

Imax case study essay



**ASSIGN
BUSTER**

IMAX has been in existence since 1967. It premiered in Montreal, Canada at their Expo '67. Multiple projectors were used at this time and a small team of Canadian filmmakers and entrepreneurs created a single powerful projector to do the job that has made IMAX a great success. IMAX is a very unique large-formatted film business. They currently use a differentiation strategy that sets it aside from the rest of their competition. IMAX has provided many audiences with the world's greatest cinematic experience. The experience lasts for about 35 to 45 minutes per film.

They use the world's largest film format with the highest quality digital sound. The screens are about 80 feet wide and 60 feet tall. It is an experience on a life time. They have over 200 theaters in 22 countries in back in 1997 and have continued to expand. IMAX started by producing large films that were educational and entertaining. Its venues were in educational facilities, such as aquariums, national parks and museums. But because of this niche strategy that IMAX was accustomed to it put constraints on the businesses profits and growth.

IMAX started to venture out and produces a couple of Hollywood movies. This was expanding its portfolio into multiplexes. Fantasia 2000 was the first full-length Hollywood movie to be introduced by IMAX in January 2000. Followed by the classic Beauty and the Beast, Apollo 13, Star Wars and Matrix reloaded, which all produced significant profits for IMAX and they were all release after being initiated in regular theaters. By moving further toward Hollywood movies will IMAX risk losing the niche strategy.

We will provide some research find out the answer to this question along with other questions that IMAX need to answer to help them expand further and remain profitable. Problem Statement IMAX has been a very successful niche strategy organization for many years. IMAX realized that it has to find new ways to expand to increase the businesses profitability. How far does IMAX need to move into Hollywood without losing it unique reputation? Can IMAX continue to stand alone and grow profitability at the same time or does it need to continue to expand into the normal theater arena.

Key issues The key issues to be solved in this case are: Will IMAX lose its differentiation if it launched too many Hollywood movies? Should IMAX be sold to a larger studio such as Time Warner, Sony, or Disney? And Is IMAX too small to survive on its own? IMAX did try to expand by moving into multiplexes or just changing the multiplex screen to IMAX screens. It also expanded by opening several Hollywood movies, instead of its traditional educational films. But will continuing these expansions build more growth or will it destroy IMAX's unique business strategy.

We will analyze the political, Economical, the social-cultural and the technological factors faced by IMAX. We will also take a look at the Porters five forces, the organizational strategy and Resources, Capabilities & Competencies. Finally we will take a look at the changes in the changes in the business and corporate strategies. By analyzing these key issues, we will provide recommendations to help IMAX maintain its growth. Analysis of Key issues Political Factors In the case study, the author talks about the concerns dealing with violence, sex, and vulgar languages that is in movies.

There have been efforts to organize and lobby political actions to do away with these concerns in the industry. If there is success to doing this, then there might be a new law to regulate the industry. Movie producers and movie theaters would suffer in the long run. The article talks about the changes in the movie production and exhibition that has happened since the Studio Era. The U. S. Supreme Court's 1948 antitrust ruling forced Hollywood film producers to sell theater chains that they owned. The antitrust rule that was forced set a standard stating that film producers could not own theater chains.

IMAX doesn't violate this, because they are in the production and distribution industries. Piracy is also a major part of the political segment. The article states that " the US film industry lost more than \$3 billion annually because of piracy" (Nair, 2009, p. 9). Ever since the 1982 amendment of The Copyright Act of 1976, piracy has been taken very seriously. Violating this law can be considered a serious felon, because violators can be subject to federal criminal charges and civil lawsuits. Economic Factors

The case talks about how the United States has the highest per capita rate for people who attend the movies. The case also states that the owners of the movie theaters use commercials before they finally show the movie in order to try and generate more revenue. The article did state that " the release of big budget franchise movies or sequels of really popular movies weakened the adverse impact of the economy on theater attendance" (Nair, 2009, p. 10). In the article, the author does mention that people are spending more on entertainment than we are on anything else.

To support this, he points out that “ the average American spends 50% more on DVDs than they do on the movie tickets” (Silver & McDonnell, 2007, p. 9). One of the explanations for this was, because of the price of tickets and the cost at the concessions. Not to mention some of the noisy and rude people that sometimes be the theaters. These factors help drive people to stay home and enjoy their movies. IMAX does not seem to be impacted by any economic factors.

The audiences still seem enjoy movies that are in the price range of \$10-13 per ticket, after a study was done. AMC, Cinemark and Regal all bought IMAX systems to have installed in their theaters” (Nair, 2009, p. 6). Unfortunately there was a problem later down the line. A lot of theater owners filed for bankruptcy and IMAX took a big hit. IMAX dealt with the issue at hand and took in partnership agreements. Sociocultural Factors The case talks about how showing the IMAX movie Volcanoes of the Deep Sea was not allowed because of the protest of religious groups. These religious groups “ were offended by the position on, and depiction of, evolution” (Nair, 2009, p. 9).

There is an increase in the concern for violence, sex, and vulgar language in Hollywood films. Due to all of the educational entertainment that IMAX has, it has achieved a growth as a niche player. The article talks about another sociocultural trend that can be linked back to people not having enough time to go to the movies and being overscheduled. This trend is called hiving and it has transformed several industries such as entertainment and housing. The author explains, “ Hiving refers to social activities that brings people into contact with each other around a central home base” (Silver & McDonnell,

2007, p.). The article also stated that “ 64% of participants identified themselves as hivers” (Silver & McDonnell, 2007, p. 9).

Technological Factors

The article talks about the IMAX’s technologies and innovations which can be divided into printed films, screens, projectors, glasses, sound systems, and cameras. IMAX’s film technology uses a 15/70 mm format which is “ 10 times larger than the 35mm films that were used in traditional multiplexes” (Nair, 2009, p. 3). The screens on average are 88-feet-high and 120-feet-wide or use domes that are 81 feet in diameter. Moreover, the projectors use 15, 000 watt ulbs compared to 3, 000-4, 000 watts which the regular 35mm projectors used requiring IMAX projectors to have powerful cooling systems. All this allows the viewers to enjoy bigger, better, and brighter IMAX movies. In 2008, IMAX decided that they would install newly developed digital cameras and projectors, because these were going to cut down the operational cost. The digital re-mastering technology (DMR) is another example of how IMAX is advancing in their technology.

The DMR “ allowed IMAX to convert traditional 35 mm films, into large screen format and even develop 3D versions of movies” (Nair, 2009, p.). “ The development of this technology was critical because by just projecting a 35 mm on the large IMAX screen would have produced a grainy look to it” (Nair, 2009, p. 7). The company took over five years to create DMR tech and it cost them millions of dollars. The cost decreased as IMAX kept converting films. It costs \$22, 599 to convert a 2D film and \$45, 000 to convert a 3D film. A

benefit that comes with the DMR technology is that IMAX can attract more studios, Hollywood mainly, to convert from 35 mm films.

All in all IMAX's technologies shows they have commitment to ongoing innovations and efficiency. Thanks to IMAX's technological advances, they received an Oscar Award for Scientific and Technical Achievement in 1997. Porters 5 Forces Analysis We will be discussing IMAX's business strategy using the Porter's five forces strategy method. The first step in the method is to know who your rivalries are. In order to stay ahead of the competition a business must know who their competition is and what they are trying to accomplish.

Since IMAX is involved with almost every aspect of the film industry their competition would be any one trying to do film production, distribution, theatre operations, and system developing and releasing. Today IMAX is dominating the competition in theatre operations, and developing and leasing. They do not have a lot of competition in those areas. The main competition IMAX has would be in film production. Even though IMAX has become a house hold name in the film industry it is not at big in production as some of the other companies like Walt Disney, Universal, and Warner Brothers.

With those companies being so far ahead in production it is not very likely that they would catch up to them any time soon. While IMAX should not completely give up on film production, it would be better if they focused on the things they were leading in. Almost every industry no matter what you are dealing with is a " copycat" industry. Soon other companies will try to

find ways to mimic what IMAX has done so they should focus on always being 1 step ahead of their rivals. In order to stay 1 step ahead of their competition IMAX needs to come up with something new.

When people go to see a IMAX movie they go because of the added 3D effects, the better picture and the surround sound. 1 idea IMAX could use would be to offer people the chance to get the feeling of a IMAX movie in their own homes. They can do this by making their own brand of TVs with or stereo systems with special IMAX features. Another idea IMAX could use would be to make a partnership with a company like Netflix. By partnering with Netflix they could show movies that were offered in IMAX theatres on Netflix. These are some ideas IMAX can use in order to stay ahead of their rivals.

Threats of substitutes are not necessarily rivals. They are products that come from outside the industry. An example of threat of substitutes would be the price of aluminum beverage can constrained by the price of glass bottles, steel cans and plastic containers. The containers are substitutes not rivals in the aluminum can industry. Threat of substitutes an impact a industry though price competition. With all the changing structures and new technology in the entertainment industry threats of substitutes can sometimes help the competition.

If a company comes out with an enhanced version of 3D vision it could affect IMAX. For example, the new 3D television that is becoming more common in households could take away from IMAX. They can take away from IMAX because people will not be as excited to see 3D movies because they have

access to that every day in the new homes. The 3D television producers are not “rivals” of IMAX but they can become a threat of substitutes. The power of buyers is the impact customers have on a producing industry. An example of buyers being powerful would be movie theaters purchase IMAX services in order to attract more companies.

Theaters that offer a block buster movie in a IMAX theatre tend to get more tickets sales than those who don't. Normal movie tickets are sold at about \$10 per ticket, but when a movie is offered in a IMAX theatre the tickets go up to \$17.50 per ticket. Customers would much rather watch an action movie in a IMAX theatre than in a normal theatre. Since movie theatres are able to charge almost double the price for a IMAX movie, the majority of them want IMAX services. Buyers are weak if producers threaten forward integration. (They can take over/own distributing or retailers.

An example of buyers being weak would be movie producing companies integrating forward to acquire theatres. The buyers are the movie theatres, if they have to sell their venues to the movie production companies than they have completely lost. Supplier power in an industry requires raw materials such as labor, components, and other supplies. They requirement leads to supplier/buyer relationships between the industry and the company that supply the raw materials. If the suppliers are powerful they can affect the production industry because they can sell their materials at a high price.

An example of a supplier power would be Microsoft's relationship with PC manufactures. Since Microsoft software is so popular and in high demand, companies producing PCs are almost required to have their software or their

products will have trouble selling. Suppliers are weak if many competitive suppliers' products are standardized. The companies that simply IMAX with the technology they use to make their movies in 3D is very important. If the quality of the companies' 3D technology regresses, the demand for IMAX services will decline.

Threats of new entrants and entrant barriers are the last portion of the Porter 5 forces. The possibility of new entrants can also effect competition. Some industries possess characteristics that protect the high profit level of firms and stop additional rivals from entering the market which is called entrant barriers. Things like patents and high scale thresholds are also considered as entrant barriers. Barriers are easy to enter if there is common technology, little brand franchise, access to distribution channels and low scale threshold.

Barriers are easy to exit if low cost exits or if the companies are independent. They are difficult to exit if there are high cost exits, specialized assets, or interrelated businesses. Organizational Strategy Analysis Mr. Wechsler, Mr. Gelfond, and the Board discussed a new role, several months ago as the Company's new digital plan. With the execution of the digital rollout on track, IMAX's feature film slate and studio relationships expanding significantly, a strong systems backlog, and a strong trail of new business and joint ventures in place, Messrs.

Wechsler and Gelfond and the Board believe this is the right time for the management transition and decisions. Mr. Wechsler has helped build and run IMAX for more than a 10 years. With his strategic and market leadership; he

developed important relationships with major studio and joint venture partners; building successful teams both inside and outside the Company; and leading some of the Company's most important business initiatives. He has played a big part in helping to develop the Company's digital plan, as well as moving forward with some of the original relationships that led to its new business model.

He these same relationships helped to change joint ventures, which will help to push IMAX's growth financially in the future. Mr. Wechsler will now focus on different issues, including capital market strategies, corporate business development, etc. He also will be responsible for running the business, executing Company strategy, overseeing relationships with the financial community, etc Also ensuring the continued success of IMAX's Hollywood film goals. Messrs. Wechsler and Gelfond said, " We have been close business partners for more than 14 years, acquiring IMAX in March 1994 and bringing the Company public in June of that year.

Together, we have developed the strategy that transformed the IMAX business from a niche film entertainment experience found in museums and institutions into one of the world's leading entertainment technology companies. IMAX today is rapidly expanding its theatrical distribution platform worldwide by exhibiting blockbuster Hollywood films in the best format available for consumers in more than 300 theatres and multiplexes around the world. We have a strong management team in place and have made tremendous progress over the past year.

The implementation of our new digital theatre systems and our joint-venture business model with commercial theatre operators has advanced considerably. Our strategy is taking hold, and we are on our way to delivering improved financial performance. " Mr. Wechsler also states, " Now that we have begun to successfully implement IMAX's Hollywood and digital strategies, I think this is the ideal time for me to transition into the Chairman's role. This will allow me to continue to use my energy and talents to benefit IMAX, while also pursuing other opportunities of interest to me.

This is a natural evolution for the Company, and I look forward to continuing to work closely with Rich to achieve our goals over the short and long term. " Mr. Gelfond continued, " Brad has been and will continue to be a tremendous partner who has brought significant value to the business in many ways over the years. This restructuring will allow each of us to continue to apply our respective strengths to create even more value for IMAX shareholders, customers and consumers around the world.

Brad has great strategic skills and business development acumen, and freeing him up to focus on these areas will benefit the Company over the long term. " As of September 30, 2008, IMAX has signed contracts for 207 IMAX digital theatre systems. IMAX currently has 38 digital joint-revenue sharing theatre systems in operation and is on track to install approximately 45 digital theatre systems by the end of the year. Just including only those scheduled installations already in backlog, the Company estimates having between 115 and 125 joint revenue sharing systems in operation at the end of 2009.

Also the Company filled out the majority of its film slate through 2009 and into 2010 with major Hollywood films from almost every significant studio including DreamWorks, Paramount, Warner Bros. and 20th Century Fox. Most recently, on November 19th, IMAX announced a new five-picture arrangement with Walt Disney Studios. Messrs. Wechsler and Gelfond ended by saying, “ We are excited about the opportunities we see for IMAX as we enter a new phase of growth. Our digital roll-out is on track and we have a strong Hollywood feature film slate, with virtually every major film studio releasing blockbuster films in IMAX.

These changes in the leadership and management of IMAX are being done at the ideal time, and we believe they will ensure our continued growth and long-term success. ” IMAX Corporation is one of the world’s largest leading entertainment technology companies. They specialized in immersive motion picture technologies. The worldwide IMAX network is among the most important and successful theatrical distribution platforms for major event Hollywood films around the globe, with IMAX theatres delivering the world’s best movie presentations using proprietary IMAX, IMAX(R) 3D, and IMAX DMR(R), technology.

IMAX DMR is the company’s mind-blowing digital re-mastering technology. This technology allows it to digitally transform any motion picture into image and sound quality of The IMAX Experience. IMAX’s amazing projectors display almost crystal-clear images on the world’s biggest screens, and the IMAX brand is recognized throughout the world for extraordinary and immersive entertainment experiences for consumers. As of September 30,

2008, there were 320 IMAX theatres operating in 42 countries. Resources, Capabilities & Competencies

The IMAX Corporation has developed knowledge and capabilities to design critical elements in their theaters, in 2007 the 12.6 million dollars in 3D cameras and projection systems to produce the realistic 3D images. IMAX films is roughly 10 times larger than the average 35mm Films used in the multiplexes and projected that are approximately 120 feet wide. The IMAX theatres are designed for the viewer to be completely amazed by graphics because of the immerse images that stretch all the way up to the viewer's peripheral vision.

The projectors have special features that include higher shutter speed, and loop motions to hold the film to the lens. The projectors that are used in IMAX theatres use 15 thousand watt bulbs whereas the average 35mm projectors use about 4 thousand. IMAX now can be considered as three different types of industries, photographic equipment, picture production and video distribution. Due to IMAX being a large-format film business the company is involved in many aspects such as production, distribution, theatre operations, system development and leasing.

What makes this business unique is it focuses on its use of unique capabilities and focuses on its differentiation strategy. IMAX is a risky industry; production requires enormous investments causing high barriers. This company's growth and profitability are constrained by its niche strategy; recently IMAX has evolved to become very competitive and has developed rivalries between its competitors, mainly Pixar and Columbia studios. They

also face competition from Cinemark which is one of our nation's largest theatre circuits.

Initially IMAX focused on the large format videos that were entertaining and educational, plus the theatres were located in institutions such as science museums, aquariums and national parks. Now IMAX Corporation is one of the world's leading entertainment technology companies that specialize on its differentiation strategy which is immersive motion picture technologies. The IMAX Corporation has capabilities to grow from its niche film entertainment experience.

What caused the IMAX business to continue expanding was its decision to grow by expanding into multiplexes and expanding its film portfolio by converting their large-format films into Hollywood films such as Harry Potter and Superman. This was done by converting two technological capabilities, such as the conversion of the standard 35 mm film into large format and converting the standard multiplexes into IMAX systems. Virtually the IMAX network is among the most important and successful theatrical distribution platforms for the major event Hollywood movies.

By using proprietary IMAX, and IMAX DMR this company has developed groundbreaking digital re-mastering technology which allows Hollywood films to digitally transform virtually any conventional motion picture into superior image and sound quality. This allows IMAX theatres to deliver the world's best movie presentations displaying crystal clear images on the world's largest video screens. Their stock price has grown 150% within the last year

and the company is growing and developing profitable leverage in the rising popularity of 3-Dimension digital films.

In order for IMAX to expand into multiplexes it needs to maintain its growth, the company is estimated to build over 75 theatres internationally within the next 5 years. The purpose for this company expanding internationally is to reach a bigger audience. Currently the successful business strategies allow the IMAX theatres to be viewed in rural areas and developing countries causing IMAX to raise its profile internationally. In expansion efforts the company is aggressively continuing to expand its cinema presence in Europe and has reached agreements to open up 10 IMAX 3D theatres in Northern Germany within the next decade.

IMAX is currently one of the world's pre-eminent international film companies. They generate approximately 87,000 dollars a screen in the United States and 75,000 dollars per screen internationally. It's currently a movie viewing company that is currently in 50 different countries. What helps IMAX grow in the motion picture industry is its ability to achieve and maintain their competitive advantage, since 1994 IMAX has developed important company relationships with major studios and joint venture partners.

These relationships help build successful teams allowing the business ventures to drive the IMAX corporation into developing and executing their company's digital strategy, causing IMAX to grow in their financial performance and move forward. The company has developed strategies that transform IMAX into one of the world's leading entertainment technology companies. Within the past year the IMAX management teams have made

tremendous progress by advancing their joint- venture business models through commercial theater operators.

Today this company is rapidly expanding its theatrical distribution worldwide by the exhibiting the Hollywood films in the best format video available for every consumer. Now the theatrical distribution platform is exhibited worldwide and is available in over 300 theatres and complexes around the world. IMAX has expanded its position to become global and has enabled the distribution partners within the film business to operate and manage the company's relationship with international partners. The IMAX industry creates continuous innovations and new product development that will grow to become highly competitive.

The traditional business strategy is largely inhibited in the company's growth and profitability. Growth and profitability can face several opportunities and challenges amongst its challenges IMAX can focus on their niche market hoping to gain more profitability. The main elements of this niche strategy include targeting a market of consumers that share unique characteristics within the market. This allows IMAX to create product features that can be unique and maintain quality product through maintaining the quality of the inputs.

IMAX business strategies include creating unique products that meet the customer needs and implementing premium prices the products that are differentiated. Evaluating changes in the business and corporate strategies Some strategies used by IMAX to generate more business and to expand included introducing its theaters in AMC, Cinemark, and Regal multiplexes,

another strategy included the conversion of Hollywood movies into IMAX format, and the third strategy was the introduction of 3D films in multiplexes.

All of these strategies were proven to be beneficial and effective towards generating more business and profits for the corporation. Even though IMAX traditionally only offered its theater systems exclusively in institutional settings, such as museums and aquariums, its decision to venture out into new markets proved to be a risk well worthy of taking. IMAX's audiences became more broad because of the fact that different genre's of movies were being offered. More people were open to even seeing the more traditional films (documentaries, educational films, remakes, etc. because they were offered in a new environment and they didn't have to go to a museum per say just to see a film of interest, but instead multiplexes made it more resourceful for movie-goers to get the IMAX experience.

As AMC, Cinemark, and Regal proceeded to expand its locations by building more multiplexes, it patronized the IMAX Company by housing its theater systems. This growth in locations and merge with a higher quality of MPX technology allowed for the increase in ticket prices of about \$2.50-\$5.00 more than original prices. This increase was made to ensure the quality of the brand, distinguishing it from competitors.

The price increase was also applied for the specific reason that it cost more to produce and convert original multiplex screens and films into IMAX films, therefore prices must be set at specific margins in order to ensure the coverage of production costs as well as insure that profits will be made. The

fact that IMAX decided to offer Hollywood movies was definitely an asset to its brand. Not only did it attract new audiences, but it also generated a lot of revenue because of the popularity of Hollywood films. It introduced a new audience to a quality of film and theater system that's never been seen before.

Not only were newly released Hollywood films available for the IMAX experience, but remastered versions of previously released versions were also available. The 3-D movie theater experience is exceptional. It brings a totally new and innovative flavor to the big screen. It's new, it's popular, and people are flocking to theaters to get a taste of it. 3-D movies give its viewers a more interactive feel, bringing the excitement back to "movie night". It makes people feel more comfortable spending money in a tight economy because they feel that they are getting a "bang