



## HOW TO WIN INDONESIAN MOVIE VIEWERS: CASE OF VILLAGE CINEMA AUSTRALIA

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### Abstract

*Australia and Indonesia have a close relationship in many businesses areas including entertainment. This paper focuses on how Australia's Giant Cinema expands its business into Indonesia. Since many Indonesians stayed in Australia and experience directly Australian products and services, they are aware that Australian products had a high quality. Fortunately, vice versa, Australians are quite familiar with Indonesian culture. This is an opportunity for Village Cinema to enter Indonesian Market. This paper will start with market segmentation and Village cinema's target customers; furthermore it draws Village's position map comparing to its competitors in Indonesian market. Not to mention that Indonesian Cineplex has been quite established in many Indonesian primary cities with XX1, 21 Cineplex and CGV formerly Blitz Megaplex lead the market share accordingly. However, there were some marketing strategies Village Cinema should choose, including product, price, promotion and distribution strategy. There is a chance for Village cinemas to be a multinational cinema company player in Indonesia.*

**Keywords:** *entertainment business, culture, market segmentation, positioning, international strategy.*

### Introduction

Recently, entertainment industry has become more competitive and tighter than ever before (Rotfeld, 2006). Internationalisation of cinema retailer triggers companies to be aware of their planning impacts (Guy, 2001). Further, customers seek for multi leisure complexes which provide service and experience (Jones & Hillier, 2002).

Village Roadshow as one of the players in this industry tries to respond to this situation. It was established by Roc Kirby in 1954 and listed in Australian stock exchange in 1988 (Villageroadshow, 2007). Nowadays, it has overseas operation such as in Greece and Singapore with 699 international cinemas (Villageroadshow, 2007). Village has some core business including theme park, movie producer, exhibition, film distributor and Radio (Villageroadshow, 2007).

In order to build a world-class entertainment, a strategic development is essential to be proposed. In this second stage of marketing plan, firstly there will be explanation on segmentation, targeting and positioning. Next it will discuss the marketing objectives, followed by marketing mix strategies like product, price, distribution, promotion. Lastly, it will be concluded with recommendations for future changes.

## **Literature Review**

### ***Market Segmentation of Village Roadshow***

#### **1. Geographic Segmentation**

Village will open new cinema in Jakarta. Jakarta has five main parts which are north, south, east, west and central (Britannica, 2007). It classifies as a metropolitan city (Britannica, 2007). Jakarta covers 256 square-miles with over than 15 million people (Britannica, 2007).

Central Jakarta is the business district and financial capital, while East Jakarta has become the major retail area, then West Jakarta harbour area, with its own community attached to it, while South Jakarta turns into fashionable centre, where as North Jakarta offers more countryside view (Britannica, 2007).

Jakarta is a tropical humid city, with temperatures ranging between 24 and 34 °C with relative humidity between 75 and 85 % this often modified by sea winds (Britannica, 2007). The average mean temperatures are 26 °C in January and 28 °C in October (Britannica, 2007). The annual rainfall is 67 inches (Britannica, 2007).

#### **2. Demographic Segmentation**

Population with 0-14 years account for 28.7%, 15-64 years responsible for 65.6%, and 65 years over constitutes for 5.7% of total population (Britannica, 2007). In average an Indonesia family consist of five people (CIA, 2007). There are more male compare to female with 5:4 scale comparison (CIA, 2007).

Indonesian per capita income is \$3,800, with real growth 5.4% per-year, while unemployment rate is 12.5% (CIA, 2007). Majority of people are working in services, manufacturing, governmental sectors with very few people work in agricultural sector (CIA, 2007). Population above 15 years are educated, literate and relatively familiar with the technology like internet and communication tools (CIA, 2007).

Most of them are Muslim that account for 88%, Protestant constitutes 5%, Catholic comprises for 3%, Hindu responsible for 2%, while Buddhist and others for 2% (CIA, 2007). Jakarta populated by different races like Javanese, Bugis, Ambon, Malays, Chinese and Arabs. Then Indians, Europeans and Americans are present in small numbers (CIA 2007; Britannica, 2007).

#### **3. Psychographic Segmentation**

As described by Kotler and Keller (2006) about psychographic, customers of Village segmented into their socioeconomic, lifestyle and personality. Potential customers are vary regarding this factors, people with higher educational level also better income influence their social status, lifestyle and consumer personalities.

Kotler and Keller (2006) state that one of classification systems to find out psychographic factors based on SRI Consulting Business Intelligent (SRIC-BI) VALS Framework. There are four groups with higher resources which are innovators, thinkers, achievers and experiencers. Next, there four groups with lower resources that are believers, strivers, makers and survivors.

#### 4. Behavioural Segmentation

Occasionally, cinema will be often fully booked at the weekend or vacation period. Village like others offers cheaper ticket on a particular day. Customers seek for better movie going experiences as the core benefits they want. The users status is likely to influence customers as well, for instance, students in Jakarta can be the potential and regular customers since they better inform than others. Movie goers in Jakarta have been with 21 Cineplex for long time, yet they have no high loyalty on it. Still they enthusiastic on something new like Village cinema.

#### ***Target Market of Village Roadshow***

Originally, there are three target customers of Village: teenagers 14-18; adult 18-35; then moviegoers of all ages (Villageroadshow, 2007). Teenager and adult made up over 65% or more than 8 million of total population, this market grows by 1.2 % per year (Britannica, 2007), therefore they will be potential market for Village.

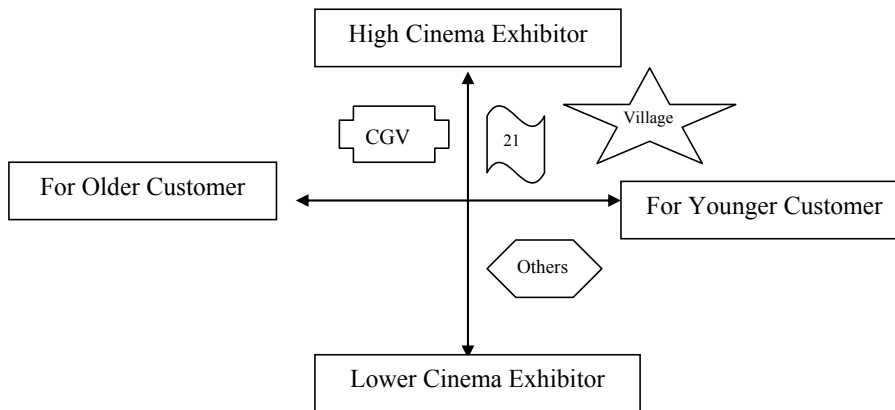
Accordingly, Village need to target customer based on it attractiveness. It can be assumed that most of the higher resources Jakarta's people can be classifies as *experiencers* who eager to experience a new type of entertainment. As many young generations worldwide, Jakarta's youth can be *strivers* who favour stylish products and trendy.

Since then, customers who are *experiencers* and *strivers* will be Village target market. Especially in the East and South Jakarta that more likely to have more *experiencers* and *strivers* since these two areas account for the entertainment and fashion centre (Britannica, 2007).

#### ***Village's Positioning***

Market positioning is the way the product or service is defined by consumers on essential features, next it could also define as the place in which the product occupies in consumer's perspective relative to competing products (Cohen, 2006).

The main competitors of Village are 21 Cineplex as the market leader and CGV Cinema formerly Blitz Megaplex as the follower (Afrisia, 2015). One type of positioning strategy can be used known as *perceptual mapping* (Kotler & Keller, 2006). Village entrance to Indonesian market will eventually alert its competitors there, Villages generally offers similar products but in different way of service, therefore Village position will be offending, this will create direct competition in the industry. See figure 1 about the Village positioning map in the Indonesian market.



**Figure 1. Village Position Map**

### ***Marketing Objectives***

Hiebing Jr & Cooper (2003) claim that the marketing objectives must be sustainable, measurable, actionable, rational and timely specific therefore can be achieved through marketing strategies.

Village marketing objectives will be set in three years time frame from 1 June 2007 to 30 June 2010.

In the short term Village will obtain to gain 15 % of totals 8 million goers from June 2007 to June 2008. Then increase the percentage to 25 % from June 2008 to June 2009. Furthermore Village aims to hold 40% market from June 2009 to June 2010.

In the long term, Village must maintain its position in the market and gain customer outside primary market, like family movie goers by 5%.

### ***Village Marketing Strategies***

#### **1. Product Strategy**

Product is the first part of marketing mix strategies (Kotler & Keller, 2006). Village offers high quality and different experience. Village has typical new release movies like the competitors have, but Village enriches it with variety of outside traditional movie selection. Customer can choose the regular cinema, Gold class and cinema Europa (Village Roadshow, 2007).

Cinema entertainment is an intangible asset and purchasing this means not result in the ownership of anything (Kotler, Keller, Ang, Leong and Tan, 2006). Therefore, Village needs to consider the five product levels in addressing customer value hierarchy (Kotler & Keller, 2006). For instance, the **core benefit** is entertainment and experience, the **basic product** includes studio, seat, set of projectors, and the movies. The **expected products** are good quality of screen, sound system and relative degree of convenience. In **augmented product**, Village tries to exceed customer expectations through offering privacy in gold class concept. Lastly, **potential product**, Village should offer online ticket booking, cinema expo and be the first exhibitor to screen box office movies.

One proper strategy for Village is holistic marketing services. It requires Village to consider external, internal and interactive marketing (Kotler & Keller, 2006). Company like Village for instance differentiate products to meet customer needs and wants. Further Village can differentiate its services by maintaining the three types of cinema such as regular cinema, gold class and cinema Europa concept for those who seek more privacy and unique movie going experience.

In order to meet better customer wants and needs Village should also provide other cinema concepts. For examples, offer Indonesian, Hong Kong, and Indian movies due to the increasing number of Asian movies production and fans (Afrisia, 2015). Village must consider the censorship criteria which is stricter compared to Australia (Afrisia, 2015). For example a movie like "Borat" was not allowed to enter Indonesian market because of the customer culture and behaviour short of taboo to watch this kind of egalitarian movie.

## 2. Pricing Strategy

Pricing is marketing mix element that produces revenue, whereas others produce cost (Kotler & Keller, 2006). Due to Village positioning strategy as an offender, therefore it should consider many factors such as analysing competitors cost, prices and offer, then consumer psychology (Kotler & Keller, 2006). Customer will assume they are getting good value if they believe the product offered exceeds the price they paid for, then satisfaction and feel good equals to good value (Kotler & Keller, 2006). Village pricing strategy needs to support that feeling.

Village still in the stage of penetrating Indonesian market and relatively new offer for the Indonesian market, therefore affordable price to get big market share is needed. Based on the purchasing power and size of the market, Village must avoid its products be misvalued by customers.

Indonesian market is an *oligopolistic*. It means that only few suppliers of the same products in the market, so the company might be forced to set the same price as competitors (Kotler & Keller, 2006). Due to this limitation, the proper pricing strategy is *Going-Rate Pricing*. In this method, the company set the prices largely on competitor's prices (Kotler & Keller, 2006).

Recently, 21 Cineplex and Blitz Megaplex charge their customer for \$5 ticket (Afrisia, 2015). Village should also set \$5; this obviously much lower than Australian market, on average Village charges \$15 for ticket (Villageroadshow, 2007). Therefore Village must adjust this situation.

If in average one theatre studio of Village in Australia on every screening will be consist of 50 people. Then Village can get earning before interest and taxes (EBIT) for \$750 ( $\$15 \times 50$ ). Furthermore, in each cinema there are 10 studios, therefore Village can gain EBIT for \$7500 ( $\$750 \times 10$ ).

Let compare with Indonesian market, approximately in one studio in every screening will be 160 people. Next, Village can get EBIT for \$800 ( $\$5 \times 160$ ). Since it has 10 studios, so Village will get \$8000 ( $\$800 \times 10$ ), means that there is \$500 profit different, compare \$7500 in Australia and \$8000 in Indonesia.

At the time being, there is no price concession for Indonesian students, it would be logical to give special price for students that will be Village potential customer. This will triggers customer to have more loyalty.

### 3. Distribution Strategy

In Indonesia there are two major importers and distributors which are Internusa Film and Esthetika Film both engage into vertical integration to supply 21 Cineplex (fahriyadi, 2011). However it expected to change in the future. It should be taken into consideration that Village itself also a film distributors with Warner Bros as its main supplier (Villageroadshow, 2007).

In order to deliver product value for customers, Village must have marketing channel system. Since there is low brand loyalty in the cinema industry, brand choice is made in the place and the product benefits are well understood, so customer will unlikely to care about who the exhibitor is. In this sort of view, *push strategy* is appropriate (Kotler & Keller, 2006). It requires Village to encourage sales force to carry, promote, and sell to end-users. As internet becomes more advance, Village can use this as channels to sell its service, such as on-line booking.

Village can apply the horizontal marketing system for its placing strategy. This marketing system encourages two unrelated companies together to capture an emerging market (Kotler & Keller, 2006). This integration allows Village to cooperate with local supermarkets and malls such as Plaza *Senayan*, Blok M shopping centre and Mall *Mangga Dua*, since these places attract many people to come. Indonesian culture who tend to be collective will be beneficial for Village, because usually people will come in a group to cinema instead of alone.

### 4. Promotion Strategy

There are two factors which influence customers in their buying process; these are internal motivators' immediate and external influences (Kotler & Keller, 2006). Including in external influences are marketing, advertising and sales activities (Kotler & Keller, 2006).

As mentioned in Village report (2007), Village promotion strategy is advertising in all newspapers, magazines, radio and TV. To enhance this, now days Internet and cellular provider can play increasing role as promotion tools. Furthermore, to capture more attractiveness, Village can do *sales promotion*, which offers an incentive to buy. For instance give special service for those who buy on-line ticket, or free coffee coupon for those who hold Village membership card.

Furthermore, Village should become part of special events like sponsoring Indonesian film festival, Indonesian movie awards, independent movie making event or involve in the local movie production. That involvement with customer events can broaden and deepen the relationship of company with the target market (Cohen, 2006).

## Conclusions

Firstly, Village should recognize the product life cycle in which all type of product will face the declining stage. Accordingly, Village need to organize new product innovation development such as providing better seat, latest technology, and qualify screen and sound systems. By providing high quality service, Village can make a difference. Next, when there is shift of customers' behaviour and culture, the censorship law could be less strict in the future, so it allows Village to screen various movies.

Village pricing strategy should adjust with the development of economic and competition. Then *value pricing model* might be logical, this will allow Village to maintain the price and at the same time retain the quality of products and services. After focusing in Jakarta, it should also capture market opportunities outside it, such as Bali and Surabaya. These markets demographically are similar but different in term of culture and behaviour.

Lastly, Village promotional strategy should promote unique thing like offering dual ticket system. It allows customer to used one ticket to enjoy two different movies. The role of public relation (PR) for Village could be essential to promote and protect company's image and reputation. For example, choose one of Indonesian experienced actors to be the public relation of Village to enhance better relationship with customers.

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