
Four Lessons for Turning Around a Declining Business



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The movie theatre business offers insights as to how firms can find new opportunities for turning around dying businesses by understanding consumers and their needs better.

For movie theatres in the U.S. and Western Europe, viewership peaked in the late 1940s and has since slid by 80 percent or more, depending on the market. Television made the initial dent, followed by home videos, and most recently the likes of Netflix and Amazon Prime. A common thread that ties all the competition together is the television set. Given this, movie theatres have recently built on their offering to give movie viewers an experience that cannot be replicated on TV at home.

First came the big screen theatres and sophisticated sound systems, which create a more immersive experience. Technology has provided THX, IMAX, and 3D experiences, experiences that cannot yet be matched on home systems. Some theatres today are offering a 4D experience! At these movie theatres the seats respond to what one is watching on the screen with piped in smells, smoke, and even water sprays!

Experiences matter



But, technology is just the beginning. Movie theatres are doing much more to bring back the crowds, and they are succeeding. Recently, my wife and I went to see a movie at a theatre that offered a dramatically different experience. On arrival at the theatre, we were ushered to a table in a thoughtfully lit space laid out with tables just like one might expect at a nice bistro. We were brought a menu that offered treats that were more bistro-like, going way beyond the basic fare of “Coca-Cola and popcorn” that has been the mainstay of the snacks and theatre revenues. The menu offered the opportunity to have our own bottle of chilled Moët & Chandon champagne, canapés, a cheese platter, burgers, and much more.

We ordered champagne and canapés and were served at our table with the champagne chilling in a bucket of ice. When it was time for the movie we were escorted to our seats inside the theatre which was next door. And what a seat it was; they made business class seats on most airlines seem basic and they offered an almost-private viewing experience. Reclining in our plush seats side by side, with our own blankets and pillows, we soon had someone bring the champagne and canapés from the table outside to our theatre seat-side.

Sipping on champagne and nibbling canapés, ensconced in a super comfortable seat, and watching a movie together was special. We enjoyed it thoroughly and, importantly, look



forward to doing it again, perhaps not every time we watch a movie, but certainly from time to time, as an evening out on the town!

Turnaround lessons

So, what are the lessons for businesses in declining industries? There are four. First, the movie theatre industry appears to be segmenting the market and developing targeted offerings. For certain audiences and movie genres, the 4D experience makes a real difference, especially for teenagers and young adults at an action or horror movie. For, other audiences, such as couples, the opportunity to enjoy a movie accompanied by one's favourite beverages and finger foods might be a real draw.

Second, in developing the targeted offerings, the theatre business is considering the target consumers' consumption experience. It's not just the movie and its ability to draw, or the screen size, or the sound, which have been the considerations for decades, but the total in-theatre experience.

Third, the combination of benefits is distinct and, importantly, coherent. The technology (for example, IMAX and THX) and creature comforts (for example, seats) are significantly superior. There are entirely new benefits, never previously offered in movie theatres (for example, 3D, 4D, fine foods, wine and champagne, blankets, pillows). And, earlier mainstay items like popcorn have been eliminated! To create an authentic experience one needs to keep in mind what goes together, offering superior and new benefits on the one hand and balancing it with the reduction or elimination of conflicting benefits on the other. In this case, dining while watching a movie doesn't mix with popcorn and the movie theatre has wisely removed popcorn from its menu!

Fourth, it's not focused on technology. It's looking around and combining experiential aspects from different industries – restaurants and airlines, to name two, to offer a completely new experience. If you haven't been to a movie theatre recently to take in a movie, go check it out. You might be in for a very pleasant surprise!

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