EXHIBITION'S
EMERGING TERRITORIES

In recent years, as Cinema's western territories become increasingly saturated – and with screencounts and admissions, alike, in some cases even showing signs of plateauing* – we've been witnessing a mini-explosion of new territories being both opened-up as well as further developed. Among the more recent, of course, we have Saudi Arabia and the Middle East in general – including the Turkish gateway to Europe – along with others, such as South Korea and now Africa, ripe for positive exploitation. So, what's actually involved in 'new' territorial identification and development; what are some of the pitfalls and breakthroughs likely to be encountered; how is progress made, when can the job be said to be done and, moreover, whereabouts in the globe might be next? *Screentrade* investigates.

To begin with and, we suppose, also by way of indirect analogy, we see it in many towns and countries the world over, now i.e. once-under-developed and downmarket areas to which you typically wouldn't have given a second glance – let alone any consideration to live – suddenly become 'gentrified', having been discovered and then developed amid attempts to 'level-up', as our current political parlance would have it. First signs are usually when estate agents and coffee shops plough into high street and downtown areas and, instantly enough, those new areas seem since-revitalised and worthy of attention as upcoming and desirable places to be. Similar, some might argue, is happening in Cinema also. With saturated markets comes a vacuum along with our industry's desire to expand, sometimes because there's a biting need; sometimes because it can be done; and sometimes simply with the purpose of increasing market-share.

This shouldn't come as too much surprise. The world, ever since the launch and rapid advancement of the Internet from the late 1990s, has certainly shrunk. Everyone's headline news increasingly has become everyone else's too; and, furthermore, cannot pretty much anything be discovered about anything, anywhere and everywhere so much more readily today… punch a few words into your phone and typically up pop a million-and-one links.

We could argue, too, that Hollywood – perhaps in a bid to save money and certainly to make distribution life easier; and, importantly, profits greater at the box office – had likewise homogenised some of its higher-grossing fare. Take >

*See 'Exhibition's Plateauing Admissions': *Screentrade* (pp48-61, June 2022).

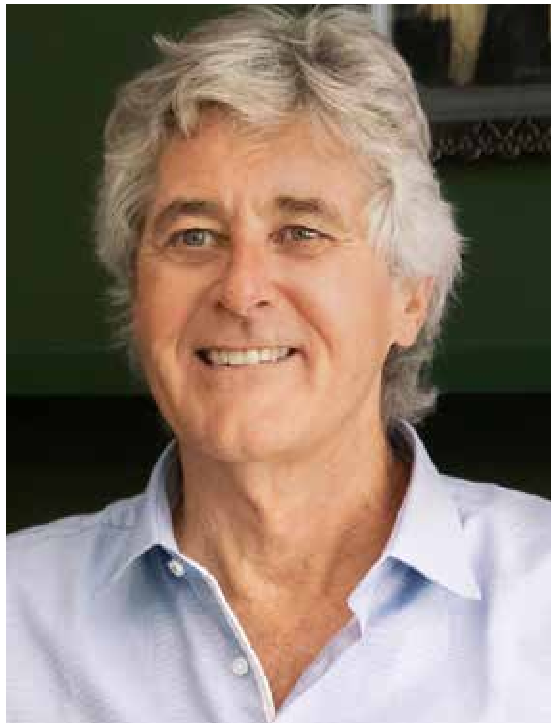
the big SFX super-hero action movies which, with their big explosions, their (to some, at any rate) out-of-this-world onscreen stunts, along with animated depictions that need scant modification or translation if to make them global hits, have furthered said homogenisation and, in several filmic respects, today, seemingly everyone, everywhere can just as readily be watching the same. Unthinkable just a few years back.

Regarding Cinema's ongoing tech-development, similar can also be true and, while manufacturers and dealers may argue to the contrary, the more supply chains mix-it-up, the more similar and recognisable it all becomes. Alas, we digress although, in short, saturation leads to reinvention as new opportunities evolve of necessity and so, here, we examine in varying outline detail, those Cinema territories which have come into being – or, more accurately in several cases, are undergoing greater development. Others, meanwhile, will have adopted the same on the whims of third-party commercial grounds. Consider, for example, the recent re-emergence of Saudi Arabia (KSA) and the progress in the Middle East in general; also Turkey and (Northern) Africa, comprising the so-called META and MENA territorial groups. Then there is also the recent rapid emergence of South Korea following its very latest production successes, which saw something of a stratospheric catapulting of the country's technological prowess and, to the extent that (COVID-outbreaks notwithstanding) it's since presently building among the biggest of all-inclusive global tradeshows – Cine Korea Expo – due to launch this October in the country's southern city of Busan. There is, too, renewed and boosted activity planned for Africa with its upcoming conference planned in Ghana this November.

INITIAL CONSIDERATIONS

To kick-off proceedings, we spoke with John Sullivan: entrepreneur and founding-director of The Big Picture consultancy and, not insignificantly, a veteran pioneer of cinema-development. Having consulted in more than 30 countries and with time spent with Village Cinemas in Australia – the very same having establishing CGV (China Gold Village) in South Korea between 1996 and 1999, and other global roll-outs including India's PVR, for instance – he'd also helped initiate development amid several other territories, internationally, including Eastern Europe, Africa and the Middle East. He'd also proactively spotted opportunities in the Gulf States prior to their official recent re-emergence; while, included too, is of course UK territory which has variously benefitted from the big multiplex-booms of the '90s, to the more recent ongoing tweaks and refinement often afforded to such well-established markets.

We asked him when and how new territories, and their regional limits become initially identified; also when plans become ripe for strategic action and whether indeed they conform to any particular or generalised patterns, tangible or otherwise. Opines John: "There's an interplay of a few things happening pretty much all at once so that, whilst you'll be building cinemas according to a global cost-structure, it means that those costs will be the same – be it all happening in Saudi Arabia, the UK or Nigeria, for example – it's also very much about understanding the ticket-price that's sustainable in a market so that it



"Launching new territories starts with understanding ticket-price sustainability, one that won't be prohibitive for the population… an alternative to a $4-5 benchmark is to rely instead upon the territory's 'economically active' component… and to look closely at overall admissions-numbers"

JOHN SULLIVAN
Global Cinema Consultant

won't be prohibitive for a [significantly] large portion of a territory's population. We work, therefore according to a $4-5 admission benchmark, while also bearing in mind that certain territories, such as KSA, may dictate a higher admission-price-setting owing partly to the freedom to be able to do so, but also due to higher imposed rental arrangements"; adding that the alternative can be for a sufficiently sizeable proportion of what shall constitute the most 'economically active' component of the territory,

WILL IT ALL ADD UP?
Critical when developing and/or expanding territorial limits will be to consider the extent of admissions totals and their affordability

in order to make it work… you're then looking closely at the overall number of admissions to be sure there'll be sufficient buoyancy across the territory". Indeed, it seems it is that fundamental combination of admissions and pricing that will be key in determining territorial size-limits, as perhaps in any and all territorial developments.

DEFINING 'TERRITORY' & IDENTIFYING NEW OPPORTUNITIES

We spoke also with Rob Arthur who, not only having launched and ran the Emerging Cinema Markets (ECM) conferences in Istanbul during 2018-19 – covering development in Africa, Central Asia, the Middle East and former Soviet Union countries – is since developing the same into an entertainment conference to ensure Exhibition's ancillary areas: those of retail, dining and entertainment, remain very much in focus. Asking Arthur about how to identify novel territories that potentially could be ripe for development, amongst others, his initial response whittles down to 'whether the politics works' and questions, in turn, whether (first) there already exists the necessary infrastructure, along with sufficiently interested investment agents and thus the desire and commitment to make a medium-to-long term venture actually happen. This point remains critical since, from experience, and while he states that, for his own part, he will happily peruse any and all sources while also taking calls from industry stakeholders – from studios to land-owners and other operators that may enable the 'formation of a plan' – there are many occasions when the response is such that 'there will be commitment only when the work is done'. This constitutes a fallacy, and principally because, by that time, the working relationships have already been forged and subsequent opportunities to come onboard will have been missed. In returning to the necessity of having good infrastructure in place, he makes the fair point that for any growth strategy to work, this becomes essential before you can even begin adding screens as part of that strategy.

During 2019, he'd also negotiated with various sources in a range of African countries** – from Egypt to Tunisia to Zimbabwe – and so would ask another primary question, namely: if, and by how much, the relevant communities already are enjoying a propensity towards Film, as well as sufficient engagement with the market. So, given, for example, that the median age in Zambia – a country which remains a fair example of a nation previously outcast by the West but which, through political change, had subsequently ventured to turn things around and enjoy better trade links – exists at a particularly low 19.5, the question which then must be asked in such cases is what part Cinema is likely to play and, again, what kind of eagerness there will be to engage with the marketplace. Likewise with Ghana, Rob Arthur also underscores that it isn't so much a situation of how to accommodate or incorporate Hollywood into the new developments, but more to do with how the young, energetic and well-educated population-inhabitants will be desirous to seize opportunity; in other words, how hungry they are to have whatever others in the world have access to, and so is more a matter of attempting to ensure good alignment

According to Arthur, the game is also very much a long-term one, such that a shopping centre-built cinema will be designed to last 25 years – and this can present a risk as such longevity can't readily be assured. The conclusion, he states, brusquely enough, then, is that if the politicians will lack sufficient interest, motivation or will for cinema projects, then that territory's development-potential will likely be dead-in-the-water. Meanwhile, he emphasises as key, when talking to politicians and their advisors and investors in setting the stage for growth, that it's also very much about the ability to be asking questions – and to listen – rather than immediately presuming to instruct in what must be done.

AFRICA'S LARGER CINEMA MARKETS

Country	Number of screens	Population coverage
South Africa	663	1 screen per **88,325** people
Nigeria	237	1 screen per **843,881** people
Ethiopia	127	1 screen per **882,677** people
Egypt	80	1 screen per **1.25 million** people
Morroco	77	1 screen per **473,636** people

Source: GM Event Management

[Pre-COVID, African screencount totalled just 1,653 screens, equating to averages of one screen between 787,402 people]

GROUNDWORK

What's been observed is that while there often seems to be little shortage of enthusiasm and excitement for Film and Cinema as entertainment forms, and with younger generations purportedly flocking to new cinemas, access, to date, remains so limited requiring that stakeholders focus on enabling greater access to content. This manifests

** See table: above right.

PROGRESSIVE & GO-AHEAD
Chaplin Cinemas' Mega Park 9 location in Almaty, Kazakhstan – the site acts as a district hub for RDE (Retail, Dining & Entertainment), especially during its seasons' extreme climate

> "When talking to politicians, their advisors and investors in setting the stage for growth, it all becomes very much about the ability to ask questions and to listen rather than immediately presume to instruct what must be done…"

through access to capital, the high cost of which remains a sizeable deterrent for higher-risk investments; higher interest-rates on borrowing compared to mature markets, and foreign exchange volatility, which then introduces its own significant challenges. There are other factors too, including a poor understanding of local culture and even language; again, poor and/or non-existent infrastructure – especially with the likes of electricity – and, foreseen for later, that of the provision of reducing IP-piracy and the correct handling and reporting of box office data.

Discussed also are the objectives, and their subsequent breakdown into various categories, and to depict as fair illustrations the territories of East Europe and Central Asia where Arthur had acted as advisor to the European Bank for Reconstruction and Development (EBRD). Among the objectives will have included coming to a clear and shared appreciation of the strategic direction and development of the cinemas, which necessarily would take account of various market challenges and setbacks that could threaten derailment and these can, once again, include political instability; also any less-than-predictable capriciousness of the financial markets (and with even daily fluctuations experienced and with interest rates and inflationary pressures even at 40-50%); as well as a good

grasp needed of the demographics and levels of disposable income. He also advises setting out growth opportunities as part of ensuring a sustainable business model.

When it comes to the Middle East, for example, being allied with trade associations (including the Middle East Council for Shopping Centers and Retailers, for one), working alongside the UK Dept for International Trade teams, can enable good connections to be forged in the region. Having worked upon a major development site in Riyadh, this facilitated connections between each of the stakeholders, a young, energetic audience coupled with a developer keen to work a large entertainment zone in tandem with the Kingdom of Saudi Arabia's Vision 2030, had enabled significant developments to occur and with more to follow in Abu Dhabi and Dubai. In short, a good starting point can be a development requirement, such as a shopping centre, a directive on government policy or a private investor with a keen interest in the sector and who remains intent upon building a cinema because there is little interest internationally from established operators – or, potentially, an international investment process and a combination of private and public investment. Emerging markets, states Arthur, will often declare that they 'don't like talking about process'… but in reality they positively *need* plans and process and with the goal being to simplify the methodology.

New Territorial Development: Some Considerations

- In defining territorial limits, do consider admissions and ticket affordability and, as necessary, longer-term solution viability
- Understand the type and style of cinema(s) that will work best in and for the area
- Evaluate carefully the existing infrastructure as being adequate
- In addition to all energetic enthusiasm from the 'people on the ground', do ensure sound entry-level commitment from governments, politicians and investors
- Study and understand local culture and nuance and be prepared to listen as well as think longer-term when it comes to achieving best results
- Appreciate the value of film quota restrictions as well as the importance of developing local product for project-success
- Beware of political fragility and instability, likewise volatile financial markets, high inflation and variable interest rates
- Do accept that projects may have to be abandoned for various limiting reasons that subsequently become apparent.

CINEMATIC PRIME MOVER (left)
Central Asia's Kazakhstan is currently one of the world's fastest-growing cinema markets. Private equity-backed, Chaplin Cinemas, presently operating in Almaty and Nur Sultan (shown: Chaplin's Mega Silkway 11 location, which employs an innovative customer self-service F&B model), seeks to transform into a major international exhibitor. The group disposed of under-performing leased assets pre-pandemic and concentrated its efforts upon high profile modern shopping and leisure venues in the two principal cities. The company has re-bounded well from previous downturns in trade attributed to market volatility as well as currency devaluation

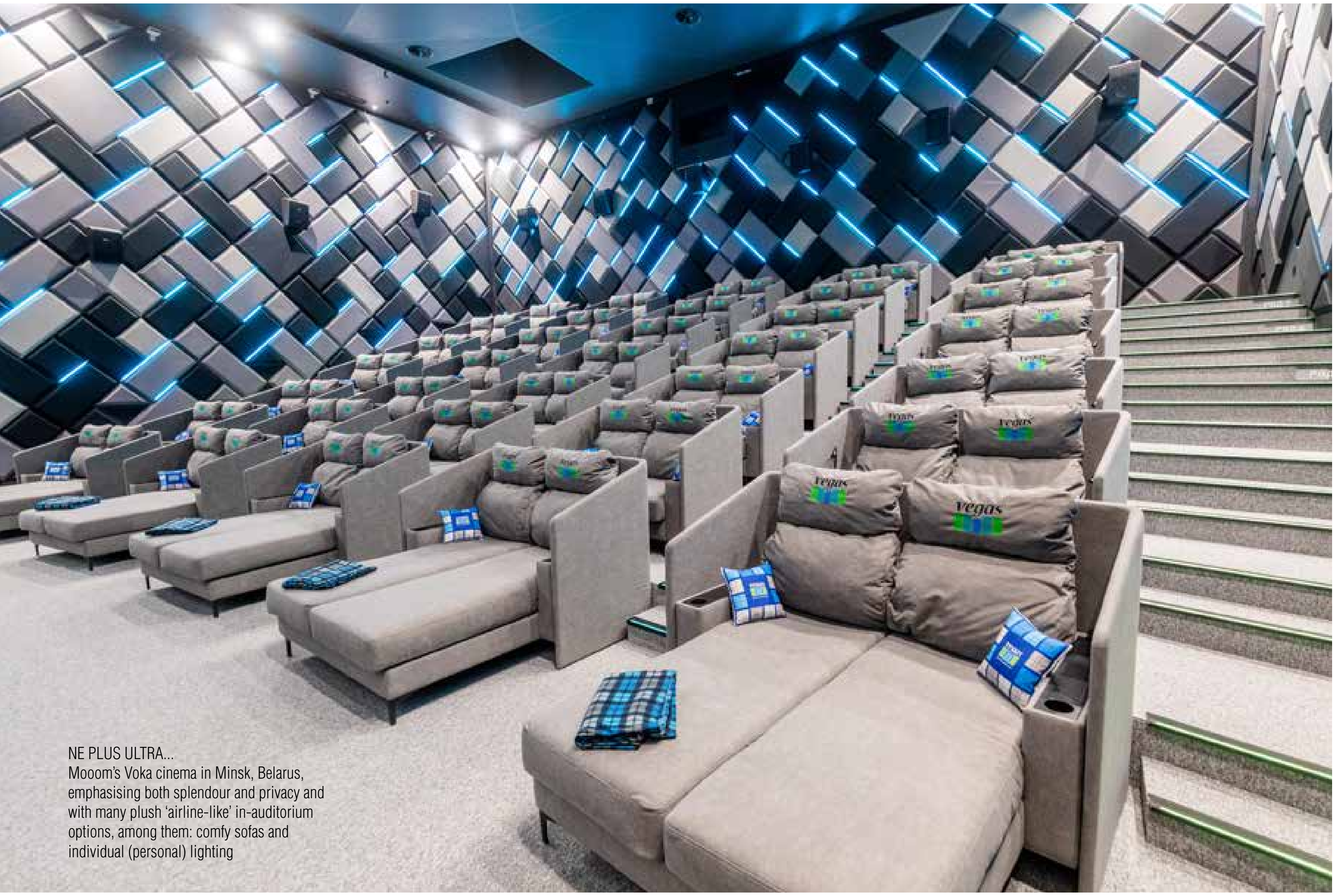
TERRITORIAL LIMITS

In terms of defining the extent of a new or existing territory, often this won't conveniently reduce to mere geographical constraints as, within such tentative outlines exist an array of socio-economic dynamics. On the one hand, within most territories can sit an uncomfortably contrasting mix of the urban versus rural and within even that scenario, impecunious farming communities as well as an ill-defined priority of the various communities for a cinema presence. The much wider point, understandably, is that defining territories and their make-up will be largely unique to their specific properties. What, after all, works well in Angola in Central Africa, may well be quite different to that in Mozambique in the East of the country and that funding also may carry its own fair share of issues. As one example, Disney films may be popular and well-received and ostensibly representing good opportunities. That being said, the money needing to be found by consumers to purchase a family-ticket can become disproportionate and so discussions may become very much a work-in-progress and with sponsors needed to provide suitable payment structures often involving longer payback periods – and for which mobile phone involvement remains an essential ingredient – and takes time while listening to arrive at solutions.

LOCAL KNOWLEDGE

Says Sullivan that another key consideration in new projects is the importance of *local* product-supply to a new or developing region's admissions, and whilst it can take time to develop, it shouldn't be underestimated. And, here, he reflects upon personal experience. In Korea, during the 1990s, whereupon midway through an agreed new multiplex construction-programme for CGV (above), the Korean government had suddenly decreed that 49% of cinema screens being built should now be designated for home-grown product. The shock announcement had managed to ruffle a few studio feathers, namely at Warner, Paramount and Universal, which had been driving the screening initiative, and thus creating a 'think-on-your-feet' situation while being necessarily prepared to pivot. CGV had duly stepped into the breach to satisfy the Korean local content quota by building and establishing its own studios and, in choosing to build smaller screens as one workaround – and despite ticket-sales for Hollywood fare at CGV at that time having still represented 70% of total box office – local product had proven so successful to the extent of playing also into the bigger auditoria. Once again, says Sullivan, it all highlights the 'must' relevance of local product in driving any territorial advancement, which can of course often be produced far more quickly and efficiently. And while processes are changing amid today's streaming age, typically the multiplexes in this 'chicken-and-egg' situation will come first, and then after a lag be filled with local content quickly enough. Arthur, too, points to a recognition of the significance of local product, declaring that in the 2019-20 year, for Almaty in Kazakhstan, the percentages had managed 30% and growing; in Turkey, meanwhile, local product had topped 60%; whilst in Nigeria some 4,000 local titles had been in production.

Other initial factors, declares Sullivan, concern the very theatrical environment, with the cinemas effectively becoming increasingly less like stand-alone cinema-only venues and more as 'entertainment destinations'. And, as we know, things have changed since the seminal days of global multiplex-building and particularly for today's customers which tend to 'linger longer in lobbies', where venues may frequently be equipped with Wi-Fi and coffee service, such has become society's ever-evolving work-norms of straddling leisure-and-work-catch-up activity. Naturally, today, such considerations require factoring-in at source. In passing, this also rationalises a general migration more toward shopping mall arrangements, the same tending to greater scope for revenue-generation by increasing spend-per-head on account of the availability of further nearby attractions. Also, within that, the widening-out of concessions to more upscale offerings (exotic pizzas, sliders etc) and, with this, film-ranges which will then boost the volume of attendance-ranges. The overall principle once more concerns the basic requirement to quickly grasp the likely admissions totals and ticket-pricing.



NE PLUS ULTRA...
Mooom's Voka cinema in Minsk, Belarus, emphasising both splendour and privacy and with many plush 'airline-like' in-auditorium options, among them: comfy sofas and individual (personal) lighting

OF CHANGING DYNAMICS & TERRITORIAL NON-STARTERS

In the Middle East, where there has been a more recent as well as notable shift away from a dependency upon oil-based revenues and with a clear need to diversify, the territory has also since proven particularly opportune for cinema-development and both the breadth and rapidity of activity to date already speaks volumes. The Kingdom of Saudi Arabia (KSA) – which has an estimated +32m inhabitants, including some +8m foreign residents and a youthful population with a median age of 27.2 years – comprises an urban population amounting to over 83% of the total. Almost all residents are Muslim and Arabic-speaking and one immediate challenge for the country exists to create a 'vibrant society with fulfilling lives' via the objective of promoting culture and entertainment.

However what of those territories, of which there exist reportedly a fair share, in which the 'development going' remains tough – indeed *are* there instances in which the numbers just can't or won't stack-up and thus remain destined to end with the initiative either simply abandoned or else deferred for later check-in? According to Rob Arthur, again, who readily cites Lagos, in Nigeria, as one case in point, observes that several of the risks and challenges have, to date, boiled down to security issues in the face of political instability and with the cinemas themselves (including in one instance a brand-new IMAX) having been looted during as recently as the pandemic. Also identified can be the over-optimistic expectations of delivery, as well as the more universal problem of emphases skewed more in favour of the needs of the developer over those of its exhibitor and/or its end-customer; this, in addition to any tangible cost-of-living crises resulting in cinema attendance-unaffordability in the first instance. And even delays related to the state's timely issuance of operational permits have been known to exert several expensive knock-ons, including, among them, liquidated damages and volatile foreign exchange rates resulting in increases in, say, capital costs for imported specialist tech-equipment.

In speaking with Sullivan on this matter, he also cites less-than-favourable development experiences, one being in Port Harcourt, located in Nigeria's Delta region at its southern tip, and in which he had attempted to open a cinema there in November of 2019. The main, and ongoing, difficulty incurred he had put down to a lack of

"YEE-HAW…"
Sullivan's Port Harcourt adventure would see his presiding over Nigerian business development whilst under armed-guard protection. Amid other 'Wild West' territorial developments, including Romania, attacks on key British development operatives had neither been unheard of…

sophistication in the shopping centre's development – for the developer in question, an owner of half-a-dozen mini-marts, and of which a cinema had been planned for each – one particular red-flag had also boiled down to security issues, meaning restrictions on being able to fly-out his own specialist tech-teams and thus putting a sizeable dent in the requisite operational guidance, and thus blowing the chance of success. Then came the lockdown. Needless to say that the numbers were, in themselves, tight, bordering less-than-workable; the construction inferior (leaking rooves) and, moreover, with business operating as the 'Wild West', as he puts it, much of his time in Nigeria saw him working while protected under armed-guard.

Meanwhile, and in a naturally ongoing desire to leave few, if any, stones unturned in the 'push to screen the world', Rob Arthur, also gestures to the likes of Iran, whose unremitting political instabilities had ended in many shuddering halts to stifle development. There is also Afghanistan, as yet another specific territory which seems perpetually to suffer from its own political precariousness and frailties – and, after all, he urges more recently, when you're unsure as to who's actually in charge, who then will, or can, you talk to? Indeed, who would even try to help raise the necessary funding under such circumstances. All the same, he says, such temporarily suspended territories will be filed under 'outliers' and a mental note then made to revisit perhaps in a year's time.

In our own attemps to visit current African cinema development, we had certainly sought to drill-down into some of the non-commercially-sensitive outline of what's involved in developing a cinema chain from scratch and with one trusted UK source presently working on the same in the West African territory of Sierra Leone. Already known is that the funding model in Africa can be typically onerous and problematic being, in many cases, often fraught with the twin burdens of providing finances both in-house *and* upfront, such that the progress of projects can become strained if not altogether stymied. Some projects, we learn, can be set back for years. Once again, disproportionate levels of secrecy and mistrust surrounding even basic outline information was such that the divulging even of fragmented snippets had, in relation to our own enquiries, remained extremely closely-guarded, and with concomitant cautions issued between the business partners involved and thus frustrating all investigative efforts until such time as plans with, for example, anticipated mergers became more settled.

SOUTH KOREA

Another territory deemed particularly promising for cinematic development is that of South Korea and, more recently, upon technical merits which have helped bestow upon the sector its arrival nickname of 'Hallyuwood' – a conflation of the word 'Hallyu' (meaning 'Korean Wave') conveniently within 'Hollywood'. South Korean Cinema, about which we'll hope to say more in a later issue, remains today, then, a rather shining example of cinematic success outside of western territories, the same fuelled, in part, by good domestic product allied with growing movie-going trends. Following good local productions during the last two decades, quality Korean content is managing to find its way onto the global scene and more recent breakthroughs have included the likes of 2019's multi-Oscar winning *Parasite* and the multi-part Netflix-produced survival drama series: *Squid Game*, the latter reaching over 1.6m viewers during launch. The movie-watching world awaits still more relatable content.

Corresponding rises in global film festivals has also helped to shape Korean Film into becoming one of the more active markets through its development of multiplexes (think: Lotte, CJ Entertainment and Megabox) and thus the unstinting restimulation of the movie-going habit. In 2019, movie-going in Korea topped 225m, and counting, and with average annual visits-per-head amounting to a respectable 4.5. It has its high local product quotas, but it also remains a big importer of Hollywood fare running at over 45%. It's also anticipated that Korean exhibition, and especially alongside its planned tradeshow activity ▶

NEW KID ON THE PRODUCTION BLOCK
Upwardly mobile in cinematic terms, South Korea remains a territory positively primed for growth

shortly to showcase its ever-rising technical prowess, will expand apace. In fact, and notwithstanding the recently exploding COVID-related spikes from neighbouring North Korea, currently – and which at the time of writing could conceivably jeopardise its inaugural Cine Korea Expo tradeshow planned for October, meanwhile – plans for the 2023 tradeshow are already in preparation for staging in the country's Seoul capital.

RASHNESS IN THE FACE OF OVERSUPPLY

However, a caveat: overheating amid the excitement of conquering, or, more specifically, being among the first to conquer, new territories can, naturally enough, lead to screen-oversupply and is often one indicator that both mature, as well as maturing, cinema markets are attaining saturation. This we see currently with the likes of the U.S., UK, Germany and Spain, along with others where pre-pandemic as well as current levels of trade simply cannot hope to justify their presently-active screencounts. Today in the UK, for example, there exist some 1,400 more screens than two decades ago in 2002, but without much admissions-increase during the period up to 2019. This means that a screen-supply contraction remains inevitable, and for further comment and analyses we refer readers again to our 'Exhibition's Plateauing Admissions' article in *Screentrade* (June 2022).

In emerging markets, however, there can be a range of factors that impact supply-and-demand and newer developments in some markets can result in population-movements, say, for either better or more affordable living and housing conditions resulting in some areas emptying or new residents moving in and who, with different consumer habits, may be newly-migrated to the country and with differing priorities. The Middle East, and Dubai in particular, presently suffers from a screen over-supply; screens that are either open or indeed may exist as partially-completed shells, as well as any number of sites that have since-closed while others have become completely mothballed or await an operator or brand-partner before they'll see either completion or relaunch.

The rush, as well as race, to capitalise upon cinema-development, coupled with a paucity of specific current building regulations, can also mean that competing developers owning land-plots clearly have felt compelled to go ahead and build despite that a competitor already may have elected to start building, and thus leading to a scattergun-scenario – and perhaps not so completely dissimilar to the over-screening situations experienced variously within both the UK in the late '80s through the '90s, also the late '90s in the USA. Behind some of the rash decisions made, will likely be a fair measure of 'corporate flag-waving' and other competitive-posturing

ON THE UP AND UP...
Leading KSA's ongoing development is muvi Cinemas – shown here: muvi's Mall of Arabia, in Jeddah – having announced some recently-installed Harkness screen-tech

whilst, in some markets, there will be far greater vertical integration of businesses than in more mature ones and so the need to utilise all opportunities within the company stable becomes perhaps inevitable. However, the key issue all along with emerging cinema markets, is that until proven, it remains unknown as to whether those markets will trade at, say, either one or perhaps four visits-per-head of population. Therefore, development continues and is often contracted long before either market supply or demand equilibrium will have been both identified and established in time to prevent potential cannibalisation and, ultimately, causing plans to falter. As in most all such cases, the market bears-out.

For the likes of cities such as Dubai, which presently report screen over-supply, it is entirely possible that as migration to the market persists, some of the presently dormant locations may well become useable in future. Additionally, in some markets, the theatres weren't built to international standards and have been superseded by since-improved offers to compound the situation. According to Arthur, what is needed in such cases is both 'pacing, patience and good restraint' in holding out for optimum locations.

In progressing such situations, the ideal circumstance, he advises, is for both operator and key stakeholders to demonstrate a clear and shared understanding of the strategic direction and development of their cinemas, while taking into account the issues facing the market, including any and all of the political challenges, financial market-volatilities also the demographics and disposable income-levels, and then to set-out applicable growth opportunities. Further, they should be building successful and sustainable business models replete with specific and measurable KPIs. As and when all of the country-specific factors begin to align and progress can be made, states Arthur, such ventures can even take on their share of the philanthropic reward of bringing people together and – to an extent, at least – cinema-development then actually becomes less about the monetary investment.

Delivering drive-time maps and site-specific research focused on current market potential, ticket-revenues and costs remain fundamental considerations but, as we've seen, sometimes can be blithely overlooked during the grip of excitement to launch cinemas into new markets. There can be, again, that desire to be among the first. Moreover, it's stressed *not* to 'sign upon the proverbial dotted' until all may agree to a sufficient cushion-space between trading expectations and break-even point for any given opportunity – and *wherever* in the world cinema-developments are occurring. This is important for several reasons, and principally in that cinemas remain catalysts for the development, re-purposing and regeneration of Retail, Dining and Entertainment zones (the RDEs), and that the largest global entertainment conglomerates – the studio majors and their distribution structures provide substantial year-round marketing support for viability. Also to be remembered is that cinemas provide an ever-broadening and, to a good extent, evolving entertainment offer urged by developments in technology, distribution, and new content. Further, considering that all ages and demographics are catered for, the positive economic and social-value impact throughout the year as places of entertainment should neither be minimised –

PARTING SHOT
With the progress of cinemas underway, an exit-time will come once organic expansion of the groundwork being laid can be assured

and yet can all reduce to 'theory' and 'fine words' while blind-spots leading to building mayhem lead to a rush to be first. It can be difficult to show restraint and good judgment whilst all others waste little time in champing-at-the-bit. The saving grace? As above, the markets will always resolve trading issues when dictating their own equilibria.

JOB DONE – WHEN?

So, in following a multitude of identification, assessment and other evaluation activity involved in planning and executing the screening of under-developed territories, how to know quite when the job of having kick-started such planned expansions is actually done? Per Sullivan: "As external advisors, we would say that, typically, when about half-a-dozen multiplexes have been built – which may equate to somewhere between 60-100 screens and thus with a blueprint now firmly established – things should be left in such a way that further expansion can occur accordingly". In other words, organically thereafter. To which, then, adds Arthur, that it can be all-too-easy, as an advisor, to outstay one's welcome but that with a good and knowledgeable team in place that remains open to answering questions and giving timely ongoing guidance and support, the time to exit will often emerge clearly enough when operations are running and expanding well by themselves.

What is suggested is that it is often prudent to be very critical in the early stages of development when it's expected that things should be happening, but perhaps aren't doing so quickly enough, and to rectify this first. The advice is to counteract any deficiencies via a checklist-style approach to address any operational shortfalls from one new location to the next. Ensuring, for example, appropriate service-levels (and using the concessions areas as good examples); that there is fair inter-replicabilty and a similar organisation of kids' zones, VIP areas and kitchen areas. Also that relationships with distributors are the best they can be; and any and all things right down to the nitty-gritty of ensuring acceptable sound-and-picture qualities and staff-retraining as necessary. There is then a view to a follow-up in 18 or so months to check that the various action points: commercial viability, profitability, also people skill-development *et. al.* are being adequately followed through. An important aspect in all of this, of

"It's prudent to be particularly critical in the early stages – when things perhaps aren't happening quickly enough – and to ensure appropriate service-levels, good operational inter-replicabilty and that distributor-relations are optimal"

ROB ARTHUR
Founding Partner
Paguro Ideas

course, is to ask how things will be done 'locally', which will also help negate any necessity for shuttle-diplomacy, says Arthur. There is, as already alluded to, the warning that because builder-developer purchasing will still remain very much within western cost-ranges, and that local ticket-prices can be much lower, as such, a longer-term view of the projects will often be necessary.

OF MISTAKES & LESSONS LEARNED?

First, then, lest anyone imagine otherwise – as territorial expansion will execute far from any paint-by-numbers operational template – oversights and miscalculations are bound to occur and errors of various magnitude made to differing extents. “Yes, there’ve been some”, Sullivan readily concedes, and recalls, for one, Romanian territory which he’d been actively involved in opening up, in 2007: Bucharest’s as well as Europe’s first all-digital, purpose-built, cinema. Whilst a noble aim, the principal misstep made amounted to having gone into what he refers to as a ‘value’ market: that is, into a discount shopping centre at the lower end of the spectrum while competing against better-appointed Cinema City situations on either side. And while the initial plan was to develop and roll-out a smaller-scale value model, it was soon discovered that the marginal differences had proven too inconsequential in persuading movie-goers to attend and, discovered subsequently, that what would actually work best would be the diametric opposite, namely: a ‘premium’ cinema offer rolled-out upon a much larger scale.

OVERLY AMBITIOUS? W-V’s Birmingham Star City 30-plex – see overleaf – opened just beyond the ‘megaplex era’, suffered from over-screening, poor launch publicity, new distance-selling and access issues – shown here in its present Vue Internat’l incarnation

Other mismatches can arise while attempting to achieve the correct tone and balance when building in overseas territories and where the repercussions surrounding cultural interpretation can become quite far-reaching. Such instances can arise especially during launches and roll-outs where new-built theatre complexes can be effected somewhat hastily. Reports, for example, exist regarding AMC Theatres which, admirably enough, had been among the first out of the starting-gate to enter the new and emerging Middle Eastern exhibition market, following the lifting of its ban, and initially in shopping centres. It is said that the deals negotiated were too expensive, too rigid and involved too many decision-making layers. Indeed, seminal roll-outs had conveniently run along the lines of the self-same tried-and-tested U.S. model and then thus seemingly super-imposed upon newly-expanding Saudi Arabian territory. It’s said that in rolling-out its own established cinema décor, styling and layouts and, from this position, having made mere translations of all messaging into Arabic, some suggest, at best, showed a lack of sensitivity to local culture, where perhaps a Saudi-brand in these instances might have made all the difference to patron comfort and cultural expectation – including right down to the look and feel of a company logo when modified – and even between neighbouring Middle Eastern territories for best acceptance and popularity. There exist, today, reportedly, local teams involved following the government's having taken full control of some theatres. Indeed, observes Sullivan, that such subtle distinctions, and all associated details, can be critical in ensuring success. Further, and whilst one could always attempt to minimise the differences all day long, the KSA and the UAE, as one poignant example, remain by no means identical territories.

Another, more home-grown, example (p59) of expanded territorial tweaking might include the UK's own launch of its then-Warner Village Star City 30-plex in Birmingham which, to be fair, had represented the end-of-century's 'end of the megaplex age' (from plus-20 screens down to a more manageable 8-10), and serves to illustrate that errors involving operational concepts remain by no means limited to those ground-up constructions in far-off lands.

While designed and built upon the concept at the time, then, 30 auditoria would quickly prove too ambitious a screencount for any long-term sustainability, and indeed quickly and successively reduced to 18. The idea had been that with the provision of so many screens under a single roof, patrons could be encouraged simply to 'turn-up' to see films as they would, say, catch a bus at a bus-stop offering any particularly frequent service. Nothing too wrong with that, of course, except for the fact that the timing of Star City's launch in 1999, would, to its misfortune, coincide with the advent of the Internet and distance-selling, meaning that movie-goers now began booking online *in lieu* of making spontaneous arrivals. The building's location also had its issues, what with the infamous and all-too-proximal Spaghetti Junction stretch of motorway which continues to demand more onerous negotiation at peak times.

Also, and quite apart from the complex' £1m launch, which saw invitees – including high profile celebrities from all over – it was also true that few, if any, mover-shaker decision-makers would see any invitation and, wait for it, not one member from the local population; and reportedly journalists among them, which in hindsight, should have represented some of the very best press and word-of-mouth publicity one might hope to gain. The launch's opening film was, amusingly, *Perfect Storm*, which some suggested to be a fitting if, as-yet-unrealised, metaphor. Essentially, its launch became not so much soft, as one that took place more amid a vacuum. Alleged news, further crowning the ill-fated location, was that of a vagrant who, found dead by the local canal, was revealed to have cinema ticket-stubs in one of his pockets, and thus jokingly nicknamed the Brummie complex as 'Stab City'.

Given his time again, Sullivan reflects that he'd probably prefer to 'do Germany' again; and that with establishing UCI and Warner there, the projects realised were perhaps too Americanised in execution, that is, were 'not German enough', also that the envisioned admissions levels failed to materialise. And as for Hoyts and Roadshow, there proved to be a lack of local partners involved. And naturally there remains work to do in the UK currently, given that, as Sullivan aptly puts it, "The state of Cinema in the UK [today] represents a world-apart from what we did in the territory during the 'Nineties". And, maybe, we suggest, that it's all about evolutionary updates – not unlike the need to begin repainting Scotland's fabled Forth Bridge: so lengthy and ongoing a task that immediately upon completing its latest coat… it then needs re-doing all over. "Them's the breaks", and all that, although, this time, clearly, things would be effected with that much more experienced an approach.

WHERE'S NEXT FOR DEVELOPMENT – AND WHY?

Finally, where could be next for cinema development? According to Arthur, we've been witnessing, for some time now, a contraction in Western Europe and the U.S., and certainly in terms of screencounts and their distribution, but also, he observes, a slowdown may be driven further by the increasingly aging populations in these territories which will be less able or willing to serve in comparison to the younger, more dynamic and energetically emerging markets. These, then, comprise the aforementioned Middle East, Africa and Asia, variously, in which novelty plays its own part also in sowing desires for a better life-standard, quality and prosperity. Cinema plays very much into this and particularly when it's considered that Africa, with its 52 or more recognised countries and with only 1,600+ screens between them (see p50), there is certainly scope to gauge the extent of catch-up – and especially when compared with China which, for the same population (incredibly) currently boasts 70,000 screens. It is also a fair point to have acknowledged that with 2.5bn Muslims, worldwide, Hollywood, itself, could do well to consider adapting its game to accommodate rather than alienate this particularly sizeable sector of the growing population.

As for Sullivan, he argues that in addition to these and other developments, things can and do turn full-circle, and he gestures once more toward refinements being made in UK exhibition. Yet, somewhat more philosophically, he suggests that while Cinema, in general, will always be undergoing transformations, he also candidly proffers that he remains as yet unsure as to the exact nature of any imminent major change(s), except that a change is certainly coming. According to his own opinion, Sullivan emphasises, for now, however, that the multiplex as we presently know it is actually 'done', and that we should be watching this space amid no small amount of intrigue.

Cinema Day Parting

Can it *ever* be done successfully?