

Analysis of technology company imax corporation



Company overview

“ IMAX Corporation is one of the world’s leading entertainment technology companies, specializing in immersive motion picture technologies. The worldwide IMAX® theatre network is among the most important and successful theatrical distribution platforms for blockbuster films around the globe, with IMAX theatres delivering the world’s best cinematic presentations using proprietary IMAX, IMAX® 3D, and IMAX DMR® technology” (IMAX Corp., 2010).

“ The IMAX company is known to be one of the highest quality, most immersive motion picture entertainment in the world. As the IMAX theatre network grows, the reputation of the IMAX brand improves as well. IMAX theatres are located in both commercial multiplexes and educational institutions throughout the world. More than one billion people have had An IMAX Experience® since the first IMAX theatre opened in 1970. As of September 30, 2010, there were 470 IMAX theatres (348 commercial, 122 institutional) operating in 45 countries” (BNET, 2010).

“ As the Company continues to evolve, its potential in the commercial marketplace evolves too. While IMAX remains committed to its roots in museums and science centers, the Company is at the same time rapidly expanding its commercial theatre network. IMAX has forged strategic alliances, relationships and joint ventures with some of the most prominent exhibitors in the world, including AMC Entertainment, Regal Cinemas, Inc., National Amusements, ODEON & UCI CINEMAS, CJ CGV, Wanda Cinema Line Co. Ltd., Tokyu Cinemas and many more” (IMAX Corp., 2010).

“ The original IMAX growth strategy was to focus on the institutional large screen theatre market and producing and distributing documentary style films. As a result, most of the existing IMAX Theatres are located at institutions such as museums and science centres. In the last ten years, IMAX has changed its focus to more commercially orientated enterprises. The result has been rapid growth in the number of agreements entered into with commercial operators and operators of non-institutional entertainment complexes. The IMAX brand is internationally recognised for extraordinary and immersive family experiences” (World’s Biggest Screens Pty Ltd., 2007).

Corporate Strategy

A corporate strategy is one that specifies what type of business a company is in or wants to be in and what it wants to do with those businesses. It’s based on the mission and goals of the organization. The IMAX’s mission statement is given by co-CEO Gelfond:

“ It’s designed to deliver the world’s most immersive movie experience”
(DataMonitor, 2010)

Current strategy

Vertical Integration

IMAX is works on vertical integration as it works on processing, distribution and exhibition of its own films.

IMAX initially was focused on large format films that were educational. This is why the theatres were located in institutions, museums, aquariums and national parks. IMAX’s forward integration took place when it became the distributor of its own produced films. IMAX is relatively small when it is

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compared to its rival studios and theatres, but it still leads the industry when it comes to producing images in a large format. IMAX not only plays its own films in its theatres, but gives it also gives its films to other theatres so that they would be promoted there.

As it was earlier discussed, IMAX is mainly focused on producing large scale films. To do so, they require special cameras, projectors, screens, etc. In the past 15 years, IMAX has acquired these companies:

Imagery Rentals (1995) – Whole ownership

Mainframe Entertainment Inc. (1999) – Minority shares

Sonics Associates Inc. (2009) – Whole ownership

David Keighley Production (2009)

Digital Projection International Ltd. (2000)

Cinema Plus Ltd. (2006) (DataMonitor, 2010).

IMAX has a subsidiary company (51% ownership in that company) – Sonics Associates Inc., which is an audio development company. It manufactures the sound systems for IMAX. David Keighley Production, which is wholly owned by IMAX, works on the post production of its films.

Most of the firms mentioned above are the suppliers of IMAX. Through integration, IMAX has reduced the chances of suppliers effecting the prices. When IMAX made itself independent in the aspects required to deliver high-

quality large format film, it gained access to all the new technology which today is an essential element in IMAX's survival.

Through backward integration, IMAX has made itself stronger by being its own supplier. It has gained control over the technology of the systems that produce 2D or 3D film as well as audio systems.

Horizontal Integration

Direct competition

IMAX had only two competitors that produced film in the large format. One was Iwerks, another one was Megasystems. IMAX has expanded its operations to the commercial business (e. g. converting 35mm Hollywood films into large format), Iwerks did not do that. It only limited itself to ride simulation packages that are located in theme parks and museums.

Megasystem, which formerly produced projection systems, has recently stopped producing these systems, and it has renamed itself Pollavision. It is now only involved in consultancy services of the large format film theaters. IMAX, Iwerks and Pollavision all were the manufacturers of high definition film projection systems, and the only organization left in the market that converts commercial movies into large format is IMAX (SmallCapWatch LLC., 2010).

Indirect competition

In the market of studios and theaters, IMAX is relatively small. In my opinion, it would not affect IMAX if it did not merge with other studios. Its success is due to the fact that consumers have become fully aware of IMAX format movies, and there is an increasing demand for watching movies in large

format. If it merges with one major movie studio (e. g. Disney), it will not be easy for it to cooperate with other studios.

A good option for IMAX would be launching more commercial theatres, where it can run converted large format Hollywood movies. This would enable it to compete against large theatres like Regal Entertainment Group.

Environmental Analysis

IMAX as a global firm interacts with multiple factors. The company takes inputs and distributes its output. Like every organization, IMAX has its internal and external environment which affects its output.

Internal Environment

Strengths

Unique, innovative product

Good location of IMAX theatres

Changing repertoire of films

Educational links (e. g. schools; libraries, teachers)

IMAX worldwide brand consciousness

Weaknesses

Documentary style when there is an increasing demand for other content type

Lack of variety in movies

IMAX's internal environment includes procedures and inputs which are used to achieve its strategic goals. The company has successfully developed 3D cameras and other equipment to produce realistic 3D images. Images screened by IMAX are brighter and sharper than those found in conventional movie theatres. The company has also invented new techniques of 3D directional sound, offering its customers both audio clarity and depth.

One of the main focuses of IMAX Corp. is research and development, as it wants to present movies using the newest technological methods and systems available on the market. Quite a large portion of its revenue is redistributed towards R & D part of its business.

Worth mentioning is the fact that IMAX helps its customers on theatre design, supervises the installation of their systems, trains the entire theater staff, and maintains the installed system.

External Environment

Opportunities:

Increase in the demand of Hollywood productions

High popularity of watching IMAX movies

Joint ventures with other studios

Opening more IMAX theatres (utilizing space in existing multiplexes or reconfiguring existing multiplex screens into IMAX format)

Opening up IMAX theatres in developing countries (e. g. BRIC)

Lack of competitors converting movies into large format

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Special significance given by Motion Picture Association of America to documentary movies segment

Threats:

Conventional cinemas

Piracy of movies

High quality DVDs and BluRays

Home theatre entertainment systems

Joint partnerships (AMC with its own big screen theatres)

Political intervention

Change in taste of the consumer

There are multiple factors that affect IMAX's performance. For example, customers represent potential uncertainty to IMAX because of their changing tastes. Knowing this, IMAX should make more educational and entertainment movies that can be shown in the full screen format. The demand for technologically based and animated movies is growing and IMAX ought to consider merging with some larger players in the industry (e. g. Pixar) to be able to fulfill the needs of its consumers.

Despite the fact that IMAX has already developed the knowledge, skills and capabilities needed to design and assemble complicated 3D movie systems, most of its equipment is purchased from the contracted parties to whom IMAX has maintained long and usually successful relationships.

Presently, IMAX has to compete with digital cable providers, satellite TV, DVDs, BluRay discs and the internet. All these media give customers a much more extent choice than just few years ago.

One should also remember socio-cultural, political/legal, demographic and technological factors that indirectly affect IMAX's overall performance.

Movies presented in IMAX theatres should represent the high socio-cultural content, due to the fact it is mostly viewed by university and college educated audiences. Most of the IMAX customers falls in the age range of 19 to 65, and IMAX's current and future projects should fulfill desires of that group (TheStockAdvisors, 2010).

Porter's Five Forces Model

Threat of Substitute Products

Threat of substitute products means that IMAX customers can easily switch to IMAX's competitor product (Pearce & Robinsons, 2006). IMAX is the largest and most exciting movie format, with vivid clear images that are almost ten times larger than traditional cinema format. There would be a high threat of substitute if there were substitute products available against the ones offered by IMAX. In this case, customers could easily find the product or service that IMAX offers at the same or lesser price, and the quality of the IMAX competitors product increase.

IMAX customers can easily switch to substitute products (e. g. film cinema), but the screens in IMAX theatres are the biggest in the world offering and they offer a very different experience than regular screens (World's Biggest Screens Pty Ltd., 2007). Sound is also critical in case of IMAX experience. The

film soundtracks are delivered through a top of the line digital surround sound system manufactured by Sonics Associates Inc., which is one of the top companies in sound system design.

Presently it is easy to find DVD's and VCD's with great resolution. Even in regular cinemas the quality of the projected films is excellent. That might be the reason for customers not to go to IMAX theatre and pay an extra \$4 to \$5 to watch a movie in 3D (Yahoo! Finance, 2010).

Threat of New Entrants

A new film industry into the market would also weaken IMAX's market power. Particular segments are more attractive if there are high entry barriers and low exit barriers. According to market research carried out by World's Biggest Screens Pty Ltd., "IMAX can sustain its position as a premium cinema destination not simply because it offers a better experience than other cinema destinations, but because it offers a very original cinema experience. IMAX is perceived as being at the cutting edge of new cinema that offers new experiences in film. It is also about the strong sense of realism of the film style which allows costumers the feeling of destination exploration, which is, in other words, the feeling of "being there"" (World's Biggest Screens Pty Ltd., 2007).

Industry Rivalry

Industry rivalry "means the intensity of competition among the existing film theatres in the market. Intensity of rivalry depends on the number of theatres and their capabilities" (Pearce & Robinsons, 2006). Poor film line up, combined with the aftershocks of company restructuring in year 2000

resulted in low attendance figures for IMAX (World's Biggest Screens Pty Ltd., 2007). Presently, IMAX's marketing objectives are "to release a minimum of 6-8 new films in each market it operates in, to introduce a group-sales program with a focus on niche visitor groups (e. g. schools, organized groups), and to develop value-based promotions to drive business in traditionally softer trading periods. These marketing objectives are going to be executed using the full range of the marketing mix" (DataMonitor, 2010).

Bargaining Power Of Suppliers

Bargaining Power of suppliers means the strength of the position of a film theatre, which is how much the film theatre's suppliers have control over increasing the price of supplied products. It's quite obvious that film marketing mix consists of elements. (i. e. advertising, publicity & promotions, word of mouth, website and e-communications) (IMAX Corp., 2010). Movies are usually released every 2 months in a staggered program timed to coincide, where possible, with key school holiday periods. The release of a new film is the prime driver to attendance.

Recently 3D movies popularity have gone beyond popularity of 2D films. However, "there is a limited supply of 3D films to choose from because they are much more expensive to make" (IMAX Corp., 2010). Movie makers often examine the "victory" of previous releases and the probable audience reaction to new ones. For instance, if particular a film did well overseas, it ought to do well in some foreign markets as well. Research is conducted on regular basis to find positions that shows prospect in a new market and possibly encourage new movie theatre costumers.

When suppliers have more control over supplies and its prices, as it is the case in the movie industry, segment appears to be less attractive. The best option is to create a win-win relationship with suppliers and have multi-sources of supply.

Bargaining Power Of Buyers

According to market research carried out by World's Biggest Screens Pty Ltd., 78% of people who have seen an IMAX film express the intent to return (World's Biggest Screens Pty Ltd., 2007). There are some specific aspects of IMAX which encourage people to do so. One such aspect is when the theatre itself is utilized to advertise new releases. There are usually light boxes featuring "Coming Soon" movies and stands brochures of these movies. Also, presenting trailers at least three months prior to the feature release is an appropriate strategy (DataMonitor, 2010).

Bargaining power of buyers can be decreased by offering differentiated types of movie theatres. If IMAX is providing service to a huge quantity of ordering buyers, then these buyers would definitely have the power to dictate IMAX the price.

Competitive advantage

According to Michael Porter, there are three different base strategies which allow companies to gain competitive advantages. They are:

Differentiation strategy

Cost leadership strategy

Focus strategy

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In the case of IMAX, a main reason for continuing forward, backward and horizontal strategies is to gain cost leadership benefits. IMAX as quite diversified business that is considered a part of different industries, that are horizontally integrated. The purpose of such an integration is to keep overhead at minimum level, and cut the business' costs as much as possible. It would be reasonable for IMAX to make and distribute its own movies in digital format. This would let the company to cut its operational cost significantly.

As it is going about its differentiation strategy, IMAX has a unique feature of its large format films. That differentiated company with others production houses and filmmakers.

IMAX's library of films and fact of locating itself in prestigious venues had created a unique brand image. The goal of IMAX is to provide his customers with high quality entertainment and documentary movies with 3D images and top quality sounds.

If only IMAX would be able to continue improvements of the quality and reliability of its products, it may gain even larger competitive advantage that won't be easy to be taken away. To create such a strong competitive advantage a firm must be able to sustain its core competencies. IMAX must continue developing the skills, knowledge and capabilities needed in designing and assembling the vital elements in its equipment and follow fast pace of technological changes.

When it comes to growth opportunity for IMAX, firm should focus on retention of the current customers and attracting new audience. According <https://assignbuster.com/analysis-of-technology-company-imax-corporation/>

to IMAX website, “ more than 20 percent of its audience were school group, about 70 per cent of its viewers were between 19 and 65 years of age, and the majority were college or university educated” (IMAX Corp., 2010). IMAX needed to find a way to attract this demographic group. Company should stay focused on entertainment movies and documentaries.

Conclusion

In year 2007 over 50% of the total revenue was generated by IMAX system sales like cameras, screens, projection systems. As IMAX has an advantage over the technology of larger-than-life image production, it should continue investing in R&D to provide outstanding systems used both to produce 2D and 3D films (SmallCapWatch LLC., 2010).

Presently many studios convert their movies into IMAX format, but IMAX gains not that much from it. As IMAX is not part of any studio, it does not get big share in the profit. It seems like the growth in converting movies is high but the IMAX’s market share is low.

In the motion picture industry, documentary segment is considered more significant than the others. The Motion Picture Association of America gives out separate awards for documentary movies in the grand Oscar Award. IMAX is originally known for producing documentary movies. Since year 2008 IMAX itself produced only one documentary – Space Station, and it looks like it’s not growing on the pace it should (Historica Foundation of Canada, 2010).

IMAX’s strategy for the coming years is “ to entice consumers happiest in front of 60-inch plasma screen TV. In order to get a consumers out of their
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homes and make them go and watch an IMAX format movie, the company needs to give them something amazing and something special. And so far IMAX does it” (IMAX Corp., 2010).