

Growth of Cinepolis in India: Organic or Inorganic?

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Abstract: The biggest Cineplex chain of Mexico Cinepolis landed in India in the year 2009 and now exhibiting movies at 339 screens in different locations spread across the country. Growth in business may take place in two major dimensions Organic growth and inorganic growth. During the 8 years of its continuous existence in India, the company focused on developing its business in two dimensions both organic and inorganic. Earlier, few of the researchers conducted various studies on how these multiplex players offering wide range of services, what kind of factors are mostly influencing the consumers in selecting a place to watch movies, key attributes in multiplex operations, etc. There is a need to identify the reasons why the company is not only expanding its screen base by organic growth but also by inorganic growth, how the company can be able to manage their operations with the standards levied by the company through inorganic growth. This paper highlights about the company perspectives towards type of growth and how it fulfils the requirements of the company and customer perspectives.

Key Words: Business Growth, Multiplex, Organic, Inorganic

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I. Introduction

One of the most important objectives of doing business is to grow. Growth of business happens generally in two dimensions organic growth, inorganic growth. If the growth arises through the dynamic organizational processes, expansion of customer base, new product development, increased output and opposed to mergers and acquisitions is called as organic growth. If a company expands its market base depending on the mergers and acquisitions but not by its natural growth refers to inorganic growth.

II. Research Gap and Research Problem

Earlier, few researchers conducted various studies on how these multiplex players offering wide range of services, what kind of factors mostly influencing the consumers in selecting a place to watch movies, services rendered at multiplexes, effectiveness of services rendered at movie multiplexes, key attributes in multiplex operations, etc. Majority of the multiplex players in India are focusing on expansion of their market base for the past 5 to 6 years. But the growth of multiplexes is happening very slowly even there is a need of 10000 multiplexes. As of now India is having only 2100 multiplex screens. The companies are having two options for expanding their business organic or inorganic. There is a need to identify the reasons behind the expansion patterns of Cinepolis by organic growth and also inorganic, whether the customers find out any difference with the services rendered in two formats, whether there is any difference lied in maintaining standards among all the formats by cinepolis India.

Objectives of the Study

The main objectives of this study are

- To analyse the market position of cinepolis with the expansions made.
- To understand how the company is able to manage operations with the takeover companies matching with the company standards.
- To evaluate the company's ability in addressing the customer requirements.
- To understand the relationship among factors that lead to expansion.

Research Methodology

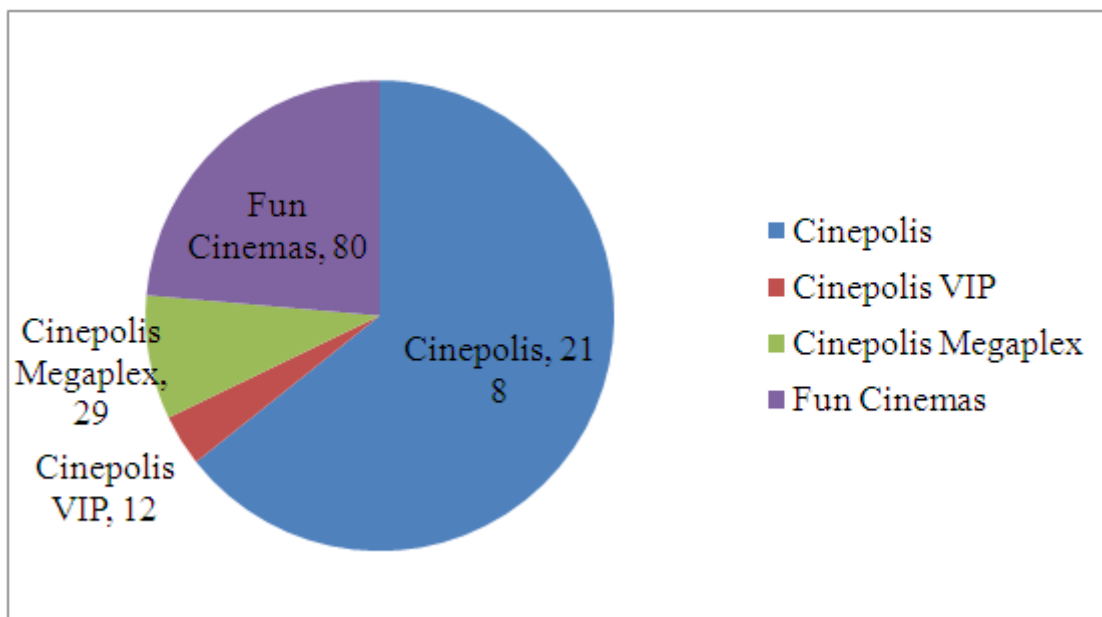
Data is collected from both primary and secondary sources and few interactions with the company officials. Collected data has been analysed with the support of statistical tools like percentage method and chi-square test.

CINEPOLIS

It is the world’s second largest movie theatre circuit operating over 5300 screens across 14 countries and serving more than 330 million patrons annually headquartered in Morelia, Mexico commenced operations in the year 1971. It was the first movie exhibitor to start up luxury movie theatres through its VIP class. Cinepolis India is the wholly owned subsidiary of Cinepolis, the first international film exhibitor in India. Currently the company operates 339 screens under the brand names of Cinepolis, Cinepolis VIP, Fun Cinemas. The company also added 15 screens biggest Megaplex concept to the India film exhibition industry at Pune in the year 2013.

Key milestones of Cinepolis India

- ❖ Founded in the year 1947 as Cine Morelos with headquarters in Morella, Mexico.
- ❖ Renamed as Cinepolis in the year 1994.
- ❖ Instead of purchasing ticket at the venue, it came out with an option for users to buy tickets online in the name of Cineticket in the year 1997.
- ❖ Became the pioneer of development of luxury cinema concept in Mexico with the launch of Cinepolis VIP in the year 1999.
- ❖ Created Cinepolis Foundation with an intention to help underprivileged people to get medical care and education as a part of its social responsibility in the year 2003.
- ❖ Commences operations in India in the year 2009 with the launch of 4 screens at celebration mall, Amritsar.
- ❖ Launched the first sub brand of Cinepolis at Thane in the year 2010 as Cinestar.
- ❖ Joined hands with CJ Group of South Korea to offer 4DX viewing experience to audience with 100 screens in the year 2011.
- ❖ For the first of its kind cinepolis India launched the largest megaplex with 15 screens in Seasons mall, pune and with 14 screens at Viviana mall, Thane in the year 2013.
- ❖ Mumbai based Fun cinemas which is a part of Essel group operating 83 screens in 24 properties was acquired by Cinepolis in its first step of acquisition in the year 2015.
- ❖ Recorded as the fastest growing multiplex chain in India with in six years after launch in India in the year 2017.
- ❖ As of 2017, the company is running operations in over 625 locations with 5000 above screens and more than 27000 employees.
- ❖ To ensure customer loyalty the company came out with a membership campaign named Club Cinepolis. Under this the customers are entitled to various benefits, special offers and bonus points.
- ❖ The company is looking for expansion of its market base to 600 screens by the year end of 2022 and by the end of year 2018 it would like to touch 400 screens mark. As of now the company is having presence with 339 screens and focusing more expansion in South India.



Category wise presence of Cinepolis in India with 339 screens

Type of Growth	Cost per Screen (Crores)	Time taken (Months)	% of screens
Organic	2	24	76
Inorganic	0.6	6	24

	Why	Why Not
Organic	Brand Image	Highly expensive and time consuming
	Maintaining quality of service and International standards	Unable to meet existing customer needs
Inorganic	Immediate fulfilment of customer needs	Brand image
	Easy expansion of market	Under assessment of services by customers
	Less expensive and rapid expansion	Lack of awareness among customers

Research Design

The research was intended to evaluate the expansion strategy of cinepolis in India. Randomly, 100 respondent opinions were collected in four business formats of cinepolis. Customer perceptions about various dimensions were collected and evaluated the difference between organic and inorganic growth.

Hypothesis

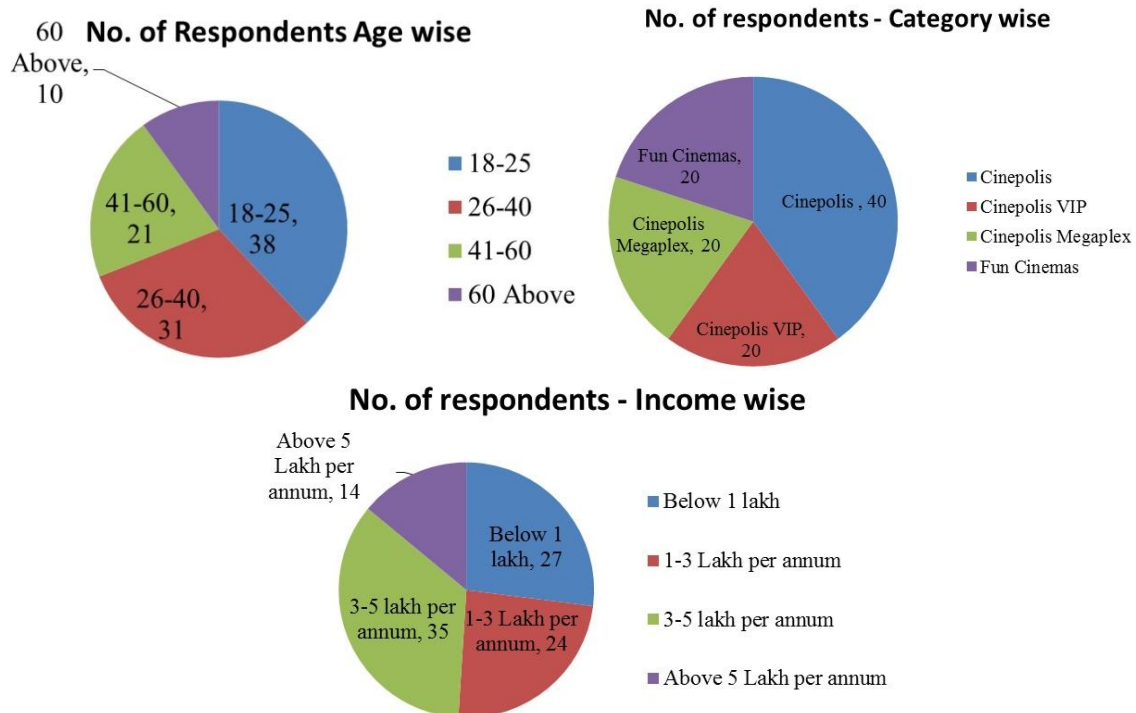
The purpose of this study is to analyse about the growth strategy of cinepolis, what kind of growth strategy is befitted for the organization. The hypothesis has set up as:

H₀: There exists no significant difference between customer perception towards the identified factors of growth like brand image, ambient factors, convenience factors, etc.,

H₁: There exists significant difference between customers perception towards identified factors and type of growth.

III. Results

Cinepolis India is operating 339 screens across the country with 218 multiplex screens, 12 VIP screens, 29 Megaplex screens, 80 screens in inorganic format (fun cinemas). A total of 100 respondents have been categorised by 40 members in multiplex format, 20 members each with the other three categories.



Testing Hypothesis

The data is collected in four categories of Cinepolis India from 100 respondents and analysed through statistical methods of percentage, chi-square test. It is analysed with the fitness of goodness test at 95% level of significance and 0.05 level of error, degree of freedom at 3. The critical value of chi-square is **7.815** and the same is compared with the calculated table values of chi-square for testing hypothesis as mentioned below:

Acceptance of Cinepolis India growth formats by customers through brand image

H₀: There exists no significant difference between Customers acceptance of Cinepolis expansion by brand image.

Table 1: Chi Square test on acceptance of Cinepolis expansion formats by customers through brand image

S. No.	Category	Observed (O)	%	Expected (E)	O-E	(O-E) ²	(O-E) ² /E
1	Cinepolis (N=40)	36	90.00	30.76	5.24	27.50	0.89
2	Cinepolis VIP (N=20)	16	80.00	14.91	1.09	1.18	0.08
3	CinepolisMegaplex (N=20)	11	55.00	13.79	-2.79	7.80	0.57
4	Fun Cinemas (N=20)	11	55.00	14.54	-3.54	12.52	0.86
Total (N=100)		74		74			2.40

The calculated value of 2.40 is less than the table value 7.815 and hence it is inferred to accept the null hypothesis that there is no difference among different customers with regard to brand image and expansion formats of Cinepolis India.

Acceptance of Cinepolis India growth formats by customers through Quality standards

H₀: There exists no significant difference between acceptances of Cinepolis growth formats by customers through quality standards.

Table 2: Chi Square test on acceptance of Cinepolis expansion formats by customers through Quality standards

S. No.	Category	Observed (O)	%	Expected (E)	O-E	(O-E) ²	(O-E) ² /E
1	Cinepolis (N=40)	37	92.50	38.24	-1.24	1.53	0.04
2	Cinepolis VIP (N=20)	18	90.00	18.54	-0.54	0.29	0.02
3	CinepolisMegaplex (N=20)	19	95.00	17.15	1.85	3.43	0.20
4	Fun Cinemas (N=20)	18	90.00	18.08	-0.08	0.01	0.00
Total (N=100)		92		92			0.26

The calculated value of 0.26 is very less than the table value 7.815 and hence it is inferred to accept the null hypothesis that there is no difference among acceptance of growth formats of Cinepolis India by customers with regard to quality standards. The customers find no much difference with regard to the standards maintained by the company in all formats. It much varies with the customers of CinepolisMegaplex category.

Customer acceptance of Cinepolis India growth format by Convenience factors

H₀: There exists no significant difference between acceptance of customers by convenience factors and Cinepolis growth.

Table 3: Chi Square test on acceptance of Cinepolis expansion formats by customers through Convenience factors

S. No.	Category	Observed (O)	%	Expected (E)	O-E	(O-E) ²	(O-E) ² /E
1	Cinepolis (N=40)	31	77.50	32.83	-1.83	3.36	0.10
2	Cinepolis VIP (N=20)	17	85.00	15.92	1.08	1.17	0.07
3	CinepolisMegaplex (N=20)	15	75.00	14.73	0.27	0.08	0.01
4	Fun Cinemas (N=20)	16	80.00	15.52	0.48	0.23	0.01
Total (N=100)		79		79			0.20

The calculated value of 0.20 is much lesser than the table value 7.815 and hence it is inferred to accept the null hypothesis that there is no significant difference among customer acceptance of Cinepolis India growth format with regard to convenience factors. It is analysed that the factors such as parking facility, entry and exit aspects, basic amenities are much impressive with regard to all growth formats of Cinepolis India. Much variance is observed at cinepolis multiplexes compared to other categories.

Acceptance of Cinepolis India growth formats by customers through ambient factors

H₀: There exists no significant difference between customer acceptance of Cinepolis expansion and ambient factors in various growth formats of cinepolis.

Table 4: Chi Square test on acceptance of Cinepolis expansion formats by customers through ambient factors

S. No.	Category	Observed (O)	%	Expected (E)	O-E	(O-E) ²	(O-E) ² /E
1	Cinepolis (N=40)	32	80.00	34.91	-2.91	8.48	0.24
2	Cinepolis VIP (N=20)	16	80.00	16.93	-0.93	0.86	0.05
3	CinepolisMegaplex (N=20)	18	90.00	15.66	2.34	5.49	0.35
4	Fun Cinemas (N=20)	18	90.00	16.50	1.50	2.24	0.14
Total (N=100)		84		84			0.78

The calculated value of 0.78 is lesser than the table value 7.815 and hence it is inferred to accept the null hypothesis that there is no significant difference among customer acceptance of Cinepolis India growth format with regard to ambient factors. It is analysed that the factors such as screen dimensions, auditorium size, seating, lighting, etc., are tremendously making customers accept with regard to all growth formats of Cinepolis India. Much variance is observed at cinepolismegaplexes compared to other categories.

Customer acceptance of Cinepolis India growth format by Value for Money

H₀: There exists no significant difference between customer acceptance of Cinepolis India growth format by value for money.

Table 5: Chi Square test on acceptance of Cinepolis expansion formats by customers through Value for Money

S. No.	Category	Observed (O)	%	Expected (E)	O-E	(O-E) ²	(O-E) ² /E
1	Cinepolis (N=40)	29	72.50	28.26	0.74	0.54	0.02
2	Cinepolis VIP (N=20)	13	65.00	13.70	-0.70	0.49	0.04
3	CinepolisMegaplex (N=20)	11	55.00	12.68	-1.68	2.81	0.22
4	Fun Cinemas (N=20)	15	75.00	13.36	1.64	2.69	0.20
Total (N=100)		68		68			0.48

The calculated value of 0.48 is greatly lesser than the table value 7.815 and hence it is inferred to accept the null hypothesis that there is no significant difference among customer acceptance of Cinepolis India growth format with regard to value for money. It is evaluated that even there is a price difference among different categories the customers are not differed in accepting growth of cinepolis in all formats. Much variance is observed at cinepolismegaplexes compared to all the other categories.

IV. Discussion

- India is having a scope for expansion of movie multiplexes of about 10000 screens immediately. As of now around 2100 multiplex screens are functioning and total screens including single screens in India are about 12000.
- Many companies are following both organic and inorganic expansion strategies for increasing their market size.
- It is observed that there is no significant difference among customer perspectives towards expansion of movie multiplexes in both the organic and inorganic growth formats.
- The company is incurring more costs and more time for setting up of movie multiplexes through organic growth.
- It will be so easy for the cinepolis India to expand its business by acquiring small multiplex players across India but finding out the right player who replicates them is difficult.
- It is supporting well with the operational framework of the company through inorganic expansion as they are able to manage finances effectively.
- There is much difference in setting up of screens in both organic and inorganic formats as the company is following international standards in replicating services. It may be missed in the inorganic formats to some extent.

V. Conclusion

Movie multiplex industry is booming and playing supportive role for economic development. Cinepolis India, the first international player in India expanding its business formats in both organic and inorganic. Mostly 74% of their screens are in organic format and 26% of them are inorganic. Even it costs less, consume less time to expand and no significant differences among customer perspectives too, the company is not focusing like other companies to expand in inorganic growth. It may take more time to expand and reach their objective to

mark 600 screens by the year 2022, but maintaining quality and international standards gives them long term sustainability.

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