

# The next level for cinema is unlocking the customer value chain

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Local content is increasingly influencing the nature of box offices around the world and is likely to measurably drive how cinema and content converge for at least the medium term.

Unlocking the cinema value chain is what will set the broader cinema industry apart over the next 5-10 years; especially if this value is properly amplified across the customer entertainment lifecycle and is deliberately designed to deliver on the needs of a more content savvy and technology-converged consumer.



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So, while cinema remains the only entertainment platform positioned to meet the requirement for a premium experience, our efforts to respond to the challenge of choice must be founded in the needs of our audiences. Responding to this need requires us to balance adequately the theatre experience with that of video-on-demand within the overall entertainment mix. The opportunity to leverage and retain customer attention in the entertainment lifecycle is where we can extract the most long-term value.

Critical to this is that it is not an either-or approach. Rather, it is about responding to the needs of customers “on their own terms”. For cinema, this is a good thing as we continue to sit at the heart of the overall entertainment experience as the only category to marry a rich experience with content.

For us to sustain the existing levels of growth in cinema as a category, our focus needs to be on how to innovate further around the premiumisation of the entertainment experience by focusing on how to package and promote local content across multiple platforms. This is where content and experience will have the most significant impact. Local content is increasingly influencing the nature of box offices around the world and is likely to measurably drive how cinema and content converge, for at least the medium term.

## The premium opportunity

Globally, this is already coming to the fore. While the US box office continues to account for around 95% of content in most markets, we are seeing shifts in key emerging regions such as South America, Mexico, Russia and China. The balance of

local and global content in these geographies has shifted to meet the need for what consumers want to see. As things currently stand, the US box office has dropped to around 60%-70% of the South American and Mexican markets and to as low as 40% in Russia. The swings to local content are even more extreme in markets like India and China, with expectations that China's overall box office will be bigger than that of the US by 2017.

Because of this, we welcome competition in the broader entertainment space, as content remains only part of the evolution of cinema. As we leverage this, premiumisation is our largest opportunity to leapfrog consumer "demand for demand". Sustaining this leapfrog over demand requires more than just local content. What we need is:

1. A partnership between cinema as a category and those who provide our technology backbone. Specifically, this means addressing availability of broadband and how cinema brings value to the fibre-to-home landscape;
2. Increased innovation around how content platforms converge. Competition is a good thing in this space as it will benefit customers directly. The next level is how this is enjoyed within the context of growing personalisation of experience; and
3. The introduction of a multi-platform cinema experience that provides choice and entertainment value.

But there is no silver bullet. The future of cinema is multifaceted and we need to come together as an industry to plot and embark on this journey. The sophistication of customers is a global trend, and we are extremely well placed as a country to deliver on this.

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## ABOUT WANDA MATANDELA

A seasoned business executive with a passion for building and growing organisations. Wanda's career spans multiple industries including FMCG, Banking and Telecommunications, mainly in sales and operational roles...

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