The Effect of Video on Demand Services on the Cinema Industry

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Abstract

Background

The cinema industry may be showing signs of growth since having to contend with increased competition over the last number of decades from alternate offerings such as radio, TV, computer games & Pay TV (Silver and Mc Donnell 2007). The apparent global box office decline in the last decade had been attributed to a number of factors including cyclical poor movie offerings, total costs associated with going to the cinema from admission price and snacks to parking, failure of new screen technologies to boost box office revenue and the emergence of alternative viewing methods (Silver and Mc Donnell 2007).

More recent studies conducted by PricewaterhouseCoopers (2014) suggest that, by 2017, electronic home video (streaming and downloading films) will overtake the traditional cinema as the biggest contributor to total film revenue in the US reaching a total of $17bn the following year. This represents double the $8.5bn the sector currently generates (PwC Global Entertainment and Media Outlook 2014-2018).

Further to this PwC predict a 16% increase in cinema box office sales over the next five years (2014). According to McKenzie of PwC "People still want to go to the movies, especially the big tent pole films" (2014).

The emergence of new Internet Communications Technologies (ICT) such as Video on Demand (VOD) services and an evolving broadband infrastructure have allowed consumers to view what they want, when they want on devices of their choosing (Tryon 2013). This infrastructure has allowed online streaming services to flourish. Further to this release windows have shortened: that being the time period from cinema release to becoming available to download. This has resulted in the loss of the competitive advantage that traditional cinemas have enjoyed in the past.

Online streaming services such as Netflix, Amazon Instant Video and Hulu have seized upon the changing dynamic within the industry and have made the move from "mere middlemen to creators of original content" (Tryon 2013). Netflix in particular has paved the way and has successfully produced and distributed original content, with hits such as House of Cards and Orange is the New Black. This, according to PwC, has resulted in an increased revenue of 24% in the first quarter of 2014 (2014).

Aim

The focus of this study will be an investigation of the effect of Video on Demand services on the traditional cinema industry.

Primary research questions examine the following;

Does the growing availability and choice of audio-visual content online mark the beginning of the end for the traditional cinema industry?

Specifically the study investigated the following factors within the cinema industry;

- The macroeconomic/microeconomic factors that impact demand in the cinema industry.
- The awareness within the cinema industry of this online phenomenon.
- The strategic orientation of cinema owners to combat the threat posed by these substitute services.

At the consumer level the study explored;

- Changes in consumer behaviour and preferences towards the consumption of audio-visual content.
- Changes in target markets and consumer segments.

Methodology

A mixed method approach was employed to gather primary data with priority given to qualitative analysis. Qualitative research was selected in order to gain an understanding of the underlying motivations and develop an understanding of the research problem (Malhotra 1999).

A phased approach was employed with qualitative data (in depth interviews) and analysis carried out prior to the collection of quantitative data (consumer survey). This data was then assessed and triangulated against the findings of an in depth interview with an industry expert (Creswell, 2003).

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Findings

Secondary research found that there is a shift in the power dynamic towards the customer in terms of the consumption of audio-visual entertainment content. Consumers can decide "what to watch, when to watch and how" leading towards a democratisation of media. (Tryon 2013).

VOD services have removed the shackles of scheduling and given the consumer more control and choice of entertainment options.

It was found that whilst there is an awareness of VOD services within the cinema community, cinema managers expressed low levels of concern regarding VOD having a major impact on their businesses. Cinema managers expressed concern regarding the levels of DVD and online piracy as being more of a threat to revenue than genuine subscription based VOD services.

Further to this cinemas are engaging more with alternative events such as live concerts, theatre and charity nights to attract wider audiences.

Consumer research found that whilst cinema was regarded as being poor value for money it was and will remain a desired entertainment option within a number of segments. Summary attendance and forecast figures also uncovered sustainable appetite for cinema in developed countries and double digit growth rates of cinema attendance in emerging countries.

Acknowledgements

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Chapter One

INTRODUCTION

1.1 Introduction

The cinema industry is over 100 years old and had enjoyed a relatively low level of competition up until the introduction of TV in the 1950'5 (Silver and McDonnell 2007).

Cinema attendance figures in Ireland are among the highest in Europe, with statistics for 2009 showing a total of 28.8 million visits (Sood 2012). However these figures have been decreasing since then. Sood (2012) cites information compiled by The Economist magazine which estimates that in 2011 there were 16.4 million cinema attendances in Ireland with a forecasted drop by about 5 per cent in 2012 to 15.6 million attendances.

In recent years the availability of audio-visual content has become more widespread with consumers now able to access movies online. Advancements in Internet Communication Technologies (ICT) and factors such as faster broadband connectivity have allowed consumers to choose what they want to view, when they want. The introduction of a range of devices such as smart phones, tablets, notebooks and laptops means the consumer can also choose how they view content. Some argue that this content mobility is leading towards a democratisation of media (Tryon 2013).

With this greater degree of choice available to consumers in mind, this study will specifically focus on the effect that these VOD services have on the cinema industry in Ireland.

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1.2 Research Objectives

The aim of this study is to examine the effect of VOD services on the traditional cinema industry.

The initial literature review suggests that little academic research has been conducted in relation to the potential of VOD services to disrupt the traditional cinema business model.

Thus the overall aim of the research is to examine the extent to which the growing availability and choice of audio-visual content online in impacting on the traditional cinema industry.

The research questions are as follows:

a. To examine the factors that impact on demand in the cinema industry, both at a macro and micro level

b. To evaluate the level of awareness within the cinema industry of this online phenomenon

c. To identify the strategic orientation of cinema owners to deal with this evolving substitute service

d. To examine the changing profile of the cinema target market and related positioning

e. To explore the changes in consumer behaviour, usage patterns and preferences towards the consumption of audio-visual content

1.3 Context

Tryon in *On Demand Culture - Digital Delivery and the Future of Movies* argues that advancements in Information Communications Technology (ICT) have given the consumer more choice in how they access entertainment and audio-visual content. Further to this faster broadband speeds and wider coverage allow the consumer to view what they want, when they want it. Consumer culture and behaviours towards entertainment consumption have changed also leading to what Tryon describes as the "on demand culture" (2013; p 2). Further to this the younger generation, 18-24 year olds, place more value on internet surfing and mobile phones over TV whilst the "baby boomers" or aging population cite the lack of movie suitability and choice when considering a night out at the cinema (Tryon 2013).

Contextual issues of relevancy to this study include;

- the emergence of new entertainment distribution channels

- legal versus illegal content (online piracy) downloading

- Broadband adoption rates and penetration

1.4 Value of this study

The value of this study focuses on a marketing and advertising context. Entertainment and media is a broad sector when attempting to estimate the advertising spend on the promotion of newly released titles. It spans multiple sectors including radio, cinema and gaming.

Plunkett Research in an *Introduction to the Entertainment & Media Industry* (2013) estimate that global advertising media revenues were forecast to be $495 billion in 2012 with projected increase to $510 billion in 2013. Revenue from this sector comes in the form of the purchase of a movie admission, Pay TV subscription, downloading content and advertising fees. The channels available to this sector have increased with online advertising seeing the highest rates of growth in recent years, up 16% to $37.3 billion in 2012 in the US and worth an estimated $90 billion worldwide (Plunkett Research 2013).

The fact that cinema release comes prior to online release, with the bulk of marketing activities being carried out during this period, suggest that subsequent release through VOD services may inadvertently reap the rewards of these marketing efforts (Tryon 2013).

As the cinema industry appears to be in a state of transition it may be useful to cinema owners to look at the bigger picture in terms of where future revenue streams may come from. The findings of this study may provide useful insights and suggestions as to where this may arise

Chapter Two

LITERATURE REVIEW

2.1 Introduction

Information for the literature review has been sourced from;

- Previous academic studies undertaken in the area of growth/decline of cinema going and factors which affect this

- Reports by the cinema industry and online content providers

- Government policy specifically related to the areas of big screen film promotion and broadband network policy

- Books relating to the topic such as "The Long Tail" by Chris Anderson and "On Demand Culture" by Chuck Tryon

- Reputable news sources will also be consulted due to the current nature of the topic

The prospect that cinemas have an uncertain future is by no means a new phenomenon. Silver and Mc Donnell (2007) put forward this premise in *Are Movie Theatres Doomed*. They argue that the cinema industry has held a monopolist competitive advantage since its foundation a century ago and since then have had this advantage threatened from the introduction of radio and TV in the 1920's and 1950's to more recent introductions such as home cinema, Pay TV, DVD rentals and VOD.

Prior to the introduction of the 1948 US anti-trust ruling Hollywood film companies not only produced movies but also owned the theatre chains where movies were screened (Epstein 2005). In 2004 Epstein reported that the breakdown of revenues for new movie releases were thus;

- Cinema box office revenue   30%

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- Video Sales revenue 40%

- TV markets revenue 30%

Movie studios now use movie releases to establish the brand, focusing more on profits further down the value chain such as TV and DVD markets, merchandising, music soundtracks and book tie ins (Epstein 2005).

In 2005 the US cinema industry blamed a number of issues for the dramatic decline in box office revenues with factors such as poor production line ups and substitute offerings such as larger home TV screens, DVDs, High Definition TV, video games and internet surfing (Silver and Mc Donnell 2007).

The value proposition that a night out at the cinema has been weakened by factors such as admission price, snacks, parking and opportunity costs (Silver and Mc Donnell 2007). Further to this differentiation is weak due to the smaller size of cinema screens in comparison to large screen TVs.

Typically the release of a new title, or "window", follows a sequential pattern with cinema being the first window, premium TV the second, followed by release in the home video market and the fifth window is free to air television (Fithian 2013). Movies are also released in a staggered fashion with general release in the US coming prior to release in other countries. Fithian (2013) further argues that this has allowed the cinema industry to maximise potential revenue over the years however these windows are shrinking. Furthermore it has allowed online piracy to take hold as movies become available to download in countries outside of the US in less than one week.

The idea of simultaneous release has been mooted by the movie industry as a means to reducing online piracy and maximising revenue per releases. Initial research has shown that this would increase studio revenues by up to 60%. However the likely impact on cinemas would be a 50% decrease in revenue. According to the president of the National Association of Theatre Owners (NATO), "simultaneous release is a death threat for the movie theatre industry" (Fithian 2013).

Silver and Mc Donnell (2007) argue the case for the widespread introduction of IMAX screens into cinemas to combat the threat posed by the multitude of substitute products and

the unwillingness of the cinema industry to embrace change in the industry. IMAX screens are curved thus encompass the entire peripheral eyesight span of the viewer. They can be up to 100 feet in length and offer the customer an immersive experience. IMAX has the ability to set a clear point of differentiation between the cinema experience and home viewing.

With an average cost of $1.6 million (cost of IMAX screen and system plus retrofit) it is clear that only a few cinema operators will be able to afford that level of investment (Silver and Mc Donnell (2007). At the time of writing there was only one IMAX cinema in Ireland (imax.com 2013).

2.2 Video on Demand

Video on demand is "a system that allows users to select and watch video content of their choice on their TVs or computers" (Techopedia 2013). Users can select from a choice of audio-visual content which is then transmitted via Real Time Streaming Protocol (RTSP).

There are a host of VOD service providers in Ireland including UPC, Volta, iTunes, XboxLive, Mubi and Netflix, the latter of which with 20 million subscribers worldwide has the potential to cause most disruption to the cinema industry.

A look at the global picture reveals that Netflix is the most popular VOD subscription based provider and has 48 million customers for its monthly based service in more than 40 countries (Reuters 2013). The US alone has 35.7 million of those subscribers and the company has ambitious plans to roll out its service globally to include six more European countries in late 2014.

Provisional results from the European Audio-Visual Observatory show that cinema attendance in Europe is down by 4.1%. However emerging Eastern European accession countries have shown rises in attendance of up to 6% (2013). Overall admission levels increased in only 8 out of the 26 territories.

The graph below shows provisional attendance figures (millions) for the period 2004 – 2013.

Figure 1. Cinema Attendance in Europe 2004 - 2013
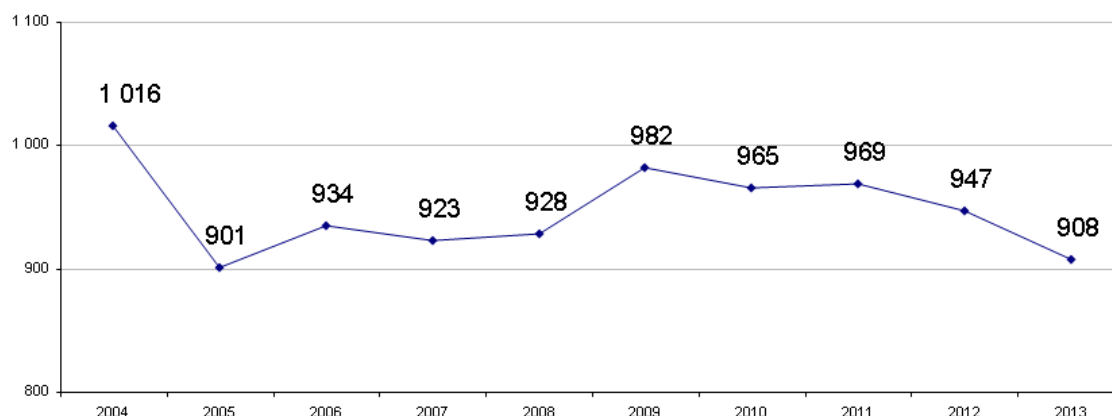
Source – European Audio-visual Observatory (2014)

It will be interesting to track these rates over the next five years vis a vis VOD subscription rates throughout the European Union. This may give a clearer indication as to the effect of VOD on cinema attendance as opposed to the possible influence of economic recession factors effecting cinema attendance.

According to Wu (2013) the US viewer consumes, on average, five hours of TV every day, a number that has risen since the 1990s whilst averaging only about 45 minutes of Internet-streaming video per week. Internet streaming is set to increase as Netflix target the entire TV viewing population with the ability to distribute content based on individual preferences and not just the mass market like the cinema model. Netflix have also begun producing original programming which has cost them hundreds of millions of dollars to date (Wu 2013).

A recent YouGov survey of the UK market *Majority of TV Viewing now "On - Demand" for 1 in 4 Brits* revealed that 26% of viewers watch TV through on demand services as opposed to traditional linear TV. Further to this owners of Smart TVs, those TVs connected to the internet, watch 35% of their weekly TV using on demand services (YouGov 2012).

The introduction of VOD into the Irish market has shifted the dynamic of consumer viewing behaviour. Consumers are no longer shackled to cinema and TV scheduling, giving them a greater degree of choice in terms of when and how they access entertainment content. The Sunday Business Post (July 22nd 2013) reported that Netflix has over 70,000 subscriptions in

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Ireland, citing UPC's 50 megabyte per second download speeds as integral to the rate of growth (2013). Further to this Comreg (2013) reported that there were 1.68 million active internet subscriptions in Ireland at the end of March 2013. This allows VOD service providers plenty of scope to grow market share.

The development of the Irish broadband infrastructure and the rolling out of 4G services will allow favourable conditions for growth in the VOD services space. Currently service providers are battling it out to increase market share by offering faster download speeds and higher data allowances (RTE 2013).

Irish VOD provider, UPC, and also a broadband provider, announced a €500 million investment in fibre powered broadband. This move should result in increased market share in the provision of VOD services in Ireland. They offer the latest movies from €4.99 and a catalogue of movies from €1.99. Subscribers to their cable TV packages can also enjoy access to RTE Player, 3 Player, BBC, ITV and US box sets streamed to their TV sets (2013). This appears to pale in comparison with the offering from Netflix of €7 per month with access to a wider catalogue of movies and box sets.

Thus VOD providers allow consumers to access a variety of online content from the comfort of their homes at times of their choosing.

In the face of this emerging competition cinema is reportedly still a good business to be in (Anderson, 2013). Is this trend set to continue given the unequal revenues gained from new movie releases: 50% of revenue coming from top 10 most popular releases according to the recent UK film policy review (2012)?

2.3 Online Piracy issues

The availability of online content has its own host of problems, with illegal downloading of content (online piracy) growing in prevalence. Peer to Peer (P2P) file sharing websites allow users to illegally download content. This is a violation of copyright and numerous cases have gone before the courts to prevent distribution via these means. In Ireland, Internet Service Providers (ISP's) such as Vodafone and Eircom have been forced to prevent their subscribers accessing illegal content whilst copyright owners globally such as SONY and MGM have banded together and have filed lawsuits against the owners of illegal P2P websites. The

website Isohunt.com for example was forced to shut down having agreed to pay $110m to the Motion Picture Association of America (Huffington Post 2013). The case was originally filed in 2006 and was seen as a watershed in the fight against online piracy. It is also argued that delayed legal releases of new titles abroad drive online piracy demand which accounts for a 7% decrease in box office revenue (Danaher & Waldfogel 2012).

2.4 Government agencies and support

Government backed agencies such as the Irish Film Board (IFB), Irish Film Institute (IFI) and The Arts Council have responsibility to promote home grown productions and also attract foreign production houses to film in Ireland. These institutes are also responsible for the various film festivals in Ireland throughout the year which actively promote Irish film. Whilst they are not directly linked to the core cinema business model in Ireland their activities promote cinema going to some extent.

The Irish Film Board (IFB) reported that the audio-visual content production sector in Ireland is estimated to be worth €550 million, employing over 6,000 individuals. In 2012, 22 feature films were produced in Ireland with 12 of those being international co-productions (2013).

The IFB work in conjunction with VOD providers such as VOLTA to ensure that Irish produced movies are seen by a global audience.

2.5 Culture Shift and New Distribution Technology

Video on Demand has prompted its own raft of competition as service providers compete over exclusivity to movie rights whilst broadband providers compete over tariffs and data allowances. In effect "films have become files" and as a result are viewed as a temporary service commodity rather than a physical product with each company attempting to maximise revenues along the distribution chain. Film distribution amongst cinema chains by comparison have had to bear the costs associated with the emergence of digital cinema. No longer are movies shipped around in metal cans, they can now be sent as digital files. Whilst this new digital distribution technology has allowed cinemas speedier access to movies they

must bear the cost of equipping theatres with compatible projectors and screens (McKernan 2000).

Tryon (2013) cites the movie director and producer James Cameron as being a strong advocate of this new technology proclaiming it would reverse the downward trend in movie attendance. His new 3D style filming techniques accompanied by upgrading cinema screens to digital projection capability would create an immersive experience for the viewer and boost box office revenue. His first foray into this new media was the movie Avatar which was the fourteenth highest grossing movie of all time. The digital upgrades to cinemas cost in the region of $100,000 per screen but cinema groups were guaranteed that this was the future of cinema by directors such as Cameron and Scorsese. In the resulting years we have seen a consumer indifference to 3D movies with most consumers responding that the higher ticket price didn't justify the experience (2005).

Since the release of Avatar and Alice in Wonderland the 3D craze has dissipated however the industry is expected to maintain 3D momentum with future release of action hero titles and movies targeted to an older audience (Fithian 2013).

Meanwhile the culture associated with entertainment consumption has changed (Tryon 2013). The younger generation, 18-24 year olds, place more value on internet surfing and mobile phones over TV. Further to this the aging "baby boomers" cite the lack of suitable movies and choice when considering a night out at the cinema (Tryon 2013).

The Long Tail by Anderson describes how the adoption of internet distribution technologies will lead to further business opportunities to serve niche markets. He argues that VOD service providers such as Amazon and Netflix could survive on supplying the niche movie market alone, to include alternate categories such as indie movies and foreign titles, rather than needing to enter the blockbuster market (2004). Since the book was first published it is evident that these VOD providers have not only been successful at serving niche markets but have also gained sizeable market share of the blockbuster movie sector also (Business Post 2013).

Tryon (2013) discusses the evolution of VOD service provider Netflix which began as a DVD distributor and is now viewed as a network. This is due to the fact that they have produced their own TV series "House of Cards" and "Orange is the New Black". At the same

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time they are growing their distribution channels to allow consumers break free from movie and TV schedules. This rapid evolution mirrors a change in culture attitudes towards the consumption of content online (Tryon 2013).

2.6 Conclusion

Based on the literature reviewed the effect of Video on Demand on the cinema industry is minimal at present. Cinema admissions in Ireland specifically have been dropping since 2007 however there have been small increases in attendance in recent years. This appears to be consistent with the economic cycle associated with the global recession.

The foundations required for growth in VOD services have been laid in terms of government and private investment in broadband infrastructure and the entry of legitimate VOD service providers to the market. This should resolve the current barriers to growth issues faced by VOD service providers. The likely knock on effect will be a shift in consumer behaviour as users accept these new technologies and integrate them into their lifestyle.

Consumer behaviour associated with the consumption of audio-visual content has changed considerably within the younger demographic. This primary target customer segment of cinemas favour time spent on mobile devices and online as opposed to viewing movies by traditional means. This has been attributed to the evolving digital distribution channels available and the rapid adoption of new technological devices.

What is also evident is the changing consumer need to be independent from scheduling and their desire for individualisation. Amazon was the first mover with technology that allowed this individualisation with recommendation software. This software, which makes suggestions to the user based on previous purchases, is now being used by VOD providers. This level of service personalisation together with a wider degree of choice and content mobility may lead to the "democratisation of media" as espoused to by Tryon (2013).

This utopian vision may be some time off however with factors such as broadband data costs and unsatisfactory download speeds presently impeding growth in the VOD sector.

Chapter Three

METHODOLOGY

3.1 Research Philosophy

The study aims to identify the individual components of the phenomenon and the examination of the relationship between these factors. Therefore an interpretivist epistemology was deemed appropriate in order to understand the world from the point of view of the research subjects (Saunders et al 2007).

A mixed method approach was employed to gather primary data with priority given to qualitative analysis. Qualitative research was selected in order to gain an understanding of the underlying motivations and develop an understanding of the research problem (Malhotra 1999).

According to Bryman and Bell (2011) qualitative research can be defined as a methodology which seeks to generate theories, has rejected the norms of the natural scientific world and of positivism and prefers to emphasise how individuals interpret the world around them. The research aimed to understand the factors which impact on the consumption of both cinema attendance and VOD service consumption.

Quantitative analysis of usage patterns formed a small portion of the study with qualitative research selected as the main focus to determine the research quality. This was due to the fact that VOD is an emerging technology and both industries appear to be in a state of transition. Qualitative research was selected to uncover and identify changing attitudes and behaviours of consumers towards these entertainment delivery channels. Quantitative research aimed to identify emerging trends in variance of usage of both entertainment means as well as establishing a baseline for future research.

3.2 Research design

A phased approach was employed with qualitative data (in depth interviews) and analysis carried out prior to the collection of quantitative data (consumer survey). This data was then assessed and triangulated against the findings of an in depth interview with an industry expert (Creswell, 2003).

3.2.1 Phase One – In depth Interviews

Phase one consisted of conducting in depth interviews with cinema managers across Ireland. The interviews (see appendix B for interview transcript) were semi structured in design (n = 4) and aimed to;

a. Examine the factors that impact on demand in the cinema industry, both at a macro and micro level

b. Evaluate the level of awareness within the cinema industry of the VOD online phenomenon

c. Identify the strategic orientation of cinema owners to deal with this evolving substitute service

d. To examine the changing profile of the cinema target market and related positioning

Techniques for these interviews and styles was conducted in accordance of the guidelines laid out by Robson (2002).

In depth interviews, as opposed to focus groups, were selected for phase one as this method allowed for probing of sensitive issues in a relaxed environment. It also allowed the cinema managers to relax and converse without the risk of peer bias. The aim was to uncover underlying motivations, beliefs, attitudes and feelings of the subject matter (Malhotra 1999).

According to Wide Eyed Media (formerly Carlton Screen Advertising) there are 643 cinema screens in Ireland (2014). The Irish Film and Television Network (IFTN) estimate the

number of cinemas at 195 premises, which includes both Republic of Ireland and Northern Ireland figures (2009).

In total twenty cinema managers were approached with four agreeing to be interviewed. This represented a response rate of 25%. Assurances were made to allow the interviewees to be comfortable to discuss the issues and information they supplied was anonymised. The researcher aimed to attain a geographical spread representative of Ireland. Therefore the four interviewees selected were representative of North, South, East and West of Ireland. This ensured a representative population from which theories could be founded and assumptions drawn (Robson 2002).

3.2.2 Phase Two – Consumer Survey

According to Bryman and Bell (2011) survey research via self- administered questionnaire is used to collect data in connection with two or more variables which then examine and detect patterns at a single point in time. Further to this Bryman and Bell suggest adhering to the principles of reliability, replicability and validity. These relate to the quality of the measures employed to investigate the field of research of interest to the research.

The consumer survey (n = 62) was administered online applying guidelines as indicated by Robson (2002). The research during phase two aimed to;

- Explore the changes in consumer behaviour, usage patterns and preferences towards the consumption of audio-visual content.

The questionnaire was designed to identify this aim through the use of the following sections;

- ☐ Understanding variation in consumer behaviour in accessing audio-visual content, preferences and frequency of use

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- [ ] Investigating associated costs and related issues in relation to accessing either service

- [ ] Exploring feelings towards value of the cinema experience versus home/online entertainment

- [ ] Examining attitudes and satisfaction levels with each service

3.2.2.1 Sampling Method

The sampling method employed was snowball sampling whereby the researcher made direct recruitment from a small group through social media and email. In turn this group established contact with others (Bryman and Bell 2011). Snowball sampling is more suited to qualitative research frameworks as there is less concern about external validity and the ability to generalise the findings as there would be in a quantitative research design (Bryman and Bell 2011).

The findings of Phase One – In depth Interviews suggested that the main target market of cinema managers are the 15-24 year old demographic who account for 28% of Irish cinema attendees (Slattery 2014). However due to ethical constraints the research sought response from over 18 year old population. The aim was to achieve a representative sample to allow for conclusions to be drawn from the research. Therefore initial contact was established through the researcher's personal network. These initial core of respondents were requested to pass on the survey via similar means to their peers with similar demographic characteristics.

The questionnaire was designed using simple language and unambiguous terms. These questions were applied to an online survey tool (Google Forms) using the following design as prescribed by Poynter (2010).

Table 1. Survey Design

Header	Title of the survey
Information	Summary of the research topic and explanation of any technical terms used
Check boxes	used for multiple choice answers where the respondents can select one or more answers
Single Response	where the respondent can select only one answer
Scaling	where the respondents feelings are submitted using a Likert scaling system

The online survey was piloted prior to being sent out to determine the suitability of questions and also to receive feedback on any issues or problems experienced by respondents during completion of the survey. The sample size returned was 62. The data were analysed prior to the final phase of the research design which involved triangulation by way of an in depth interview with an industry expert.

3.2.3 Phase Three – In depth interview with industry expert

In order to triangulate the findings of the study and in depth interview was conducted with an industry expert. Triangulation refers to the process of cross referencing and cross checking findings from qualitative and quantitative methods to ensure validity and reliability in understanding phenomena (Bryman et al 2011).

Findings and analysis were presented to the interviewee prior to the in depth interview. The industry expert was an associate director of the School of Mass Media and Communications

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at a US University. The interviewee also had extensive experience of working in a marketing capacity within the media industry both in the US and the UK.

3.3 Measurement of findings

Measurement *"achieves meaning in relation to particular concepts embedded in a larger network of concepts"* (Bagozzi 1996). Further to this Bagozzi (1996) suggests that we do this by developing theories, testing them and implementing the results with the purpose of explaining, predicting or controlling some phenomenon.

In depth interviews were designed to uncover the feelings, attitudes and behaviours of the cinema manager group in response to the field of research. The cinema managers were briefed on the subject matter and a number of warm up questions were introduces to aid the flow of the interview and conversation. A theme sheet was designed prior to the interviews to ensure each research aim was covered and to ensure a semi structured approach. Further to this the sequences of questions and the wording were carefully laid out (Creswell 2003).

The interviewees were not in favour of the use of recording equipment and all wished to remain anonymous. Permission for interview in some cases had to be sought from head office which may indicate potential bias in their responses in that they may have been scripted.

The findings of these interviews were not as expected in that they did not agree with the hypothesis that VOD was having a detrimental effect on the cinema industry. In fact the findings pointed towards a positive attitude towards future growth in the area and a renewed vigour to experiment with new cinema technologies and new cinema experiences.

The second phase of the research involved an online survey. Through the use of snowball sampling respondents were asked to rate their preferences, perceptions and attitudes towards the use of both cinema and VOD services. The researcher employed a number of surveying techniques to extract findings that were representative of the national population (Robson 2003).

The researcher employed the likert scale to assess agreement/disagreement and satisfaction/dissatisfaction with a range of variables (Malhotra 1999). This scaling system is widely recognised as a means to attain a true reflection of the research objectives.

3.4 Presentation of findings

The presentation of findings aimed to outline the tangible products of the research, evaluate the quality of findings, make recommendations for future research and present conclusions which may be used for decision making by interested stakeholders (Malhotra 1999).

Coding was employed to rate common themes from the primary research with graphs and charts used to visual represent findings.

Chapter Four

FINDINGS AND ANALYSIS

4.1   In depth Interviews - Cinema Manager

The research commenced with in-depth interviews of cinema managers across Ireland. The aims of the research was to gain insights on the cinema industries perspective on the effect that VOD is having on their business through;

- Examining the factors that impact on demand in the cinema industry both at macro and micro levels
- Evaluating the level of awareness within the cinema industry of this online phenomenon
- Identifying the strategic orientation of cinema owners/managers to deal with the evolving substitute service provided by VOD

Recruitment of interviewees took place by random sampling with a view to attaining representation from North, South, East and West of Ireland. In general there was a reluctance of cinema managers to engage with the research and of a total of twenty cinemas contacted four agreed to be interviewed. Of the four respondents two of the cinemas were independent with 3/4 other premises. The remaining two were owned by larger chains with a nationwide and European presence.

The interviews began with a number of introductory questions to ease participants into the interview (Creswell 2002).

The process of how new movies are released was discussed. Movies are offered to the cinema managers with terms attached. These include the cost of each new release and how many showings will take place and for how long. This concurs with the findings of Orbach and

Einov (2007) who describe the processes in place between distributors and retailers (exhibitors). This process also legally restrains exhibitors from setting variable pricing as is the case in other product/service categories.

Respondent A stated that *"although there are a number of restrictions in place we as an independent cinema have a larger amount of scope to choose what and when we screen compared to a few years ago."*

Respondent C stated *that "we are part of a large group which includes sites in the UK and Europe, we have bargaining power and can dictate terms of trade to distributors."*

The segment identified as being the most profitable in all four interviews were the 18-25 year old demographic. Each premises had a mix of traditional marketing and more up to date digital marketing strategies employed to target these segments. The traditional marketing element focused on customers in their locality who are targeted through local radio, newspaper advertisements and flyers. Two of the four groups used local schools and colleges to promote their latest offerings using promotional literature offering discounted prices for off peak shows. All cinema managers employed a digital marketing aspect to their advertising with Facebook being the most popular channel used.

Respondent B stated *"we use a wide range of marketing activities depending on the age group we want to focus on for a particular film or event."*

Respondent C stated *"we enjoy the conversational aspect of social media especially as we can get feedback from customers, we use this feedback to improve our business and when considering new releases."*

The demographic change in cinema audiences was discussed. The main findings were that the demographic had not changed significantly in the last five years.

Respondent C stated *"there is a good mix of movie choices to suit each age segment at any given time, however there is a seasonal aspect to the business. Summer time movies are selected for a mainly younger audience while winter time movies are chosen to suit young adults and older people".*

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Respondent D stated that *"the cinema does try to appeal to a wide range of age and tastes throughout the year but the trend is towards showing movies with a younger audience in mind during holidays and summer". We also offer live theatre and concert screenings which has allowed us to attract an older audience which we have not seen for some years."*

Asked about the driving factors of change in the cinema business the managers stressed that a trip to the cinema has now become a luxury item. The reduction in consumer income following on from the recession has resulted in people selecting the cinema less. This concurs with the findings of the Digital Cinema Report for Europe (2014) which maintains that cinema attendance rates are dropping in Western Europe since 2008 however developing economies such as some eastern European countries have shown a significant rise in cinema attendance (European Audiovisual Observatory 2014). Interestingly none of the respondents mentioned VOD as a driving factor of change in the cinema business. Rather they focused on economic factors such as recession, reduced consumer income, and the choice of movies on offer at any given time.

The next item discussed during the interviews was the cinema manager's awareness of any threats or areas of competition to the cinema business and the impact of this on attendance figures. Pirate DVDs and illegal downloads were cited as being the biggest threat.

Respondent A stated that *"people can download the latest movie release and watch it at home, the quality can be poor and there is a risk of viruses spreading to their computers so I don't see why they bother. It's a lot less risky and more enjoyable to watch it here on the big screen"*.

Respondent B stated that *"we keep a constant eye out for anyone who is attempting to record our screenings, piracy loses millions to the industry each year so together with the film companies we have policies in place to reduce the damaged caused by piracy"*. The topic of piracy caused the most outrage during the interviews.

The discussion moved on to alternative uses for the cinema premises. Cinemas, in recent years, have been experimenting with alternative activities to make better use of their premises.

The managers had all experimented with alternative offerings which included screening live concerts, GAA games, hosting charity and corporate events. Two cinema managers had a

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programme in place to screen old movie classics such as John Wayne and Humphrey Bogart movies.

Respondent A stated *"we started a film club last year and invited people to enter their favourite classic films, the response we got was huge, the first number of shows sold out so we will definitely continue with this"*.

Respondent D stated *"it can take a lot of time and effort to organise one off events, we use this in our local advertising to show how we are giving back to the community so there is a pay-off. We could not believe the response we got to screening live GAA matches, the buzz around the place was electric, there is a growing demand for events like these and for people who want to enjoy alcohol free entertainment"*.

The managers did acknowledge that some countries were miles ahead in terms of offering alternative offerings.

Respondent B stated *"we offer a range of activities other than movies, we offer private screenings for company events and special occasions, we do product launches, company AGMs, national theatre and concert events are shown via satellite link. In the UK we have had more success with these type of events."*

All the responses towards future strategy mentioned improving the consumer experience at the cinema premises by way off improved equipment, seating and décor and by experimenting more with alternative events.

Each managers was upbeat about the future of the business possibly even complacent.

Respondent A stated *"the cinema industry was due to die at least 5 times in the last 50 years and were still here."*

Respondent D stated *"it is a minor threat, streaming services do not offer what we can offer. They don't have the ability to offer new releases or 3D movies. There is also the social aspect to it which they don't get at home."*

The cinema managers all agreed that the cinema industry was a good business to be in citing that *"the industry has changed over the past number of years but that's exciting as we have the ability to adapt and change with what our customers now want"*.

The main themes that emerged from the in depth interviews were;
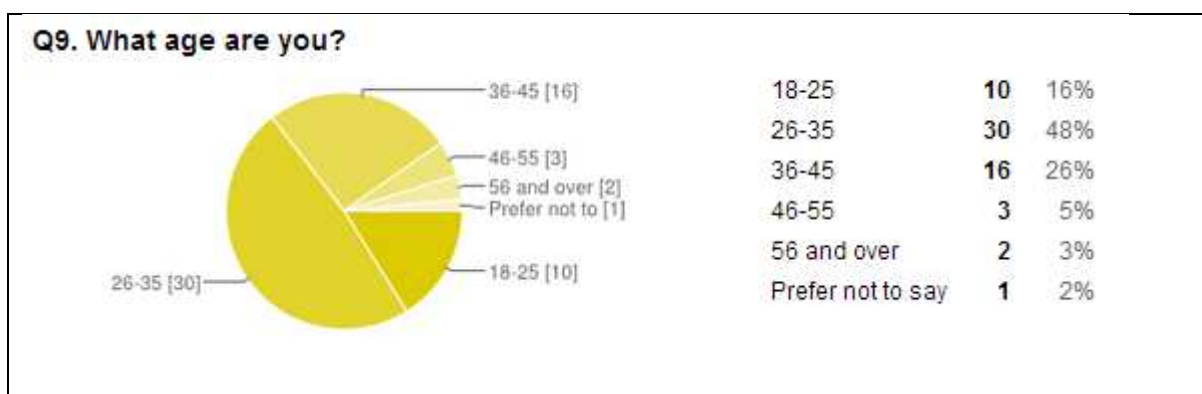
- A dismissive attitude towards VOD as being "just another fad". All the respondents were aware of VOD however most saw piracy and illegal downloading being more detrimental to their profits.
- An eagerness to experiment with new offerings outside of current movie screenings.
- The main strategies to retain and attract customers focused mainly on physical and structural aspects of cinema premises. The managers focused on refurbishments in their premises and in two cases installing modern screening and sound technologies.

4.2   Consumer Survey

The second phase of the primary research involved a consumer survey. The aims of the survey were;

- To examine the changing profile of the cinema target market and related positioning
- To explore the changes in consumer behaviour, usage patterns and preferences towards the consumption of audio-visual content

The total survey population returned was 62 with a breakdown of the age demographic shown below.

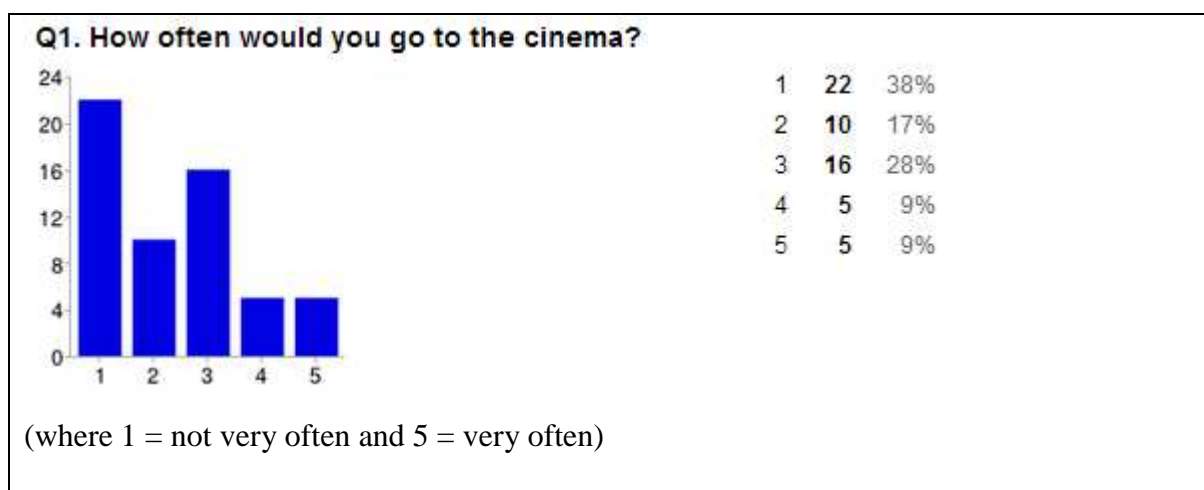| Q9. What age are you?		
18-25	10	16%
26-35	30	48%
36-45	16	26%
46-55	3	5%
56 and over	2	3%
Prefer not to say	1	2%

The survey was structured to also further probe themes and findings from the in-depth interviews. The survey explored respondent's attitudes and behaviours towards the use of both cinema and VOD services under the following themes;
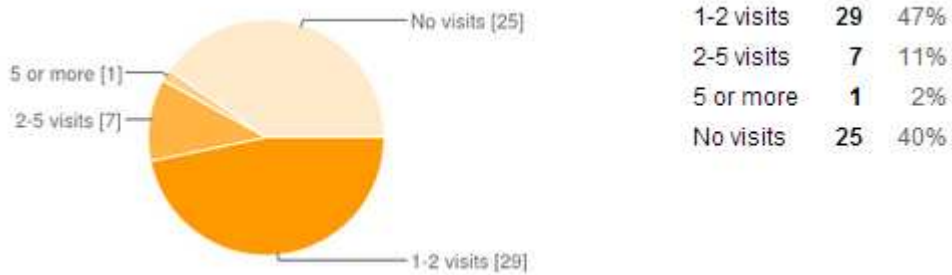
Frequency of use

The majority of respondents stated that they do not attend the cinema very often with 47% making 1-2 visits per month. This concurs with the findings of recent study (Slattery 2014).

Similar usage patterns emerged for the use of VOD services with 33% stating they would typically view 1-2 movies per month via VOD services. Further to this 44% accessed free VOD services to view 1-2 movies per month.


Q1. How often would you go to the cinema?			
	1	22	38%
	2	10	17%
	3	16	28%
	4	5	9%
	5	5	9%

(where 1 = not very often and 5 = very often)

Q1(b).How many cinema visits would you make in a typical month?

1-2 visits	29	47%
2-5 visits	7	11%
5 or more	1	2%
No visits	25	40%

Pie chart labels: No visits [25], 5 or more [1], 2-5 visits [7], 1-2 visits [29]

Video on Demand [Q6. How many movies would you watch from these services in a typical month?]

1-2	18	33%
3-4	14	25%
5 or more	6	11%
None	17	31%
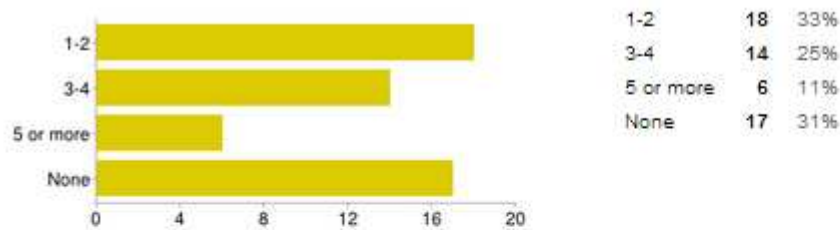
Pay TV Subscription [Q6. How many movies would you watch from these services in a typical month?]

1-2	16	33%
3-4	8	16%
5 or more	5	10%
None	20	41%
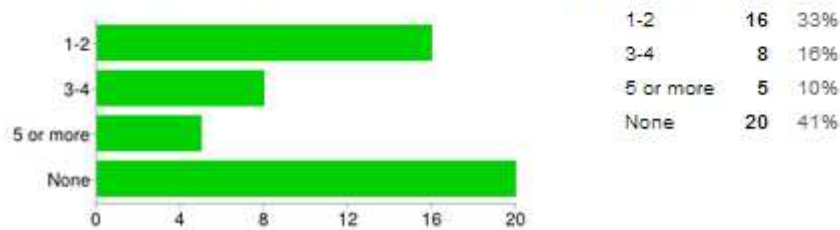
DVD Rental [Q6. How many movies would you watch from these services in a typical month?]

1-2	22	48%
3-4	2	4%
5 or more	1	2%
None	21	46%
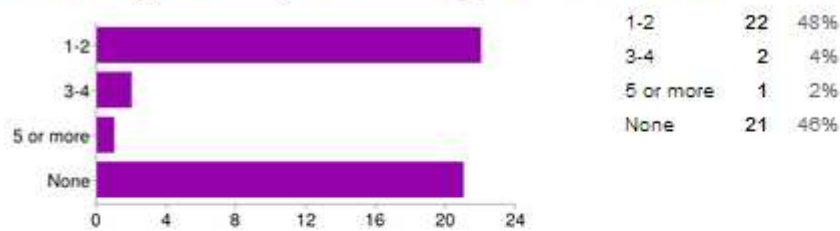
Free Downloads [Q6. How many movies would you watch from these services in a typical month?]

1-2	21	40%
3-4	10	19%
5 or more	9	17%
None	12	23%
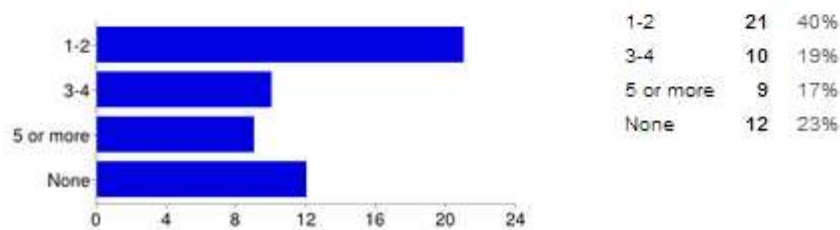
Respondents were asked about their preferences when selecting entertainment. Their first choice of preferences is shown below (Q3) with live music and comedy events accounting for the majority. Further to this respondents were asked if they would attend alternative events in cinema premises. Respondents indicated a favour again towards live events which concurs with the strategy of cinema managers experimenting with these types of events at present.

1st Choice [Q3. Please select your preference when choosing a nights entertainment.]

Live Music	24	39%
Live Comedy	8	13%
Cinema	9	15%
Theatre	3	5%
Live Sports	3	5%
Home Entertainment	15	24%

Would you attend any of the following events if available at the cinema (%)

MUSIC CONCERT	SPORTING EVENT	PRESENTATION/TALK	RELIGIOUS EVENT
37	31	27	6
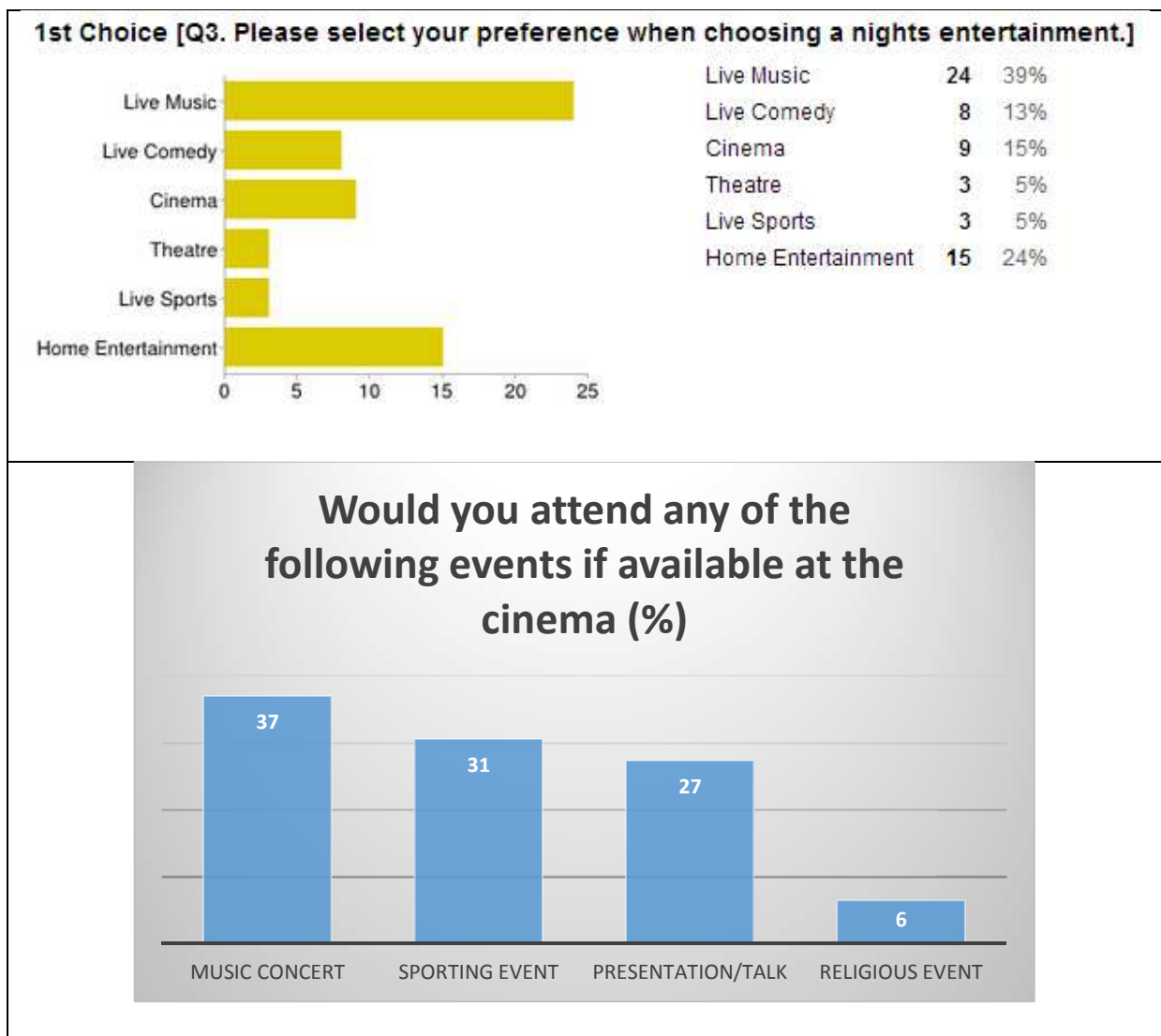
Attitudes towards the effect of VOD on cinema attendance were examined in Q7 and Q10. Respondents stated that VOD would have a great effect on cinema by reducing the attendance figures however the response was mixed when asked if VOD would affect their personal cinema attendance.

(Where 1= Limited effect on cinema attendance and 5= huge effect on cinema attendance)

Q10. Will the availability of Video On Demand Services such as Netflix affect the number of visits you make to the cinema?

Inhibiting factors toward the use of each service were explored in questions 8 and 11. The main themes emerging included 37% stating cinema being too expensive with a further 37% stating that there was a poor selection of movies on offer. Monthly tariffs and data allowances were cited as the main inhibiting factors of use of VOD services. This contradicts the results which suggest that VOD is good value for money and may reflect consumer preference for free VOD services.

Attitudes towards service value for money were examined in Q2 and Q12 where 1 = extremely poor value and 5 = extremely good value. Respondents in general were of the view that a cinema visit does not represent value for money with 45% stating that a cinema visit represents poor value for money. The opposite can be deduced when the same question was posed to attitudes towards VOD value for money. In this instance 36% stated that VOD represents good value for money and a further 21% stating VOD to be extremely good value for money.
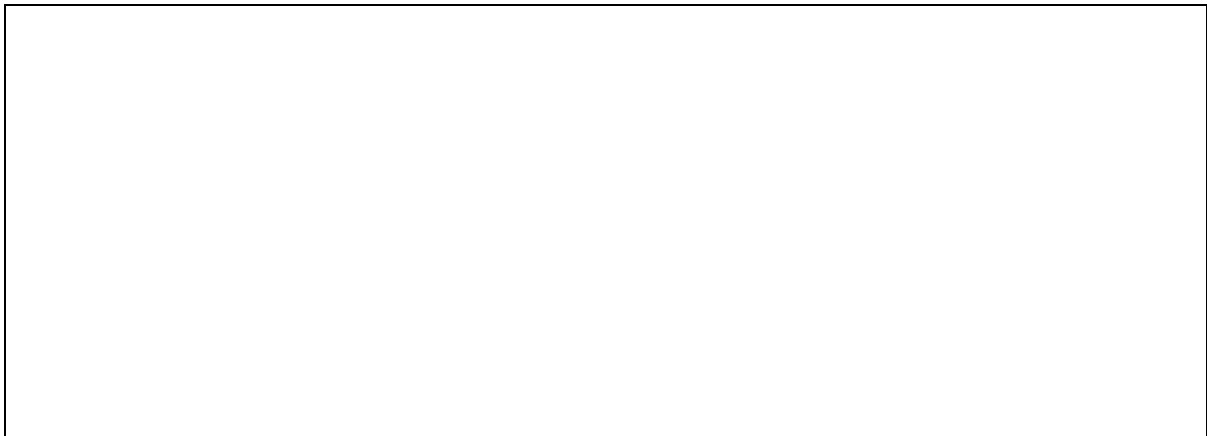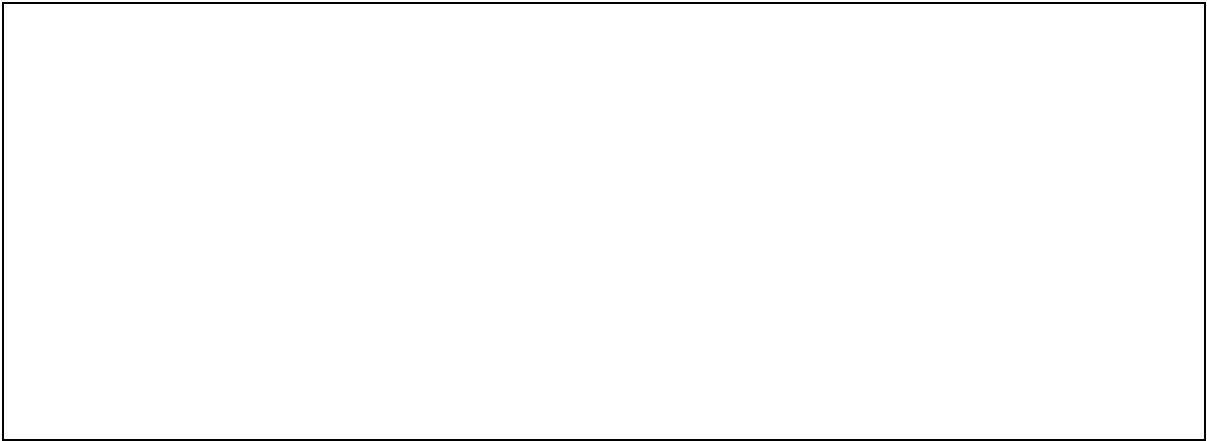
Q13 asked respondents to comment on their satisfaction/dissatisfaction with both cinema and VOD services and general commentary on the future of cinema was sought. The themes that emerged are displayed in the info-graph below.

Larger words/themes are directly related to the frequency of that word/theme being mentioned.

Key themes that emerged from the consumer survey included;

The expense of a cinema visit. 47% of respondents viewed a cinema visit as representing poor value for money. When asked the factors that prevent them from attending the cinema 37% stated that cinema visits were "too expensive" with only 15% of respondents opting for a trip to the cinema as their first preference when selecting an evening entertainment option.

Preference for alternative entertainment options. 39% of respondents selected live music as their first preference when selecting an evening's entertainment with another 24% opting for home entertainment. Only 15% opted for cinema as their first preference. In terms of frequency of cinema visits 47% of respondents visit the cinema 1-2 times per month with 40% indicating that they do not visit the cinema monthly. Further to this 54% of respondents indicated that they attend the cinema "not very often" and "not often". Respondents were keen to attend alternative events in cinema premises with music concerts 37%, sporting events 31% and presentations/talks 27% being the most popular.

4.3   Industry Expert Interview

The final phase of primary research methodology required a triangulation of findings from phase one (in-depth interviews) and phase two (consumer survey). This was achieved using an industry expert interview.

The industry expert selected for interview was a director of the department of Media and Mass Communications at Kent State University in Ohio, US.

The industry expert was able to give an outline of the state of cinema from a US standpoint whilst also being able to relate to the UK and Irish point of view, having worked in marketing, research and consultative capacity to TV networks in both US and UK jurisdictions.

When asked about the state of the cinema industry and whether it had a long term proposition the respondent stated that "in order for cinema to be relevant they need to add value for their customers and provide something that customers can't get at home". Examples of this included the physical experience such as designer cinemas with bespoke seating, waiter service and 3D digital screening technology. Consumers "will pay a premium to view a visual spectacle" and cited examples of movies such as Avatar and Harry Potter as "must see movies on the big screen".

The respondent talked about the emergence of "super fans or raving fans" who enjoy a shared experience of a new release with like-minded peers.

When asked about initiatives that cinemas have for increasing attendance and retaining customers, the respondent cited the example of how a crowd-funded project brought about the production of "Veronica Mars the Movie". The respondent explained that "Veronica Mars was a TV show that stopped airing on TV some years back, however such was the fan base that a Kickstarter crowd-funding project received over double the donor subscription base required to produce the movie".

The respondent, who was also a subscriber to the initiative explained that "donors got a link to stream the movie when it was released in cinema theatres and that only a limited number of theatres screened the movie". "Donors also got a PDF of the movie script on the day of the movie release".

When asked about cinemas hosting alternative offerings the respondent was unable to give many examples of these apart from the screening of NFL Football games "from time to time". The screening of the "superbowl last year was very successful and created a great buzz and atmosphere amongst those in attendance, this goes back to what I mean about people wanted that shared social experience that you can't get at home".

When asked about the threat posed to cinemas from VOD services the respondent discussed how "VOD providers such as NetFlix are becoming content producers, at present they cannot compete with cinemas in terms of new releases and tend to have older titles available. They can however compete by releasing their own TV productions and we have seen this with "House of Cards" and "Orange is the New Black". Streaming services are listening to their customer base very carefully and creating shows based on these new consumer preferences for binge watching TV shows".

The researcher pointed out that at this time NetFlix were advertising for the positions of "taggers", that is people who will watch TV shows and movies and tag each based on content type, category, genre, sub-genre, and suitability for specific audiences. The respondent was aware of this and replied "that it is crazy some of the weird genres that NetFlix have when naming titles, however there is a method in their madness. By doing this they are creating the ability for customer to search for specific content".

4.4 Conclusion

From the research carried out it is evident that there was dis-connect between cinema managers and consumers in their respective attitudes towards the themes raised.

Cinema mangers view their offering as being value for money whereas consumers think the opposite.

Cinema managers are not overly concerned with VOD as presenting a threat to their business whereas 51% of consumers that were surveyed believe that VOD will impact by reducing cinema attendance.

Cinema managers are beginning to address the changing demographic by offering alternative events on cinema premises. These events are proving to be successful and all manager

interviewed were keen to continue experimenting with these events, which include live screenings of theatre and music events. They view this as a means to re-engage with the older demographic.

The notion of bringing added value to the cinema experience is key to cinemas remaining relevant to the consumer. Events that bring customers together who share commonalities and are fanatical about certain movies will add value to the cinema experience.

The research methodology employed overall produced the anticipated outcome in that the researcher's hypothesis was that VOD will effect cinema attendance figures by reducing numbers of visits. This is indeed the perception of consumers but not cinema managers. The use of cinema managers in the research methodology has limitations as they were mostly involved in an operational or marketing capacity. Recommendations for future research may include interviewing cinema managers/owners with responsibility for cinema strategy as this may provide a more realistic outlook on the effect of VOD on the cinema industry.

Chapter Five

CONCLUSION AND RECCOMENDATIONS

5.1 Conclusions

The aims of the study were satisfied and the conclusions drawn are the following;

The study examined the macro and micro factors that impact on demand in the cinema industry and conclusions drawn were the following;

According to a recent survey by PricewaterhouseCoopers (PWC) revenues from electronic home video such as streaming and downloading will outstrip physical media in 2016 (2014). PWC suggest that the market for physical media, which includes DVDs, will drop from $12.2bn now to $8.7bn by 2018 and that by 2017 electronic home video will overtake the traditional cinema and become the biggest contributor to total film revenue. This represents a doubling of revenue from $8.5bn to $17bn in the VOD sector in the US (2014).

The film industry is set to gain from this trend towards digital entertainment consumption as it provides another channel for consumers to purchase their offerings. However the VOD providers such as Netflix, Amazon Prime and Hulu are evolving their strategies. Until recently they were merely distributors of digital content but have now become content producers (Tryon 2013). They have moved from being middlemen to the movie industry towards producing and distributing their own TV shows such as House of Cards and Orange is the New Black. This strategy has allowed them to regain an element of control and attain a competitive advantage versus the cinema. The cinema industry at present do not screen TV series.

In "how Netflix reverse-engineered Hollywood" Madrigal explains how Netflix are using sophisticated software to track consumer tastes and preferences in an effort to serve up suggestions to customers (2014). Netflix have also employed teams to view content and electronically tag the content type in an effort to create a list of genres and sub-genres. This painstaking process has led to the creation of over 76,000 genres. This enables users to search for specific content and also serves up suggestions to users based on their previous viewing preferences.

According to Yellin, VP of new product innovation and designer of the genre system "the better Netflix shows that it knows you, the likelier you are to stick around". He adds that the

aim of Netflix is to attract and retain customers and that by employing this system to serve up recommendations the company will achieve this (2014).

Consumer research in phase two sought to examine the changing profile of the cinema target market and related positioning.

This research revealed that consumers, specifically the younger cinema target audience, are regularly viewing content via VOD on multiple devices (YouGov 2012). This includes paid for VOD services such as Netflix and also free to air and possibly illegally accessed VOD services.

The appetite for viewing movies on the big screen shows little sign of waning. However there appears to be an age bias associated with the marketing efforts of movie producers and cinema owners in their selection of movie titles to screen. This is beginning to be addresses through the strategy of showing live concert and theatre events via cinema premises.

The issue regarding price needs to be addressed by cinema marketers. Cinema admission is less than the cost of admission to alternative entertainment however the perception of value may indicate that it is the cost of add-ons such as snacks, child care and opportunity costs that consumers are taking into consideration as a whole when assessing value for money.

Research sought to evaluate the level of awareness within the cinema industry of the VOD online phenomenon and identify the strategic orientation of cinema owners to deal with this evolving substitute service.

The results from in depth interviews with cinema managers found that while the cinema community was aware of the growth of VOD they did not view this phenomena as a major threat. Instead their focus was on issues such as DVD and online piracy. They continue to combat this threat with strict enforcement of in house policies as well as lobbying through collective industry groups.

Cinema owners expressed a renewed vigour and willingness to engage with all target audiences. They were positive about the future prospects of their industry due to the emergence of new screening technologies and refurbishment plans of existing premises. They were also keen to continue experimenting with alternative events on their premises. Over recent years they have begun to screen live theatre, concert and sporting events. They have

also begun to leverage new marketing channels including digital platforms to engage their target audiences and showcase their involvement in local communities when they host charity events.

Results from triangulation recommended that when cinemas create value for customers they were more likely to sustain their business. Examples were cited to include film clubs and fan themed nights where consumers felt a collective "belonging" or association to a particular genre of movie. The issue of price was negated when consumers perceived this extra or added value.

5.2 Recommendations

The research carried out for this paper represents a qualitative snap shot perspective of the phenomenon. The adoption rates suggest that VOD is an entertainment medium is in the growth phase of the product life cycle. It is recommended that a longitudinal study take place over a number of years to quantitatively track the changing behaviours of consumers in regard to consumption patterns, subscriptions rates and cinema revenue.

Further studies may also include an associated breakdown of demographics and link these to individual segment responses. This would allow marketers and service providers to assess attitudes and behaviours segment by segment rather than the population as a whole.

5.3 Limitations of the study

The researcher was unable to access up to date literature in a number of areas due to the cost of attaining such documentation. Summaries of the findings of these recent studies were accessed through third party publications.

The reluctance of cinema managers to step away from a public relations role when undertaking the in-depth interviews may have led to bias. Also the number of in-depth interviews was low (n = 4) which may also lead to bias. It is recommended that future studies refer directly to cinema owners when recruiting interviewees.

The number of consumer survey data sets whilst sufficient for this research (n = 62) may not be representative of the population. Also high profile industry experts proved difficult to obtain for interview possibly due to other commitments.

The research was conducted as part of a Masters (Msc) Program and was subject to time and funding constraints. It is recommended that further research in this field might be compensated possibly through Phd level research. This would allow adequate time and funding resources to attain larger population data and recruit a range of specialist interviewee inputs.

Final Thoughts

From the outset the researcher began with the hypothesis that the future of cinema was under threat due to the emergence of VOD sources of entertainment. The research proved that while consumers may respond negatively towards certain aspects of the cinema industry they are ultimately fond of the social experience aspect of cinema entertainment.

There is a perceived high admission and related costs of attending the cinema. However when compared with other entertainment options the real costs are comparable. Cinemas could do well to tackle this perceived high cost through their marketing activities.

The shifting dynamic within the movie industry as a whole suggests that VOD services have the capacity now to produce and distribute their own media. Their focus however is on the production of TV shows at present and not blockbuster movies. Consumers have shown an appetite for "binge watching" multiple episodes of newly released TV show titles from these VOD services and are happy to pay to view this content before it airs on terrestrial TV.

Ultimately cinemas retain their competitive advantage by having primary access, although for a reduced length of time, to all new release movie titles. They have shown no fear to the threat posed by this substitute VOD industry and continue to engage all target segments with new screening technologies, refurbished premises and by providing outlets for "raving fans" of specific genres to share a collective social experience which they believe is superior to VOD offerings.

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Appendix A

Consent Form

Describe the purposes of the research proposed.

The aim of this study is to examine the effect of VOD (video on demand) services on the traditional cinema industry in Ireland.

The initial literature review suggests that little academic research has been conducted in relation to the potential of VOD services to disrupt the traditional cinema business model.

Thus the overall aim of the research is to examine the extent to which the growing availability and choice of audiovisual content online in impacting on the traditional cinema industry in Ireland.

The research questions are as follows:

- To examine the factors that impact on demand in the cinema industry, both at a macro and micro level.

- To evaluate the level of awareness within the cinema industry of this online phenomenon.

- To identify the strategic orientation of cinema owners to deal with this evolving substitute service.

- To examine the changing profile of the cinema target market and related positioning.

- To explore the changes in consumer behaviour, usage patterns and preferences towards the consumption of audio-visual content.

Value of the study

This study will be of benefit to Irish policymakers, specifically those associated with The Department of Arts, Heritage and the Gaeltacht, to cinema owner/managers in relation to strategic planning whilst also being of benefit to the advertising industry as the findings may impact marketing spend decisions.

2. Please complete the research ethics checklist below:

YES NO

a) Does the research involve human or animal participants? X☐ ☐

b) Does the research involve data of a personal or confidential nature? X☐ ☐

c) Does the study involve participants who are particularly vulnerable or unable to give informed consent e.g. people under 18, people with learning disabilities, older people, students? ☐ ☐X

d) Will the study require the co-operation of a gatekeeper for access to participants? (E.g. teacher, local council) ☐ ☐X

e) Will it be necessary for participants to take part in the study without their knowledge and consent at the time? (E.g. covert observation of people in non-public places) ☐ ☐X

f) Will the study involve discussion of sensitive topics (e.g. sexual activity, drug use)? ☐ ☐X

g) Are there issues of safety for the researchers or subjects, aside from those documented in Institute or Departmental Health and Safety procedures? ☐ ☐X

h) Could the study induce psychological stress or anxiety or cause harm or negative consequences beyond the risks encountered in normal life? ☐ ☐X

i) Will financial inducements (other than reasonable expenses and compensation for time) be offered to participants? ☐ ☐X

j) Does the research involve a conflict of interests? ☐ ☐X

If you have answered 'NO' to all of the questions above there is no requirement to complete the remainder of the form. Please submit toresearchethics@lyit.ie

If you have answered 'yes' to questions (c) please continue and complete the remainder of the application form submit toresearchethics@lyit.ie

SECTION C

3. Please give a summary of the design and methodology of the project. **Please note** that copies of proposed questionnaires or a list of questions that will be included in any questionnaire should accompany this application form (Compulsory not optional). Please also include in this section details of the proposed sample size, giving indications of the calculations used to determine the required sample size, including any assumptions you may have made. (If in doubt, please obtain statistical advice).

Methodology

A mixed method approach will be employed to gather primary data with priority given to qualitative analysis. A concurrent triangulation strategy will be implemented with qualitative data, by means of in-depth interviews, and analysis carried out in conjunction with the collection of quantitative data, using a survey approach. This data will then be assessed against the findings of a further in depth interview with an industry expert (Creswell, 2003).

Semi structured interviews (n = 8) will be conducted with cinema owners/managers in the North West of Ireland to gain an understanding of the current business environment both at a macro and micro level and of strategies being adopted to deal with the rise in alternative entertainment content. Techniques for these interviews and styles will be in accordance of the guidelines laid out by Robson (2002). It is

expected that phase one of the research will involve face-to-face interviewing.

The in-depth interviews will focus on research questions one, two and three, dealing with areas such as:

- The current trends in the cinema business environment such as ownership, marketing strategy, licensing constraints/restrictions, the changing dynamic of how a film is released, window periods, rules and regulations .

- The extent to which cinema premises have experimented with alternate activities such as sporting events, concerts, hosting business events, social, cultural and religious events (Silver and McDonnell 2007).

Consumer survey (n = 100) will be conducted applying guidelines as indicated by Robson (2002) to include consumer preferences and behaviours such as;

- Changes in consumer behaviour in terms of access to audio-visual content, preferences and frequency of

use.

- Associated costs and related issues.

- The value of the cinema experience versus home/online entertainment.

The approach used will be snowball sampling by using LinkedIn as a portal to attract respondents over 18 years of age. Based on information from phase one quota restrictions will be applied to ensure an even distribution of respondents. It is proposed to employ quota restrictions of 50% urban and 50% rural dwelling respondents. Survey monkey may also be used to gain sufficient response population and thus addressing research questions three and four.

In depth interview with industry expert

In order to triangulate the findings of the study an in depth interview will seek to clarify the findings arising from the other primary data gathering techniques (Creswell 2003). An industry expert such as an official from the Department of Arts, Heritage and the Gaeltacht will be interviewed to

ascertain government strategy regarding securing the future for the Irish cinema industry. The department has stated their intention to "increase aggregate output of film and television production sector to €300m per annum" (Statement of Strategy 2011 – 2014). These findings together with the findings from the study will provide useful direction for cinema owner/managers and policy makers.

4. Describe the research procedures as they affect the research subject and any other parties involved.

NA

5. What in your opinion are the ethical considerations involved in this proposal? (You may wish for example to comment on issues to do with consent, confidentiality, risk to subjects, etc.)

Ethical considerations include the adherence to data protection policy and the non-disclosure of sensitive business data to third parties and/or competitors of the interviewees.

6. Outline the reasons which lead you to be satisfied that the possible benefits to be gained from the project justify any risks or discomforts involved.

NA

7. Who are the investigators (including assistants) who will conduct the research and what are their qualifications and experience?

Researcher – John Savage

Bachelor of Business (Hons)

Previous experience of conducting questionnaires, both online and through the use of a gatekeeper during undergraduate study.

8. Are arrangements for the provision of clinical facilities to handle emergencies necessary? If so, briefly describe the arrangements made.

NA

9. In cases where subjects will be identified from information held by another party (for example, a doctor or hospital) describe the arrangements you intend to make to gain access to this information including, where appropriate, which Multi Centre Research Ethics Committee or Local Research Ethics Committee will be applied to.

NA

10. Specify whether subjects will include students or others in a dependent relationship.

All subjects will be over 18.

11. Specify whether the research will include children or people with mental illness, disability or handicap. If so, please explain the necessity of involving these individuals as research subjects.

NA

12. Will payment or any other incentive, such as a gift or free services, be made to any research subject? If so, please specify and state the level of payment to be made and/or the source of the funds/gift/free service to be used. Please explain the justification for offering payment or other incentive.

NA

13. Please give details of how consent is to be obtained. A copy of the proposed consent form, along with a separate information sheet, written in simple, non-technical language **MUST** accompany this form.

A letter of consent will be signed before the interviews (see attached consent form doc)

14. Comment on any cultural, social or gender-based characteristics of the subject which have affected the design of the project or which may affect its conduct.

NA

15. Please state who will have access to the data and what measures which will be adopted to maintain the confidentiality of the research subject and to comply with data protection requirements e.g. will the data be anonymised?

The data will only be accessed by the researcher and supervisor. The names of the interviewees and respondents (if supplied) will be anonymised.

16. Will the intended group of research subjects, to your knowledge, be involved in other research? If so, please justify.

NA

17. Date on which the project will begin and end.

Jan 2014 – Jun 2014

18. Please state location(s) where the project will be carried out.

The interviews will be conducted on cinema premises unless otherwise pre-arranged, in which case they will be conducted in public places such as hotel lobbies.

The questionnaires will be distributed online using LinkedIn and SurveyMonkey.

19. Please state briefly any precautions being taken to protect the health and safety of researchers and others associated with the project (as distinct from the research subjects) e.g. where blood samples are being taken

NA

20. Please specify how any data obtained during the course of the research will be stored and how long the data will be retained for.

Data will be stored for the duration of the research process (6 months) and held electronically on personal hard drive with up to date anti-virus software and password protected.

Any data collected during interviews will be recorded on a Dictaphone and transcribed within two weeks of the interview date. Data on the Dictaphone will be erased immediately after being transcribed.

DECLARATION

Researcher

I confirm I will carry out the research as indicated in the above form □X

 John Savage

Research Supervisor

I confirm that this form gives an accurate account of the proposed research □

SECTION D

For office use only

INSTITUTE RESEARCH ETHICS COMMITTEE

DATE:

DECISION

1. Approved without amendment ☐

2. Approved subject to minor modifications ☐

   (No resubmission required, supervisor responsible for ensuring that modifications are implemented)

3. Modifications required. Complete modifications below and resubmit. ☐

4. Additional information required. ☐

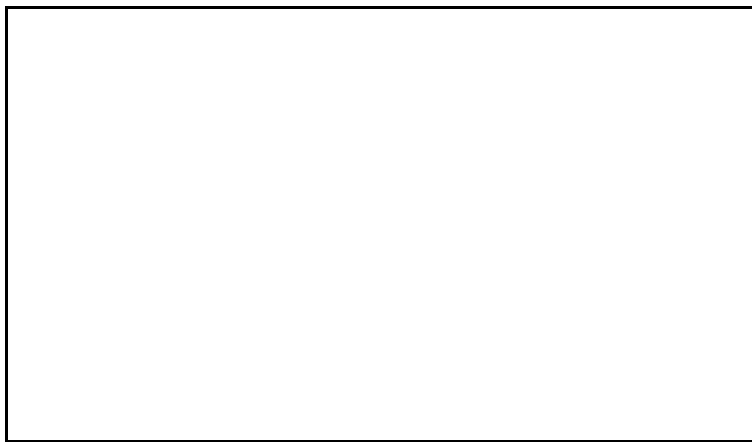5. Approval withheld. All conditions set by Institute Research Ethics Committee must be met. ☐

6. Reject. □

REASONS FOR DECISION

SECTION E

APPEAL

Please outline in detail the reasons why you are appealing the decision of the Institute Research Ethics Committee.

Consent Form

Research Involving Human Participants

Project Title:

The aim of this study is to examine the effect of VOD (video on demand) services on the

traditional cinema industry.

Principal Investigator: **John Savage**

Aim of study and primary research question

The aim of this study is to examine the effect of VOD (video on demand) services on the traditional cinema industry.

Primary research question will examine the following;

Does the growing availability and choice of audio-visual content online mark the beginning of the end for the traditional cinema industry?

Specifically the study will investigate the following factors within the cinema industry;

- The macroeconomic/microeconomic factors that impact demand in the cinema industry.
- The awareness within the cinema industry of this online phenomenon.
- The strategic orientation of cinema owners to combat the threat posed by these substitute services.

At the consumer level the study will explore;

- Changes in consumer behaviour and preferences towards the consumption of audio-visual content.

- Changes in target markets and consumer segments.

The primary data collection strategy involves the interviewing of cinema managers in the North West region of Ireland. An online survey will also be carried out targeting 100 consumers over 18 years old nationwide. The identity of subjects will remain anonymous and information used for the purpose of the research only. The interviews will be recorded and all data gathered will be stored securely and accessed only by the principal researcher and supervisor.

Declaration: I _____, acknowledge that:

· I have been informed about the research and have an opportunity to ask questions

· I consent to partake in this study

· My participation is voluntary

· I can withdraw at any time

· I consent to the publication of results.

Participant's Name: _____

Contact Details:

_____

_____

_____

Appendix B

Depth Interviews – theme sheet

Interview Theme Sheet

<u>Introduction</u>

Explain the nature of the research, the background and provide a copy of the consent form

<u>Warm up questions</u>

How long have you been working in the cinema industry?

Can you describe the process for new film releases including any restrictions or licensing issues?

<u>Main Questions</u>

Can you tell me a little about this cinemas history?

- Is this premises independent or part of a larger chain of cinemas?

- Who are the main players in the Irish cinema business?

- Is the cinema industry a good business to be in and is it a growing industry?

What would you consider to be the main customer segments of current movie offerings?

- Which segment is most profitable?

- How do you market to and engage with each segment?

- Has the demographic of cinema goers changed in the last five years?

- What are the driving factors of change in these segments?

Are you aware of any threats or areas of competition to the cinema business?

- Has this impacted on attendance figures?

- Will this trend continue and do you foresee any emerging trends impacting your business?

- Has the cinema experimented with any alternate activities such as sporting events, concerts, hosting business events, social, cultural and religious events?

- Has this been successful/unsuccessful and do you intend to pursue these activities in the future?

- How do you measure the success of these alternate activities?

- Are you aware of these alternate activities being tested out in other countries? Have they been successful/unsuccessful and would they be feasible in Ireland?

What strategies have you in place to maintain and grow attendance figures in light of the growth of VOD services?

Would you say online piracy and copyright infringements effect cinema attendance?

To what extent do they impact attendance?

Are you aware of any initiatives to combat online piracy and copyright issues?

Some commentators have described the growth in video on demand services as signalling the death of the cinema industry. What is your opinion on this?

What is your opinion regarding the future of the cinema business in Ireland?

Appendix C Consumer Survey

Q12. In terms of value for money do you think Video on Demand represents;

                    1 2 3 4 5

Extremely Poor Value ○ ○ ○ ○ ○ Extremely Good Value

Q13. What is your opinion on the future of the cinema industry in Ireland given the growth in popularity of Video on Demand Services?
Feel free to say how satisfied or otherwise you are with both cinema and VOD offerings.