

**WHEN THE AUDIENCE COMES FIRST:
THE CASE OF UGC CINEMAS.**

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1. INTRODUCTION.

Over the last years, in the entertainment industry there has been a considerable increase in the activities of the supply side. Also the competitive forces has been heightened by, for example, the new content distribution strategies, such as Web video streaming, pay television, home theatre sets and the still only vaguely perceived possibilities offered by the latest generation of digital mobile phones (UMTS).

The film industry has been no exception to this process of innovation, and cinema owners now have to face the last challenge: the spread of multi-screen cinemas. The arrival of multiplexes initially seemed to provide a means of differentiating the offer as they attracted a broader audience than the traditional cinemas. In fact, it is generally believed that multiplex cinemas represent a development factor for the film industry as surveys in the United States and in some European countries have shown that the increase in the number of screens and the better quality of the cinemas themselves have led to a significant increase in admissions and annual average audience.

However, the US and European experience is now giving rise to worrying signals that the opening of multiplexes may have negative consequences on traditional cinemas which, according to publicly available data, are so penalised by the consumer preferences for these new cinemas that their survival is threatened. Furthermore, the continuous increase in the number of multi-screen cinemas is increasing the level of competition among exhibitors to an extent that it is very hard to sustain.

All these phenomena make the film industry a very difficult context in which to act and oblige cinema chains to face new challenges. In this way, the industry is characterised nowadays by great worry and doubt about the best strategies to adopt and about how to compete in a suchlike scenario.

A solution could be found in the customer based view (CBV), which focuses on the firms' value creation processes and in the relevance, in such processes, of customers. This perspective could be very effective in the film industry, because the traditional management techniques are not able to face the latest changes in the industry, which

have increased the levels of competition and of dynamism. In such a modified environment, competition and dynamic forces make achieving quality an essential part of organizational success.

In this paper, we will investigate the latest changes in the exhibition industry and, in particular, we will analyse the case of UGC cinema, a clear example of a cinema chain that, understanding the relevance of customers, worked out a very innovative strategy based on CBV principles that have made UGC the first European cinema chain.

2. GENERAL TRENDS IN THE ENTERTAINMENT INDUSTRY.

Entertainment is fast becoming the driving wheel of the new world economy (Wolf, 1999). Nowadays, in fact, for people of the Western contemporary countries the satisfying of free-time needs is playing a more and more relevant role for achieving a better level of life quality (Valdani and Guenzi, 1998). Free time is no more a luxury good just for elite, but a fundamental need which should be satisfied.

For better understanding the wide development that have characterised in the last years the free time needs, we have to consider the joint effect produced, on the one hand, by the evolution of the supply (for example, new content distribution strategies, technological innovations, etc.) and, on the other hand, by changes in the demand. From the demand's point of view, many authors (e.g. Valdani and Guenzi, 1998; Wolf, 1999) pointed out the following changes as the more relevant:

- changes in the production processes which have increased the free time availability;
- increase in the pro-capite income with consequent increase in the expenses for free time;
- increase in the average educational level;
- changes in the family structure;
- increase in the young people expenditure capability.

All these factors have increased the average free time and the total amount of economic resources dedicated to it. Therefore, entertainment is in many parts of the world the fastest-growing sector of the economy (Vogel, 1998). For example, in the United States, which has the most developed entertainment and media industry, entertainment ranks ahead of clothing and health care as a percentage of household spending: clothes 5.2%,

health care 5.2%, entertainment 5.4% (Wolf, 1999). Americans cumulatively spend at least 180 billion dollars a year on legal forms of entertainment (Vogel 1998).

According to previous data, we can argue that the entertainment industry has a great economic relevance, which makes it an interesting field to study. The industry is also characterised by a high degree of competition between the different forms of entertainment, such as publishing, films, music, sport, performing arts and so on. The cinema industry accounts for about 10% of the total entertainment business and it is the main object of this paper.

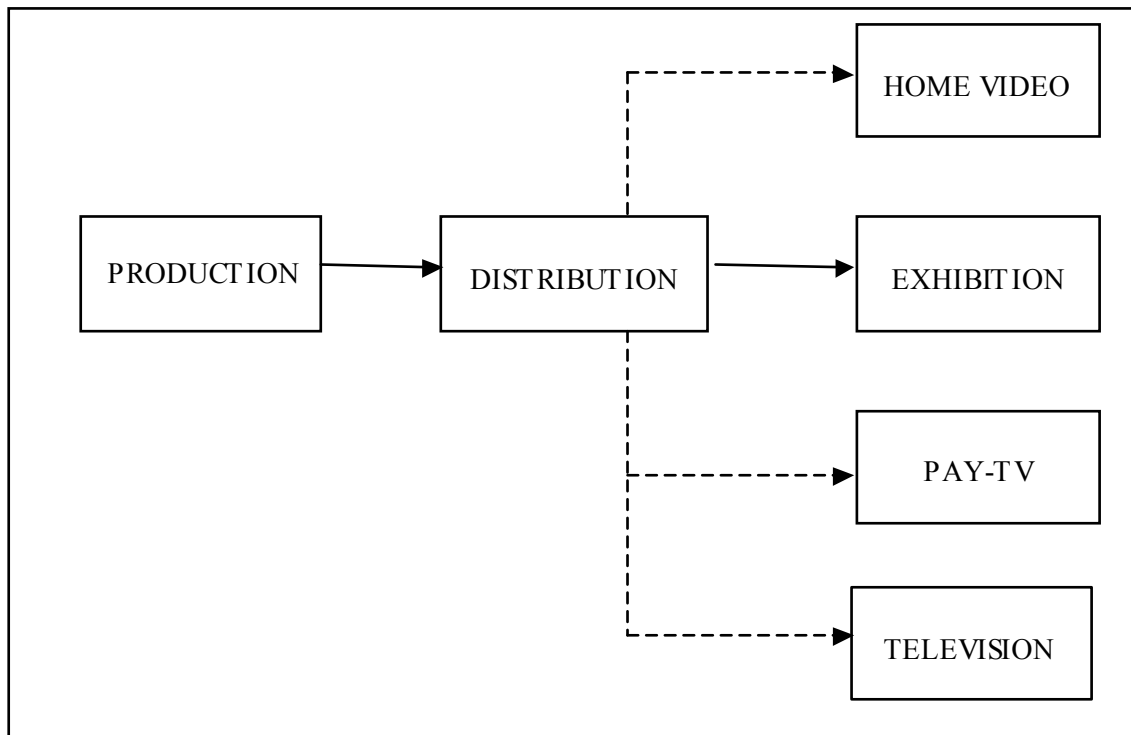
3. THE CINEMA INDUSTRY.

Many studies of the cinema industry (e.g. Boschetti and Marzocchi, 1992; Salvemini and Delmestri, 1998) have adopted the concept of the economic chain in order to explore the characteristics of the sector and, in particular, the interdependence among different economic players. By “economic chain”, we mean “the set of value chains that contribute towards the creation of the finished product starting from its initial stages” (Boschetti and Marzocchi, 1992: 195).

Recent innovations in the field of film distribution, such as home video and pay TV, have led to a broader version of the cinema chain than the classical concept based on the ties between producers, distributors and exhibitors. Such changes have increased the competition between cinemas and the new forms of delivery and further reduced the time window during which films are exclusively screened in cinemas.

Nevertheless, despite the attacks of the other distributing channels, cinemas are still very important as they not only offer the principal opportunity for enjoying a film, but also act as “the real economic flywheel powering its appearance on the other means of communication” (BNL Observatory of the communications media, 1998: 45). A movie’s success in the cinemas seems to affect the product’s capacity to earn revenues during the subsequent cycles of its exploitation, particularly in terms of home video sales and broadcasting rights.

Figure 1. The extended economic-chain of the cinema industry.



Source: adapted from Boschetti and Marzocchi, 1997: 116.

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Therefore, though the development of new content distribution forms, such as Web video streaming, pay television, home theatre sets and the still only vaguely perceived possibilities offered by the latest generation of digital mobile phones (UMTS), cinemas are still very important as also it is shown by the war induced by the recent proliferation of multiplex cinemas.

3.1. Focus on the proliferation of multiplex cinemas

The advent of multi-screen cinemas has been the most innovative element in the exhibition of films over the last few years. First in the United States and then in Europe, we have seen a proliferation of multiplexes, which have contributed towards increasing the total number of screens available and improving the quality of the product offered by cinemas.

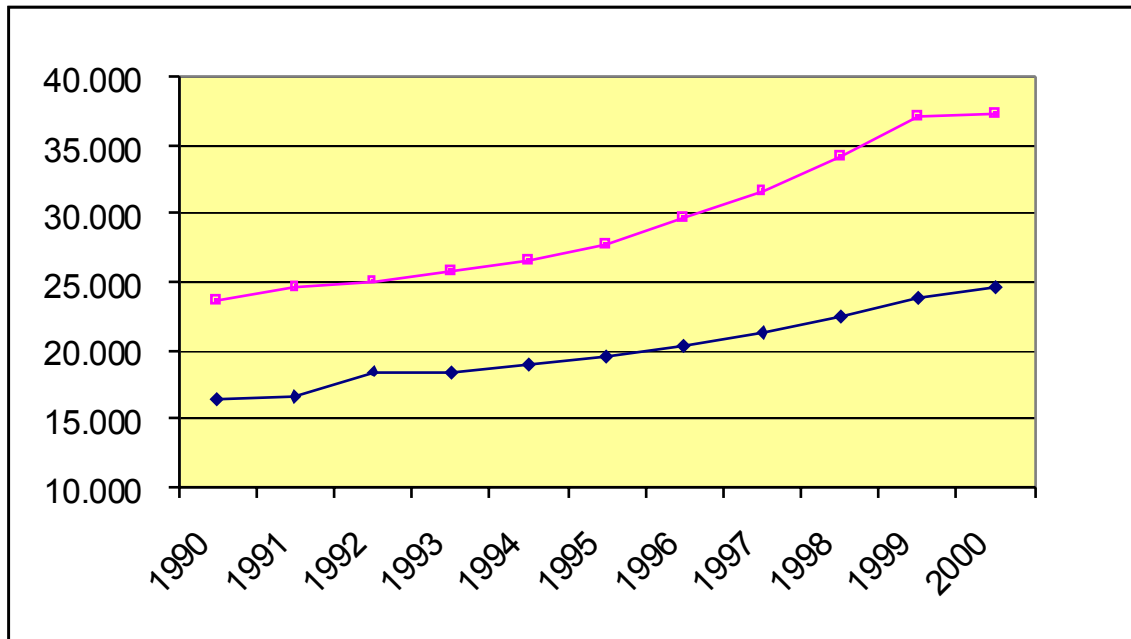
Before describing this phenomenon in quantitative terms, it seems to be worth defining what is meant by the words “multi-screen”, “multiplex” and “megaplex”, which are normally used in an undifferentiated way to indicate cinemas with more than one screen. The presence of many screens in a single cinema is certainly the most obvious element of differentiation in relation to traditional single-screen cinemas, but it is not enough to consider such very different structures in a single category. Thus, multi-screen cinemas (which come from the fractioning of a pre-existing single-screen cinema) can be distinguished from multiplexes and megaplexes, which instead are specifically designed constructions and which can be further distinguished from each other. In fact, although there is still no unequivocal definition, the industry professionals largely accept the following definition proposed by MEDIA Salles: multiplexes are cinemas with at least 8 screens while megaplexes have at least 16 screens (MEDIA Salles, 2001).

From the quantitative point of view, industry is facing a relevant increase in the number of screens never seen before. For example, between 1990 and 2000, the total number of screens in the United States increased from 23,689 to 37,396 (+58%) and in Europe from about 16,391 to 24,698 (+50%). During the 1990s, the principal exhibitors in the US (e.g. Loews, AMC, Regal) invested heavily in multiplexes and, by the year 2000, had 3,170 multi-screen cinemas, 1,478 multiplexes and 405 megaplexes for a total of 35,000 screens, which represent the 95% of the total number of screen in the US.

The situation in Europe is more differentiated. The growth rates ('89-'00) vary considerably from country to country: from 5% in Finland, to 20% in Italy and Germany, and 80% in Spain and Ireland. The increase in the total number of screens in Europe is also mainly due to the spread of multiplex cinemas which, though some years later than in the United States, are now progressively spreading throughout the

continent. As of 1st January 2000, there were 512 multiplexes with a total of 5,442 screens (23% of the total) and with an increase of 30% respect the previous year.

Figure 2. The trend in screen number in US (line above) and Europe (line under)



Source: adapted from MEDIA Salles 2001.

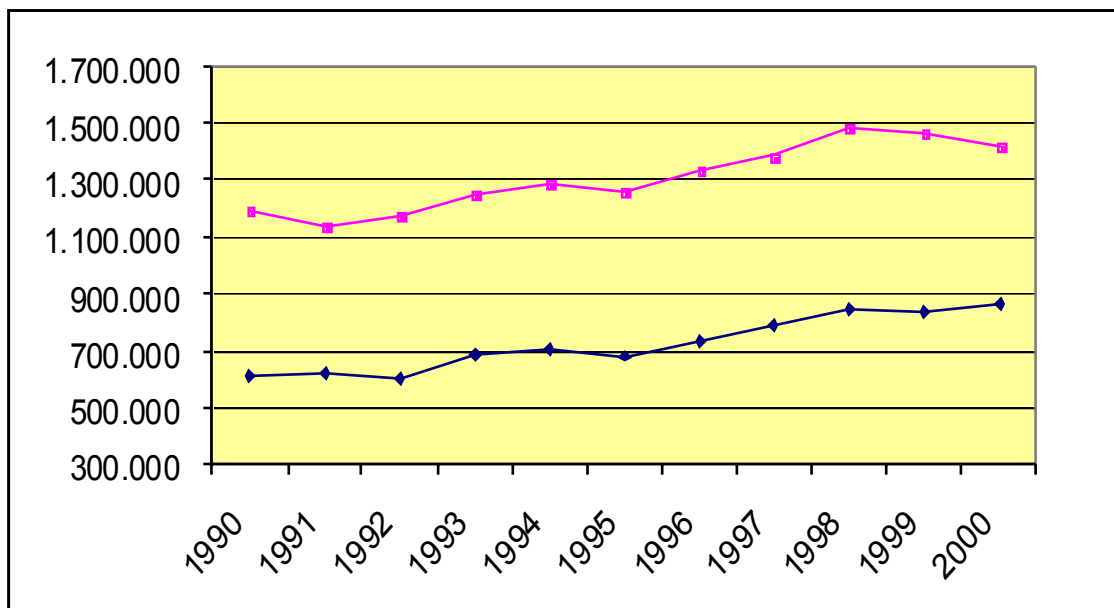
3.2. The effects of multiplex increase.

The spread of multiplex cinemas is thought to be one of the main reasons for the considerable increase in the number of admissions between 1990 and 2000 in both the United States (+20%) and Europe (+42%). Thanks to the larger number of screens, the better quality of the images and sound, and the advantages they offer to customers in terms of large car parking, automatic ticket offices and more comfortable seats, multiplexes attract a larger number of spectators than traditional cinemas.

However, although the spread of multiplexes has been a factor of market growth, it has also contributed towards increasing competition between different exhibitors by generating a progressive switch in consumer preferences toward multi-screen cinemas. For example, the multiplex cinemas in France and Germany account for respectively 22% and 18% of the total number of screens, but approximately 35% of the total number of admissions (Bähr, 1996).

Furthermore, the constant increase in the number of multiplexes has also increased the level of competition between them, and it is not yet clear whether this rate of development is actually sustainable. For example, the number of screens in the United States increased by 34% from 1995 to 1999, but the number of admissions increased by only 17%; as a consequence, each of the country's four largest movie chains is struggling under severe financial strain.

Figure 3. Number of admissions in US and Europe¹



Source: adapted from MEDIA Salles 2001.

Also in Italy, although some years later than other European countries, multiplex cinemas are spreading in many urban zones increasing the industry competitive forces. In fact, on the one hand, the opening of multiplexes has negative consequences on traditional cinemas which are so penalised by the consumer preferences for these new cinemas that their survival is threatened. On the other hand, the continuous increase in the number of multi-screen cinemas is increasing the level of competition among multiplexes themselves to an extent that it is very hard to sustain (Montanari, Proserpio and Delmestri, 2001). All these phenomena make the film industry a very difficult context in which to act and oblige cinema chains to face new challenges. In fact, under

¹ The values are in \$ x 1,000 for US (line above) and Euro x 1,000 for Europe (line under).

these strong competitive dynamics, it becomes necessary for cinema chains adopting some effective strategies in order to compete successfully.

However, although this phenomenon represents for sure a new challenge for the Italian cinema owners, it could also represent a big opportunity for a radical change in the management practices, which have been quite conservative for a long time and which could no more face effectively the changed environment. In fact, in the last years many changes occurred and they deeply transformed the industry. For example, liberalisation of the industry has increased the competition level and has offered the opportunity for foreign cinema chains to enter the Italian market. Under these global competitive forces, the Italian chains have to rethink about their managerial practices in order to innovate and to face effectively the new competitive environment.

In such a scenario, the main questions that arise could be the following: how firms can successfully compete in a very dynamic and competitive industry? How is it possible to obtain a sustainable competitive advantage?

The problem of successfully competing has been analysed in the managerial and scientific literature from different points of view. For example, industrial-organization perspective (e.g. Porter, 1980; 1985) argues that the competitive advantage depends on the firm's industry attractiveness and on the capacity of the firm to pursue a strategy of cost leadership, differentiation or focalisation. On the other side, the resource based view, focusing on the inside of the firm, suggests three main propositions: firms differ as to their resource endowments, resource heterogeneity gives rise to differential performance and firms try to defend their superior performance protecting their valuable and rare resources from imitation or diffusion (e.g. Rumelt, 1984; Wernerfelt, 1984). According to the resource-based perspective, therefore, performance differences across firms can be attributed to the variance in the firms' resources and capabilities. Resources that are valuable, unique and difficult to imitate can provide the basis for firms' competitive advantage (Amit and Schoemaker, 1993; Barney, 1991), which produce positive returns (Peteraf, 1993).

Both theories focus on firms' activities and resources considering customers only as the final buyers without any strategic effect on the firm's value creation. On the opposite, it is raising relevance a new theoretical perspective, the Customer Based View (CBV),

which emphasises the role of customers in the strategic decisions of the firms and which is consistent with new international competitive scenarios.

4. THE CUSTOMER BASED VIEW

Customer Based View (CBV) is a perspective which belongs to the theories that try to analyse the links between market driving, customer satisfaction and business performance (e.g. Buzzel and Gale, 1987; Narver and Slater, 1990). CBV mainly focuses on the customer's central role in the firms' seeking of a competitive advantage and achieving quality. This perspective becomes more relevant, the more competitive and dynamic is the industry. In fact, according to the existing literature (e.g. Lengnick-Hall, 1996; Bounds et al., 1994), competition and dynamic forces make achieving quality an essential part of organizational success.

In order to achieve quality, firms have to design, implement and continuously adapt systemic transformation to provide efficient, high quality and value-added outcomes that are important to a wide range of organizational stakeholders (Hamel and Prahalad, 1994; Schuler and Harris, 1992). Therefore, firms have to adopt a systems perspective based on continuous improvement, high productivity and, most important, a customer orientation (Dean and Bowen, 1994).

Customer orientation is not a new idea (Dean and Bowen, 1994). Over three decades ago, Levitt (1960) stated that customer satisfaction is the ultimate goal of any business. This viewpoint was mirrored in the quality-management literature by several authors (e.g. Deming, 1986; Garvin, 1988). But what, precisely, does a customer orientation require? Understanding customer roles is key to understanding customer orientation.

Quality-management approaches and concepts of customer orientation have evolved over time. Quality was initially linked with craftsmanship. Next, Garvin (1988) explained that quality was reactive and inspection oriented. Quality was focused on activities within a firm's boundaries and it basically meant conformance to standards. According to this view, customers were recipients of quality and it was their job to let a firm know when statistical quality control tools had failed (Lengnick-Hall, 1996).

Over time, quality has increased its relevance and it has been transformed into a potent competitive weapon, thus shifting the relationship between customers and firms.

Nowadays, customers are no more considered as only the final buyers, but as crucial stakeholders (Grant, Shani and Krishnan, 1994). Customers, in fact, are the focus of all firms' quality activities, as they are the final arbiter of products and services quality. Therefore, it is becoming more and more critical for firms to design and deliver loyalty-producing goods and services, in order to satisfy customers and to create stable relationships with them based on trust and respect.

These ties with customers can provide the basis for a stable competitive advantage in very dynamic industries. In fact, although intention to buy is the result of many factors, two of the most important are perceived quality² (Garvin, 1988) and the relationship that has been developed between the potential customers and the producing firm (Morgan and Hunt, 1994). Thus, on the one hand, potential buyers are more loyal and more likely to purchase a product or a service if they believe it meets their needs precisely (Lengnick-Hall, 1996). On the other hand, developing a relationship between customers and firms can enhance the competitive quality of the companies. Customer users, in fact, are uniquely qualified to provide manufacturers and services providers with crucial information about what worked as they used the product or service. These insights can help producer with redesign needs, repair demands and replacement expectations and, in this way, they can increase the overall competitive quality of the production process and its outcomes. This kind of relationship benefits both the firm and its customers (Lengnick-Hall, 1996).

Therefore, achieving high quality can provide a sustained competitive advantage, but it requires firms to go beyond the skilled application of tools and techniques, to include a shift in values, beliefs, assumptions and premises guiding organizational activities. Thus, firms have to adopt a customer orientation, which means that they not only have to concentrate on providing products and services that fulfil customer needs, but, above all, that they should have an organizational commitment to customers, such that customers and firms share interdependencies, values and strategies over the long term. To do this, firms have to foster direct customer contact, collect information from

² Perceived quality and customer satisfaction are two terms particularly ambiguous. This article adopts Garvin's (1988) concept of perceived quality. He defined perceived quality as inferences about the excellence of a product or a service based on images, advertising, reputation and so on. Customer satisfaction, instead, is defined here as the after-purchase judgment or evaluation of a specific product or service (Oliver, 1980).

customers about their needs and use customers-supplied information to design and deliver high-quality products and services (Schneider and Bowen, 1995).

According to this perspective, then, firms have to focus on creating value for the customers as the more a firm is able to create value for its customer, the bigger is its competitive advantage. This value creation ability is based on firm's resources and, in particular, of firm's propensity to focus on the customer needs (Valdani and Busacca, 1999). In this way, in fact, customer needs come first and firms try to satisfy all customers' needs focusing on the improvement of goods or services quality in order to match the quality perceived by the customers to the expected one.

As we said before, the CBV approach becomes more relevant, the more competitive and dynamic is the industry. In dynamic markets, in fact, the business value chain and the customer value chain continuously change. In such a context, the sustainability of competitive advantage is subordinated to the systematic analysis and measurement of quality perceived and expected by the customers. Therefore, firms should interact continuously with their customers, focusing their production on the customer needs. Only in this way, in fact, firms can adapt their products or services to the changes in the environment or in the customers' preferences, such that they can always supply high-quality outcomes that satisfy all customers need and expectations.

According to this perspective, in this paper we explored how adopting a customer orientation could lead cinema chains to operate successfully in the industry gaining a sustainable competitive advantage. In particular, we adopted a case study approach (Eisenhardt, 1989; Yin, 1994) by analysing the case of UGC cinemas. We chose this case because it represents a clear example of a cinema chain that understood the relevance of customers and worked out a very innovative strategy based on customer based view principles that have made UGC the first European cinema chain. The case study is based on interviews with managers of the Italian offices and on document analysis.

5. UGC CINEMA

5.1. The history.

UGC (Union Generale Cinématographique) was born in 1971 from an alliance of different regional cinema circuits. The group has rapidly grown thanks to its policy based on strategic diversification and a strong customer orientation. UGC, in fact, was one of the first cinemas professional that understood the relevance of customers needs in its strategic decisions. UGC strategies have been inspired by its “*Philosophia*” which is focused on customers satisfaction and on the continuously increase in the quality of its products and services.

In order to satisfy the customers’ preferences, making watching a movie an unrepeatable experience and increasing, in this way, the customers’ fidelity and their retention rate, UGC focused its actions on the renovations of the theatres. According to this perspective, UGC in the ‘80s focused on the renovating of the group’s traditional cinemas, increasing the comforts such as, for example, the quality of images and sound and the comfortability of seats.

At the beginning of the ‘90s UGC kept on this avant-garde role in understanding and anticipating the industry trends and challenges. In fact, UGC was the first European cinema chain understanding all the potential effects of multiplexes and, thus, it began to build new multi-screen infrastructures based on its *Philosophia* and, thus, focused on innovation, quality and customer satisfaction.

According to this perspective, in 1988 UGC introduced the trade *Prestige* in order to differentiate and characterise its cinemas with screens large more than 10 metres and with Dolby Sound Round. This was a first step in the processes of focusing on customers’ needs and of increasing customers’ fidelity by certificating its cinemas’ quality. The first cinema built according to this *Philosophia* was UGC in Lille in 1990. It was characterised by 8 screens and facilities never seen before in France: it was the first cinema of new generation.

From then, it has been built 14 cinemas based on this new *Philosophia* in France, Belgium and Spain. UGC, in fact, didn’t want to be outstanding only in France, but it followed its European vocation developing its cinemas outside French borders. The development outside France began in 1992 with the building of UGC De Brouckère (10 screens) in Brussels.

Furthermore, consistently with the new (especially for that time) scenarios of global competition, UGC focused on the acquisition of economies of scale and on the improvement of its skills in the movies screening. In 1999 UGC crossed English Channel and, with the acquisition of Virgin Cinemas, it opened its first theatres in UK and Ireland. In so doing, it qualified itself as a competitor not only of other European cinema chains, but also of American majors, which were going to open multiplex cinemas across Europe.

This process of geographical diversification has been implemented by UGC without forgetting its European roots. All the UGC cinemas, in fact, are based on the group's wiliness of regenerating and renewing the traditional cinema concept keeping in mind the urban, geographical and sociological context.

Nowadays, UGC is the first European Cinema Chain for number of screen and for admissions and in April 2002 it opened its first cinema also in Italy.

Tab. 1. Number of UGC cinemas and screens in Europe.

COUNTRY	France	UK	Ireland	Spain	Belgium	Italy	TOTAL
Number of cinemas	42	42	1	2	4	1	92
Number of screens	355	396	9	36	56	12	864

5.2. UGC *Philosophia*.

UGC relevant success is mainly due to the group's *Philosophia* which is focused on innovation, quality and customer satisfaction. In fact, UGC understood the relevance of customer satisfaction for competing successfully in the cinema industry. All its decisions have to be consistent to this customers' care: UGC always wants to satisfy customers' needs focusing on the improvement of its services' quality in order to match the quality perceived by the customers to the expected one. Consistently, this *Philosophia* has been developed on different dimensions.

5.2.a. Infrastructures and facilities.

The UGC *Philosophia* could clearly be seen first of all in the cinemas' infrastructure. The concept characterising UGC Ciné Cité in France and Spain, UGC Cinemas in UK

and Ireland or UGC Cinema in Italy is always the same and it is the final result of many researches and experiences that have characterised the group's life. UGC theatres synthesise the firm's vision and attitude toward customers.

In fact, UGC cinemas are conceived as real socialisation places, with the main target of satisfying different customers' needs. Characterised by an innovative architectonic style, UGC cinemas offer a very wide scheduling, in which blockbuster movies coexist with the "indie" movies coming from the entire world. The movies are screened with a very flexible timetable and with a large choice in terms of prices and services.

Furthermore, an UGC Ciné Cité is conceived not only as a simple cinema, but a real urban space open to all the local citizens and where different people could meet getting the possibility for a cultural exchange. UGC cinemas are built around public spaces and, therefore, are thought to be as much alive and vital as possible. When an UGC cinema is built in a neighbourhood, it makes cultural and economic revival to arise. In fact, making a dynamic action, it represents a high potential for the development and the growth of the local urban area. UGC cinemas are characterised by the wiliness to act a relevant role in the local social, economic and cultural context. In many cases the building of a UGC cinema made local urban life to develop supporting the requalification of degraded neighbourhoods (as, for example, in the case of Mendez Alvaro in Madrid or Les Halles in Paris) or a revitalisation (as in Strasbourg or in Louvain-la-Neuve near Brussels) or also, the birth of a new neighbourhood, in which the cinema becomes the vital centre (as, for example, in the case of Bercy in Paris or of West India Quay in London). These characteristics make UGC cinemas to have also an important economic function with positive direct effects on the local community, because they support also the local employment in all the activities driven by the cinema. This strong embeddedness in the local socio-economic context supports local citizens' commitment to UGC cinemas, because they look at them as an integral part of the local social, economic and cultural life.

For characterising each cinema with an own architectonic style, UGC hires international famous architects to design an innovative and at the same time functional structure. UGC Ciné Cité of Les Halles in 1995 was the first group's cinema adopting and making this principle real. Famous Italian architect Alberto Cattani managed to create a pleasant space full of life and culture in the Paris underground. After 7 years, UGC Ciné Cité of

Les Halles could be considered a successful project: it is the first cinema for admissions in the Paris metropolitan area and the first cinema situated in a city centre in Europe.

Also UGC Ciné Cité of Bercy, a popular area in Paris, synthesises the group's *Philosophia* from the architectonic point of view. Built in 1998 thanks to a partnership between Valode & Piste and Alberto Cattani, this cinema has been built as an integral part of the ancient "wine neighbourhood". The UGC cinema has been built according to municipal administration's project for the urban requalification, in order to revitalise this popular and degraded area into a new centre for services and entertainment.

Furthermore, UGC cinemas offer to customers a great variety of choice as they have on average 9.4 screens. They also are built in order to increase customers perceived value in terms of quality of the images and sound, comfortable seats and other facilities provided in each UGC cinemas. For example, in each cinema there are seats reserved for disabled people, a self service corner for buying pop corn, candies, ice creams etc., a *Cine Café* open also to people who do not buy a ticket to watch a movie, a free car parking and so on.

All these facilities underline UGC care toward customers' needs: it takes care of customer from the time they enter into the cinema until they exit. This is very important, because as customers need to be physically present during service delivery, their satisfaction depends on several factors such as: encounters with service personnel, appearance and features of service facilities (both exterior and interior), interactions with service equipment, characteristics and behaviours of other customers (Lovelock, 1999). Consistently, all the facilities are conceived in order to make watching a movie in a UGC cinema a very pleasant experience from all points of view and to increase the customers' value. According to this approach, recently UGC introduced the *Video walls*, which are TV screens situated in the cinema's hall and showing trailers, videos, news. Their main function is entertaining people while they are waiting or queuing for the beginning of the show.

According to UGC's customer based approach, UGC was one of the first European cinema chains which introduced advanced sales on-line systems in 1999. In fact, connecting to *UGC Pronto System* audience could buy the tickets 7 days a week, 24 hours a day. The service is active in the web site; people could book their seats and then

take their tickets from the automatic machines situated in the cinema halls or directly from the box office. This service costs 0.50 Euro for each ticket.

Finally, a further service offered by UGC is represented by the so called *Surprise Party*: in each cinema there is a space dedicated fully to celebrate birthdays for children. It is conceived for children from 6 to 12 years and it includes watching a movie, cakes, games and a visit in the projection box.

5.2.b. Scheduling.

From the contents' point of view, UGC Philosophia is based on a strong idea: to show the world cinema in all its variety and to show it to as many people as possible. According to this idea, UGC cinemas offer a scheduling in which blockbuster movies coexist with the more "indie" movies coming from the entire world and also with movies in original language. For example, UGC Ciné Cité of Bercy has 19 screens all dedicated to the screening of European movies and it represents the first cinema in France specialised in foreign movies not American.

Consistently to this strategic choice, UGC wants to exploit all the potentials offered by the large number of screen available and give to customers a real possibility to choice. In this way, UGC has decided to innovate and differentiate its offer from all other traditional multiplex chains. In fact, often multiplexes have a huge number of screens but most of them are dedicated to the same film. Instead, UGC wants to privilege a much differentiated supply and, thus, a maximum of two screens show the same movie. Therefore, it makes customers feel to have a real possibility to choice. This very important for customers' satisfaction; in fact, existing literature suggests that perceived choice can result in a positive psychological and behavioural outcomes (e.g. Wortman, 1975).

The UGC scheduling is conceived in order to satisfy customers' needs and increase their value also from other points of view. For example, the scheduling has a timetable very flexible and it offers also a huge choice in terms of prices. Therefore, people can have many choice possibilities in terms of the movie they want to watch, the time they want to go and the price they want to pay.

5.2.c. Cultural activities.

As we said before, UGC cinemas are conceived as real socialisation spaces, open to all the local citizens and where different people could meet getting the possibility for a cultural exchange. Furthermore, UGC cinemas want to be as much alive and vital as possible, in order to support the neighbourhood's cultural and economic revival. Consistently to this target, UGC cinemas want to carry out their relevant cultural function, which is represented not only by its scheduling and by the movies screened, but also by all the other cultural activities performed in the UGC cinemas.

UGC cinemas, in fact, offer to their customers a wide variety of cultural activities. Some of these activities are strongly connected to the scheduling and they are conceived in order to maximise the cultural products' (the movies) value. A typical example of such activities is represented by the events organised for the films' promotion. They are organised not only for the Hollywood movies (like many other multiplex chains do), but also for European ones. They consist in film previews with the presence of actors, directors, etc. and in which people could make questions to their favourite directors and actors.

Other cultural activities organised in UGC cinemas are represented by the exhibitions of pictures and arts, by the festivals and the shows for schools. For example, in 2001 UGC Ciné Cité of Bercy made a project in collaboration with the local cinema school Louis Lumière. The students made a photographic reportage dedicated to the cinema and they exhibited their final works in the UGC cinema. Furthermore, for the César prizes 2002 (the French Film Oscar), all the UGC cinemas in France have dedicated their scheduling to the screening of all the movies nominated for the prizes, realising a big national festival. Finally, a further example is represented by the so called "*Special nights*", in which all the screens are dedicated to the scheduling of old classics movies. In such nights, the cinema and the personnel are decorated according to the night's theme.

The cultural events policy is not centralised, but it is managed by local managers with a high degree of autonomy. This is consistent with the strong embeddedness of UGC cinemas in the local social-cultural urban context. By leaving a high degree of autonomy in organising cultural activities, in fact, UGC cinemas can customise the events in function of local audience's needs. In this way, it increases the likelihood to

better satisfy the local customers needs and the embeddedness of UGC cinemas in the local context.

5.2.d. Prices.

From the prices' point of view, UGC Philosophia has been always very innovative and has had the target to define different prices in order to satisfy different customers' needs. The UGC prices policy is also conceived in order to increase the customers' fidelity and the retention rate; in this way, in the last years UGC has introduced different prices formula with the main target to reward the fidelity and the high frequency of attendance.

For example, the special fidelity cards *UGC 5* and *UGC 7* were introduced in 1998 to give benefits for the most frequent audience. They are very simple and fast to use; in particular, with *UGC 5* customers could buy 5 tickets for 20 € and they can use them from Monday to Friday. With *UGC 7* customers could buy 5 tickets for 26 € and they can use them from Monday to Sunday. This kind of fidelity cards have become very popular and now they represent about the 25% of the total income for a UGC cinema. According to the same idea, UGC has developed from 1996 *UGC Kid*, which offers kid movies for a special price of 2 Euro for all the audience, without age restrictions. In 2000, UGC introduced also a new fidelity card *UGC Illimite* (called also "Megapass"), which is the first formula of year ticket with a fixed price.

6. CONCLUSIONS.

As we have seen before, UGC represents a successful case of cinema chain. In fact, thanks to its approach and its strategy based on a strong customers' care, in the last years UGC has grown until to become the first European cinema chain.

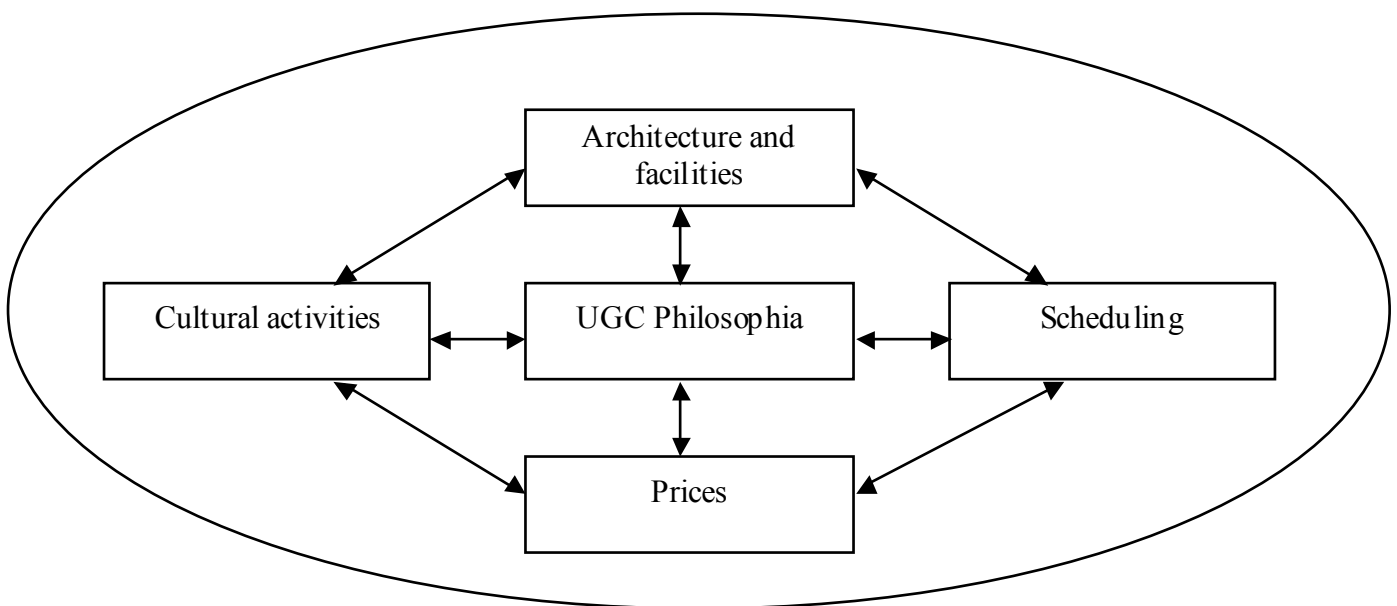
This success has been achieved in spite of the strong increase in the competitive dynamics inside the cinema industry. In fact, in the last years there has been a considerable increase of competition level due to the new content distribution channels, such as Web video streaming, pay television, home theatre sets and the proliferation of multi-screen cinemas.

Nevertheless, UGC has managed to compete successfully, to grow by acquiring also some competitor cinema chains (Virgin Cinemas) and to enter new markets (the last in chronological order is the Italian one, with the opening in April 2002 of UGC Romagna near Rimini). The main reasons for this success should be researched in its *Philosophia*, mainly based on a strong customers' care, and on the consistency of all its activities to this *Philosophia*.

According to this model, UGC have been focusing on the customer needs, thinking of all its activities and services in order to increase the quality of its supply and the customers' satisfaction. For UGC, in fact, customers' needs come first and the firm's main target consists in satisfying all customers' needs focusing on the improvement of its goods or services quality in order to match the quality perceived by the customers to the expected one.

Furthermore, as in dynamic markets, like film industry, the business value chain and the customer value chain should be continuously redefined, UGC has implemented systematic analysis and measurements of customers satisfaction (by questionnaires, focus groups, interviews, etc.) in order to analyse the matching between the customers' perceived and expected value.

Figure 5. The 4 dimensions of UGC *Philosophia*.



According to this approach, UGC offers to its customers not simply movies, but a real unique experience. In fact, UGC offer consists in a package of different services, tangibles and intangibles, focused on the customer satisfaction and on the wiliness to make watching a movie in a UGC cinema an unrepeatable experience.

Therefore, UGC represents an excellent example of how to compete successfully in contemporary dynamic markets. In fact, competition and dynamic environments make achieving quality an essential part of organizational success. Moreover, if high quality is to provide a sustained competitive advantage, firms must go beyond the skilled application of tools and techniques to include a shift in values and beliefs guiding organizational activities. Competitive advantage could be achieved only through a new approach which focuses all organizational activities to customer value creation.

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