exhibition industry. The first scenario is a “Do Nothing” scenario, which the researcher found to be totally unacceptable. There likely future of cinema exhibition is a combination of scenarios two and three. In this future, emphasis will be placed on upgrading and reengineering the cinema facilities and the entertainment offer to ensure that the cinema house is the best possible place to watch a film amongst other entertainment alternatives, and also better than new technologies such as on an Ipod, computer or a cellphone. Cinemas will also be used for other eventing opportunities such as sports broadcasts, interactive gaming, church services, conferencing facilities, interactive spaces etc.

In conclusion it is important to ascertain whether the research paper has been successful in meeting the objectives of the research and answering the critical questions.

6.6 OBJECTIVES

The four objectives are given in section 4.2 of Chapter 4 (pp 108). They are:

Objective 1

The research would have to provide insight into the state of the cinema exhibition industry in South Africa by identifying the key factors driving change in the industry.

Objective 2

The process of scenario planning would have to be used to formulate a number of possible future scenarios that the industry is likely to take, paying particular attention to the key factors driving change in the industry.

Objective 3

The researcher would have to ascertain the appropriateness of the current industry business ideas and strategies in being able to deal with these scenarios.

Objective 4

The researcher would recommend specific possible strategies for the South African cinema industry that are robust and appropriate in these different futures (scenarios).

The first objective was achieved and chapters 3, 5 and 6 describe this. The second objective was partly achieved as detailed in section 6.6 of Chapter 6. The third objective was achieved and chapters 3 and 6 describe this. The last objective was achieved with a

number of recommendations of strategic interventions being given in Chapter 6 of the research paper.

6.7 CRITICAL QUESTIONS

Below is a list of the critical questions, as well as a summary of the degree to which they have been answered:

Critical Question 1

What are the driving factors affecting the cinema exhibition industry in South Africa both contextually (social, economic, political and technological environments which the industry players cannot change), and transactional environments (which are the driving forces in the industry, which the industry players can change)?

The research paper was partly successful in determining the contextual factors affecting the cinema exhibition industry in South Africa. The research did not identify in detail the economic and political factors; however the social and technological factors were dealt with in enough detail as they related to the research question. The research was successful in identifying from the questionnaire factors affecting the cinema exhibition industry in South Africa as determined by the sample chosen for the filed work. The limitation to this success is that the questionnaire results were homogenous by demographic profile, meaning that the different profiles had a similar opinion and therefore allocated the same level of significance to the factors. The researcher was therefore unable to determine which factors were more statistically significant than others. The limitations of the identified factors were noted in chapter 1 and 5 of the research.

Critical Question 2

What is the cinema exhibitions business in a form of a business idea?

The research was successful in unfolding the film industries business idea. This was achieved by providing a thorough description of the industries business idea including the film studios, film distributors and cinema exhibitors' business ideas. These groups form the core of the film industries value chain. A more detailed description of the cinema exhibitors business and environment was given by conducting an industry analysis through Porters Five Forces Model, theory of business cycle and a SWOT analysis.

A comprehensive list of some of the challenges facing this industry was given, as well as those which could be seen as opportunities or as threats. This list was critical in collecting primary data and coming up with future scenarios of the cinema exhibition industry.

Critical Question 3

What strategic planning tool is the most appropriate to use to plan for the cinema exhibition industry in South Africa?

This question was answered successfully in the research paper. An in-depth description of the key concepts as they relate to strategic planning was given. The merits and demerits of the numerous approaches to strategic planning was given, and a case for the appropriateness of scenario planning as a strategic planning tool was given when compared specifically to the technique of industry foresight and forecasting. In chapter 4 a summary was given of the reasons why scenario planning was the most appropriate strategic planning tool to answer the research question.

Critical Question 4

What is the future of the cinema exhibition industry in South Africa likely to be, with particular emphasis on the most important factors driving change in the industry currently and into the future?

This critical question was answered partly successfully in the research paper. Three scenarios of the possible future of cinema exhibition were given. The significant factors as determined in the data collection phase of the research were used to formulate these scenarios. These possible futures had at their core the factors as identified in the research. There was however a number of limitations that were noted in the research in determining the most significant factors as well as the appropriateness of the individuals chosen to form the sample. Recommendations were made on how the research would with the benefit of hindsight be approached in the future to eradicate some of the limitations.

With the factors identified in the questionnaire, three possible future cinema exhibition scenarios were formed. The limitations inherent in the questionnaire findings are identified as the reason that critical question 4 is deemed partly answered.

Critical Question 5:

Are the current strategies and business ideas being employed in the industry robust enough and appropriate to deal with this future?

This critical question was answered successfully in the research. Emphasis needs to be placed on the fact that the current strategies employed in the industry were deemed inadequate in light of the state of the industry currently, the industries business idea, the challenges and opportunities being faced by the industry, the questionnaire results and finally the likely future of the industry as determined by the researcher in the form of possible future scenarios. The robustness of the current strategies was deemed inadequate based on their ability to deal with the possible future scenarios as identified in the research paper.

A number of recommendations were made for strategic directions that could be more robust and better suited to deal with these future scenarios to ensure the sustainability of the cinema exhibition industry in South Africa.

6.8 AREAS OF FUTURE RESEARCH

The research results lead to the conclusion that the cinema house of the future is unlike the cinema house of today. The research shows that if cinema exhibitors want to stay relevant into the future, then they need to re-look at the physical makeup of their cinemas and need to design cinemas that will be able to deliver the best possible movie viewing experience, but coupled with that, a cinema that can be viewed as a gathering place for patrons to partake in other entertainment alternatives outside of just movies.

The recommendations made in this research are not exhaustive of what the future of cinema exhibition will be like in South Africa. It would therefore be recommended that further research be conducted to determine the physical make-up of a cinema in the future. This research should investigate the following:

- Should cinemas still be in shopping centres or can they be destination stand alone venues that consumers will be willing to go to primarily and not as part of “the shopping centre experience”
- Should the core offering still be cinema exhibition or should cinema exhibition be one part of a much bigger entertainment offering

- Are Multiplexes (many cinema screens at one venue) still relevant, or should the number of cinema screens be cut back, and the spaces better utilised for other entertainment areas e.g. tenpin bowling, game arcade, interactive stations, restaurants, bars, coffee shops, DVD and music shops etc
- Should the pricing model stay the same, or should cinema exhibitors adopt the Gym membership model where a monthly subscription is paid and the patrons can enjoy all the facilities in these venues with the exception of the bar, coffee shop etc
- Should Hollywood product still remain the bulk of the films being shown at the cinemas or are there other meaningful content alternatives
- Should the entertainment venues be based in urban or rural areas, and should their physical make-up be the same
- Should there be different cinemas for adults and for the youth, or should they cater for both these profiles

The above list is not exhaustive, but is meant to illustrate the potential scope of further research in this regard.

ADDENDA

ADDENDUM 1: PERMISSION TO CONDUCT RESEARCH

Faculty of Management Studies
Graduate School of Business

Private Bag X54001, Durban 4000

Prof. Rembrandt Klopper, Tel: (031) 2607704, Mobile: 0844466662 e-mail
rklopper@ukzn.ac.za



Monday, 29 May 2006

Attention:
Mr Fanie Schoeman
Managing Director
Computicket
Delivered electronically by post

Dear Mr. Schoeman

Your cooperation requested for an academic study of factors affecting cinema attendance in South Africa

One of my MBA students, Mr. Clive Marumo, is conducting research on the above matter with the aim of finding solutions to the problem of stagnant or declining cinema attendance. My institution hereby requests that you facilitate access to Computicket Senior Management Team and staff to act as respondents for this study. The questionnaire to be used is appended for your scrutiny.

Nu Metro Theatres, Labia Theatre (Cape Town), Cine Centre (Durban and Johannesburg), Ster Kinekor Cinemas, Cinemark and Movies at Woodlands (Pretoria) are also being approached to participate.

The company, *Consulta Research*, will be administering the questionnaire.

The information gathered will not be used for complete intelligence purposes, but will be made available to all participants as set out below.

Participation will be of a voluntary nature, the identities of the participants will not be revealed and all participating organisations will be given prompt and unrestricted access to the results of the study, upon request.

Sincerely

A handwritten signature in blue ink, appearing to read "R. Klopper", with a long, sweeping underline.

Professor Rembrandt Klopper

CONSENT FORM

Supervisor: Professor Rembrandt Klopper

Tel: (031) 2607704, Mobile: 084446662 e-mail: rklopper@ukzn.ac.za

University of KwaZulu-Natal

Topic: "Scenario planning for future of cinema exhibition in South Africa"

Note to respondent:

I am conducting research on the factors affecting cinema exhibition in South Africa with the aim of finding solutions to the problem of stagnant or declining cinema attendances.

The questionnaire is to be completed as follows:

Please complete the questionnaire by rating each statement. You will indicate a number on a scale from 0 - 10, where 0 indicates "strongly disagree" and 10 indicates "strongly agree", based on the degree to which you agree or disagree with the statement. If you are unable to rate the statement, you may also indicate "Don't Know".

"Thank you very much for completing this questionnaire"

I..... (Full names of participant)
hereby confirm that I understand the contents of this document and the nature of the research project. I grant permission that my responses to this questionnaire may be used for research purposes provided that my identity is not revealed in the published records of the research.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT

DATE

.....

ADDENDUM 2: RESEARCH INSTRUMENTS

THE QUESTIONNAIRE

Section A

Please complete the following by rating each statement. You will indicate a number on a scale from 0 - 10, where 0 indicates "strongly disagree" and 10 indicates "strongly agree", based on the degree to which you agree or disagree with the statement. If you are unable to rate the statement, you may also indicate "Don't Know".

Indicate rating by choosing a number on the scale for each statement	Strongly Disagree										Strongly Agree										
1. Decreasing prices of Digital Video Discs (DVD's) are affecting attendances at cinemas in South Africa	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Increasing competition from home entertainment systems is affecting attendances at cinemas in South Africa	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Loyalty pricing programs (Discovery Vitality movie benefit, Edgars movie club) are driving cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Cinema advertising (trailers and advertising) is a deterrent to the cinema experience in South Africa	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Shortening window periods between theatrical and DVD release of movies is contributing to declining cinema attendances	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Technological developments (online booking, telephone booking, cellphone booking) are driving cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Shortening window periods between theatrical and DVD release of movies is contributing to a growth in home movie viewing.	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. Income levels are a contributing factor to cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. Geographic location of cinemas in South Africa is a driving factor in declining cinema attendances	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. Piracy/illegal Internet downloading of movies is affecting cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. Confectionery (popcorn, coke) prices are a deterrent to cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12. Pricing (value for money) for movies is negatively affecting cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13. Confectionery is an added value to	0	1	2	3	4	5	6	7	8	9	10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

watching movies at the cinema as opposed to at home	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14. Lack of local content (movies) in South Africa is a deterrent to growing cinema attendances	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15. The availability of blockbuster movies in the form of pirate DVD's instantaneously as cinema releases is growing a movie loving culture in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16. Competition from other media (magazines, Internet, television etc. Consumer attention is splintered among myriad satellite and internet offerings-marketers find it difficult to convince consumers of a new release's significance) is affecting cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17. The decreasing film marketing budgets by studios (decline of celebrity based marketing in mass media) is affecting attendances at cinemas in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
18. The quality (story line, acting, budget, special effects) of products being produced by Hollywood studios is affecting attendances at cinemas in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
19. Digitization of cinema screens (digital cinema advertising, product releases meeting customer demands at the touch of a button) is an area of growth for cinema exhibitors in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
20. Demographic shifts towards older age groups/aging population with disposable income is growing cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
21. Behaviour patterns of younger age groups of cinema patrons is ruining the cinema experience in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
22. The emerging black middle class is driving attendances in cinemas in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
23. Gender (types of movies seen, by gender) of cinema patrons is a driving factor in cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
24. Film placement by cinema (placement of product)-is a factor in declining cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
25. The rate of population growth is a driving factor to declining cinema attendances today and into the future in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

26. The cinema environment (pre-movie drinks in comfortable lounges, love seats, bars, cafes, range of food etc) is important in enhancing the cinema experience	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
27. Arthouse/alternative content (movies) have potential to grow attendances at cinemas in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
28. The use of cinemas for other events (sports broadcasts) is taking away from cinemas as traditional movie houses	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
29. Genres of movies such as Bollywood have potential to grow cinema attendances in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
30. The release of Hollywood products during school holidays is a driving factor to stagnant/declining attendances in off school holiday periods	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
31. The growth in the number of sequels (Spiderman 1,2,3) is stifling the creativity in movies coming out of Hollywood studios	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
32. A consolidation of cinema exhibitors is possible in South Africa in the long term	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
33. It is important to have more than one exhibitor in South Africa	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section B

Demographic information

1.1 Age	
20-24	<input type="radio"/>
25-35	<input type="radio"/>
36-45	<input type="radio"/>
46+	<input type="radio"/>
1.2 Gender	
Female	<input type="radio"/>
Male	<input type="radio"/>
1.3 Race	
Black	<input type="radio"/>
White	<input type="radio"/>
Coloured	<input type="radio"/>
Indian	<input type="radio"/>
1.4 Geographic place of residence	
Eastern Cape	<input type="radio"/>

Free State	<input type="radio"/>
Gauteng	<input type="radio"/>
KwaZulu- Natal	<input type="radio"/>
Limpopo	<input type="radio"/>
Mpumalanga	<input type="radio"/>
Northern Cape	<input type="radio"/>
North-West	<input type="radio"/>
Western Cape	<input type="radio"/>
1.5 Number of years involved in the entertainment industry	
0-5 years	<input type="radio"/>
6-10 years	<input type="radio"/>
11-15 years	<input type="radio"/>
16-20 years	<input type="radio"/>
> 21 years	<input type="radio"/>
1.6 Current position within your company	
Managerial	<input type="radio"/>
Marketing/New Business	<input type="radio"/>
Account Handler(incl. Managerial functions)	<input type="radio"/>
Back-up	<input type="radio"/>
Support Services e.g. Accounting, HR	<input type="radio"/>
1.7 Frequency of going to the movies in a month	
0-2 times	<input type="radio"/>
3-5 times	<input type="radio"/>
> 6	<input type="radio"/>
Do you have an objection with the disclosure of the information?	
YES, I have an objection. (Please be assured that your individual information will not be disclosed to anybody)	<input type="radio"/>
NO, I have no objection (Thank you very much)	<input type="radio"/>

Thank you for taking part in this survey.

[Submit Survey](#)

Concept Matrix- Dissertation – Teboho Clive Marumo
Scenario Planning for future of cinema exhibition in South Africa

Concepts	References	Ackoff, 1967	Ackoff, 1974	Amara, 1983	Ansoff, 1967	Bensoussan, 2003	Courtney, 1999	Dincer, 2006	Fleisher, 2003	Glaister, 2006	Hamel, 1994	Hitt, 2003	Hoskisson, 2003
Scenarios													
Three approaches to the planning process													
The planning framework													
Value models													
Modelling													
Probability theory and statistics													
Corporate strategic models		✓		✓									
Judgement models		✓		✓									
Financial models		✓		✓									
Muddling through													
Logical incrementalism													
Porters five forces model													
Industry analysis						✓			✓				
Uncertainties													
Predetermined elements													
Driving factors													
Forecasting techniques												✓	✓
Business cycle				✓									
Industry foresight											✓		
Scenario planning							✓						
Strategic planning		✓		✓	✓						✓		
Research methods													
Development of the framework													
Consequences													
Driving forces													
Options													
Role of networks													
Strategic business planning		✓	✓	✓				✓		✓	✓		

ADDENDUM 4: SIGNIFICANCE TABLES

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

Significance Table 1: multiple regression test results table

	Beta	Std err beta	B	Std err B	T(81)	P-values
Intercept			-22.9382	5.341757	-4.29412	0.000048
Var1	0.08583	0.183479	0.028	0.059867	0.46779	0.641193
Var2	-0.0777	0.186761	-0.0251	0.060285	-0.41619	0.67837
Var3	0.03942	0.128564	0.0135	0.043988	0.30662	0.759916
Var4	0.21388	0.115626	0.0705	0.038093	1.84975	0.067997
Var5	0.04815	0.137379	0.0154	0.043882	0.35048	0.726889
Var6	0.01245	0.123544	0.0045	0.044302	0.10075	0.919996
Var7	0.05273	0.132221	0.019	0.047703	0.39878	0.691108
Var8	-0.0073	0.139864	-0.0024	0.045904	-0.05241	0.958334
Var9	-0.1191	0.122896	-0.0376	0.038842	-0.96924	0.335313
Var10	0.08229	0.11661	0.0262	0.037185	0.70572	0.482385
Var11	-0.112	0.121022	-0.0331	0.035756	-0.9257	0.357353
Var12	0.18485	0.12539	0.0605	0.041027	1.47422	0.144299
Var13	0.01889	0.123407	0.0059	0.038401	0.15309	0.87871
Var14	0.10406	0.115328	0.0324	0.03587	0.90231	0.369568
Var15	0.03589	0.132338	0.0114	0.041912	0.27116	0.786958
Var16	0.03419	0.126286	0.0109	0.040438	0.27074	0.78728
Var17	0.02983	0.126262	0.011	0.046578	0.23626	0.813828
Var18	-0.0172	0.133399	-0.0059	0.046106	-0.12872	0.897898
Var19	-0.0033	0.136545	-0.0011	0.044087	-0.0242	0.980756
Var20	0.13594	0.134734	0.0579	0.057433	1.00896	0.315997
Var21	0.04966	0.124397	0.0216	0.054208	0.39919	0.690801
Var22	0.0086	0.122706	0.0031	0.043971	0.0701	0.944285
Var23	0.10806	0.129469	0.0444	0.053159	0.83462	0.406387
Var24	0.10037	0.120019	0.036	0.043036	0.83629	0.405451
Var25	0.03103	0.117895	0.0114	0.043401	0.26324	0.793035
Var26	0.02823	0.164317	0.0087	0.050454	0.17178	0.864036
Var27	0.0041	0.129471	0.0013	0.041193	0.03165	0.974829
Var28	0.09973	0.130566	0.0318	0.041666	0.76386	0.447169
Var29	0.11395	0.140309	0.0332	0.040911	0.81215	0.419085
Var30	0.04297	0.112383	0.0152	0.039746	0.38234	0.703208

Var31	-0.073	0.122842	-0.0245	0.041227	-0.59403	0.554145
Var32	0.1966	0.119888	0.0632	0.038518	1.63985	0.104915
Var33	0.10625	0.130664	0.0333	0.040922	0.81318	0.4185

Significance Table 2: ANOVA analysis of regression

	Sum squares	DF	Mean squares	F	P_level
Regression	2785.893	33	84.421	0.99123	0.49557
Residual	6898.598	81	85.16788		

ADDENDUM 5: EXTRACT OF THE FLAT FILE

RespondentId	NameSurname	Contact Number	Patron	Age	Gender	Race	Region	No of years in industry	Position	Fr go
bes@hot.co.za	bes@hot.co.za			46	Male	White	Gauteng	21	Managerial	6
CaweM@johncom.co.za	CaweM@johncom.co.za			46	Male	Black	Gauteng	5	Managerial	2
cheryl@newseasons.co.za	cheryl@newseasons.co.za			36 - 45	Male	White	Gauteng	15	Managerial	2
DonnaCo@numetro.co.za	DonnaCo@numetro.co.za			36 - 45	Female	White	Gauteng	15	Managerial	
drikiv@numetro.co.za	drikiv@numetro.co.za			25 - 35	Female	White	Gauteng	15	Marketing	5
elsabeg@tsogosun.co.za	elsabeg@tsogosun.co.za			36 - 45	Female	White	Gauteng	10	Marketing	2
EvanMo@numetro.co.za	EvanMo@numetro.co.za			25 - 35	Male		Gauteng		Managerial	2
FaizahB@waterfront.co.za	FaizahB@waterfront.co.za			36 - 45	Female	Coloured	WesternCape	20	Managerial	2
fay@numetro.co.za	fay@numetro.co.za			25 - 35	Female	White	Gauteng	15	Managerial	2
GoodrumT@johncom.co.za	GoodrumT@johncom.co.za			25 - 35	Female	White	Gauteng	10	Managerial	2
herman@johncom.co.za	herman@johncom.co.za			36 - 45	Male	White	Gauteng	15	Managerial	5
Hydepark	Hydepark			25 - 35	Male	White	Gauteng	10	Managerial	5
MarkHa@numetro.co.za	MarkHa@numetro.co.za			25 - 35	Male	White	Gauteng	15	Managerial	6
melanie@numetro.co.za	melanie@numetro.co.za			36 - 45	Female	White	Gauteng	15	Managerial	5
melinada@cinemark.co.za	melinada@cinemark.co.za			25 - 35	Female	White	Gauteng	5	AccountHandler	2
molusic@johncom.co.za	molusic@johncom.co.za			36 - 45	Male	Black	Gauteng	20	Managerial	5
RobC@tsogosun.co.za	RobC@tsogosun.co.za			36 - 45	Male	White	Gauteng	20	Managerial	2
SanjaySe@numetro.co.za	SanjaySe@numetro.co.za			36 - 45	Male	Indian	Gauteng	5	Managerial	2
theresa.smith@inl.co.za	theresa.smith@inl.co.za			25 - 35	Female	Coloured	WesternCape	5		6
ThomasMk@numetro.co.za	ThomasMk@numetro.co.za			25 - 35	Male	Black	Gauteng	5	Managerial	2
tobiene@numetro.co.za	tobiene@numetro.co.za			25 - 35	Male	White	Gauteng	10	Managerial	2
VernonGo@numetro.co.za	VernonGo@numetro.co.za			25 - 35	Male	Indian	Gauteng	5	Managerial	5
waynea@canalwalk.co.za	waynea@canalwalk.co.za			36 - 45	Male	White	WesternCape	10	Managerial	2
A Roodt	A Roodt			25 - 35	Male	White	Gauteng	15	Managerial	2
AndreF@cinemark.co.za	AndreF@cinemark.co.za			46	Male	White	Gauteng	20	Managerial	5

Respo 12	Respondent 3				26 - 24	Male	White	Gauteng	10	SupportServices	5
Respo 13	Respondent 17				27 - 24	Female	White	Gauteng	10	SupportServices	2
Ana R 14	Ana Rodrigues	36692441			25 - 35	Female	White	Gauteng	10	SupportServices	5
Anita 15	Anita du Toit				25 - 35	Female	White	Gauteng	5	AccountHandler	5
Annam 16	Annameka Carter				25 - 35	Female	Coloured	WesternCape	5	Marketing	5
Bonit 17	Bonita Wentzel				25 - 35	Female	White	Gauteng	5	SupportServices	2
Brett 18	Brett Cornforth	836366322			25 - 35	Male	White	Gauteng	15	Managerial	6
Celes 19	Celeste Herman				25 - 35	Female	White	Gauteng	21	SupportServices	2
Dale 20	Dale Taylot				25 - 35	Male	White	WesternCape	10	Backup	5
David 21	David Stanton				25 - 35	Male	White	Gauteng	15	Managerial	2
Deepa 22	Deepa Harilal				25 - 35	Female	Indian	Gauteng	15	Managerial	5
Dylan 23	Dylan Haskins				25 - 35	Male	White	Gauteng	5	Managerial	2
Elien 24	Etienne Potgieter				25 - 35	Male	White	Gauteng	5	Managerial	6
Ferna 25	Fernando Paul				25 - 35	Male	White	Gauteng	10	Managerial	2
Ilden 26	Ilden Webber	117103000			25 - 35	Male	White	Gauteng	20	SupportServices	5
Jacki 27	Jackie Muscat				25 - 35	Female	White	Gauteng	15	Marketing	2
JENNI 28	JENNIFER KLOSTERMANN				25 - 35	Female	White	Gauteng	15		5
Jolan 29	Jolande Scheepers				25 - 35	Female	White	Gauteng	10	SupportServices	5
Julie 30	Julie Campbell	837404391			25 - 35	Female	White	Gauteng	21	SupportServices	2
Junai 31	Junaid E	824048737			25 - 35	Male	Indian	Gauteng	15	Managerial	5
Jurgene 32	Jurgens Fourie				25 - 35	Male	White	Gauteng	20	AccountHandler	2
Kim H 33	Kim Hendricks				25 - 35	Female	Coloured	WesternCape	15	SupportServices	2
Laure 34	Lauren Giles	117782166			25 - 35	Female	White	Gauteng	15	SupportServices	2
Linda 35	Linda Elzebeth	119711617			25 - 35	Female	White	Gauteng	5	SupportServices	2
Max P 36	Max Pelsier				25 - 35	Male	White	Gauteng	15	Managerial	2
Respo 37	Respondent 1				25 - 35	Female	White	WesternCape	5	AccountHandler	2
Respo 38	Respondent 4				25 - 35	Female	Coloured	Gauteng	5	Managerial	2
Respo 39	Respondent 5				25 - 35	Male	Indian	Gauteng	21	Managerial	5
Respo 40	Respondent 7				25 - 35	Female	White	Gauteng		AccountHandler	2
Sandy 41	Sandy Stephens	083 400 5512			25 - 35	Female	White	Gauteng	21	SupportServices	6
Shana 42	Shanan Ramlall	837821827			25 - 35	Male	Indian	Gauteng	5	Managerial	5

Simon 43	Simon Ratcliffe			25 - 35	Male	White		15		2	
Tanja 44	Tanja Ehrike			25 - 35	Female	White	Gauteng	5		Marketing	5
Thilo 45	Thilo Venkatesan			25 - 35	Female	Indian	Gauteng	5		SupportServices	5
Warre 46	Warren Scott	835574784		25 - 35	Male	White	Gauteng	10		Managerial	5
WENDY 47	WENDY COLE	823245410		25 - 35	Female	White	Gauteng	5		Managerial	5
Wendy 48	Wendy Mac Larty			25 - 35	Female	White	Gauteng	5		Managerial	2
Respo 49	Respondent 12			25 - 35	Female	White	WesternCape			AccountHandler	2
Respo 50	Respondent 14			25 - 35	Male	White	Gauteng	5		SupportServices	6
Respo 51	Respondent 18			25 - 35	Female	Indian	Gauteng	21		SupportServices	5
Amand 52	Amanda Yates			36 - 45	Female	White	Gauteng	5		SupportServices	5
Ansur 53	Ansuretha Dijkstra	012 6718412		36 - 45	Female	White	Gauteng	20		Managerial	5
Cassi 54	Cassim Abramia	083 786 8842		36 - 45	Male	Indian	Gauteng	10		Managerial	2
Danie 55	Daniel van Daln			36 - 45	Male	White	WesternCape	5		Managerial	2
Diana 56	Diana Kruger	828025403		36 - 45	Female	White	Gauteng	21		Marketing	5
DJANS 57	DJANSSEN			36 - 45	Female	White	WesternCape	21		SupportServices	5
G Str 58	G Strydom			36 - 45	Male	White	Gauteng	5		Managerial	2
Gideo 59	Gideon Fourie	113506753		36 - 45	Male	White	Gauteng	20		Managerial	5
Johan 60	Johan Bosch	124215133		36 - 45	Male	White	Gauteng	5		Managerial	5
Mark 61	Mark Englund	822936695		36 - 45	Male	White	Gauteng	5		SupportServices	5
Tersi 62	Tersia du Toit	828286168		36 - 45	Female	White	Gauteng	5		SupportServices	2
Trudy 63	Trudy Govender			36 - 45	Female	Indian	Gauteng	5		SupportServices	2
Respo 64	Respondent 10			36 - 45	Female	White	Gauteng	20		SupportServices	5
Respo 65	Respondent 11			36 - 45	Male	Indian	Gauteng			Managerial	5
Respo 66	Respondent 15			36 - 45	Female	White	Gauteng	5		Managerial	5
Respo 67	Respondent 19			36 - 45	Female	White	WesternCape	10		SupportServices	5
Respo 68	Respondent 20			36 - 45		White	WesternCape			Managerial	5
Respo 69	Respondent 21			36 - 45	Male	White	Gauteng	21		Marketing	

ADDENDUM 6: QUESTIONNAIRE RESULTS SPLIT RANKED FROM MOST SIGNIFICANT

CODE	STATEMENT	SCORE
3	Loyalty pricing programs (Discovery Vitality movie benefit, Edgars movie club) are driving cinema attendances in South Africa	72.9
7	Shortening window periods between theatrical and DVD release of movies is contributing to a growth in home movie viewing	70.4
13	Confectionery is an added value to watching movies at the cinema as opposed to at home	65.5
6	Technological developments (online booking, telephone booking, cellphone booking) are driving cinema attendances in South Africa	65.0
9	Geographic location of cinemas in South Africa is a driving factor in declining cinema attendances	63.5
12	Pricing (value for money) for movies is negatively affecting cinema attendances in South Africa	61.3
27	Arthouse/alternative content (movies) have potential to grow attendances at cinemas in South Africa	60.6
30	The release of Hollywood products during school holidays is a driving factor to stagnant/declining attendances in off school holiday periods	58.9
2	Increasing competition from home entertainment systems is affecting attendances at cinemas in South Africa	57.3
8	Income levels are a contributing factor to cinema attendances in South Africa	57.0
20	Demographic shifts towards older age groups/aging population with disposable income is growing cinema attendances in South Africa	57.0
11	Confectionery (popcorn, coke) prices are a deterrent to cinema attendances in South Africa	56.9
32	A consolidation of cinema exhibitors is possible in South Africa in the long term	56.3
22	The emerging black middle class is driving attendances in cinemas in South Africa	55.5
5	Shortening window periods between theatrical and DVD release of movies is contributing to declining cinema attendances	55.0
33	It is important to have more than one exhibitor in South Africa	54.8
1	Decreasing prices of Digital Video Discs (DVD's) are affecting attendances at cinemas in South Africa	54.6
19	Digitization of cinema screens (digital cinema advertising, product releases meeting customer demands at the touch of a button) is an area of growth for cinema exhibitors in South Africa	54.2
10	Piracy/illegal Internet downloading of movies is affecting cinema attendances in South Africa	53.8

21	Behaviour patterns of younger age groups of cinema patrons is ruining the cinema experience in South Africa	49.5
28	The use of cinemas for other events (sports broadcasts) is taking away from cinemas as traditional movie houses	49.4
31	The growth in the number of sequels (Spiderman „) is stifling the creativity in movies coming out of Hollywood studios	49.1
23	Gender (types of movies seen, by gender) of cinema patrons is a driving factor in cinema attendances in South Africa	48.8
16	Competition from other media (magazines, Internet, television etc Consumer attention is splintered among myriad satellite and internet offerings-marketers find it difficult to convince consumers of a new release's significance) is affecting cinema attendances	48.4
29	Genres of movies such as Bollywood have potential to grow cinema attendances in South Africa	46.9
17	The decreasing film marketing budgets by studios (decline of celebrity based marketing in mass media) is affecting attendances at cinemas in South Africa	46.8
25	The rate of population growth is a driving factor to declining cinema attendances today and into the future in South Africa	46.1
24	Film placement by cinema (placement of product)-is a factor in declining cinema attendances in South Africa	43.9
26	The cinema environment (pre-movie drinks in comfortable lounges, love seats, bars, cafes, range of food etc) is important in enhancing the cinema experience	43.9
14	Lack of local content (movies) in South Africa is a deterrent to growing cinema attendances	42.5
18	The quality (story line, acting, budget, special effects) of products being produced by Hollywood studios is affecting attendances at cinemas in South Africa	42.1
4	Cinema advertising (trailers and advertising) is a deterrent to the cinema experience in South Africa	36.6
15	The availability of blockbuster movies in the form of pirate DVD's instantaneously as cinema releases is growing a movie loving culture in South Africa	34.4
OVERALL SCORE		53.3

ADDENDUM 7: ETHICAL CLEARANCE

OCT-2006 15:48 FROM DUC (RESEARCH)

TO 00113282254

P.02



RESEARCH OFFICE (GOVAN MBEKI CENTRE)
WESTVILLE CAMPUS
TELEPHONE NO.: 031-2603587
EMAIL: xmbap@ukzn.ac.za

26 OCTOBER 2006

MR. T. MARUMO (203514331)
GRADUATE SCHOOL OF BUSINESS

Dear Mr. Marumo

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/06153A

I wish to confirm that ethical clearance has been granted for the following project:

"Scenario planning for the future of cinema exhibition in South Africa"

PLEASE NOTE: The research data should be stored in the School for a period of 5 years

Yours faithfully


MS. PHUMELELE XIMBA
RESEARCH OFFICE

cc. Faculty Office (Post-Graduate Studies)
cc. Supervisor (Prof. R. Kopper)

TOTAL P.02

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