

Picture this: Cinemas are fighting back against online alternatives

By Eliza Ruthven

Australian cinemas are introducing more premium experiences to resist the rise of online streaming

The largest cinema companies have grown over the past five years despite external competition

Cinemas in Australia have had to adapt to the increasing popularity of online subscription streaming services by providing consumers with more unique experiences, such as eSports streaming, premium viewing services, outdoor exhibitions and showing obscure films that are hard to source on the internet. Australian cinema companies, such as Event Hospitality & Entertainment Limited, Village Roadshow Limited and Auholdco1 Pty Ltd (trading as Hoyts) have grown over the past five years despite fierce external competition, limited growth in discretionary incomes and unstable consumer sentiment. Cinemas are competing against a seismic shift in consumer habits. In particular, younger demographics have moved towards online media platforms, such as Stan, Netflix, Amazon Prime Video and Twitch, as well as media piracy. In order to maintain relevancy and market share, cinemas have introduced new technology to enhance the viewing experience, provided premium viewing services and offered alternative products and services, such as eSports viewing. Event Hospitality & Entertainment Limited's revenue derived from cinema operations is expected to increase 2.2% annually over the five years to 2018-2019, to reach approximately \$471 million. The company has outperformed the industry

through strategic acquisitions, expanding into outdoor Moonlight Cinemas, providing premium services jointly operated with Village Roadshow Limited, providing mobile booking capability, and its Cinebuzz Rewards loyalty program. Village Roadshow Limited has expanded its offerings to include 4DX, which enhances the cinema experience with seat motion, scents, water, wind and fog, as well as VJunior cinemas designed specifically for children that include beanbag seats, slides and interactive play areas. In line with its overall strategy to diversify its offerings, Village opened its first concept only cinema in March 2018 at Westfield Plenty Valley, offering VJunior, VPremium, VMax and Gold Class to viewers. The company's cinema derived revenue is expected to grow at an annualised rate of 2.9% over the five years to 2018-2019, reaching a total of \$305 million. This represents an outperformance of the wider industry. In February 2018, Hoyts announced it would be partnering with Gfinity eSports Australia to create eSports arenas in certain existing cinema locations throughout Australia. The company hopes to retain young viewers by allowing them to enjoy a wide range of content in their premium facilities. Massive external competition is expected to see overall industry revenue decline at

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an annualised 0.5% over the five years through 2018-2019, to \$1.7 billion. While key players are outperforming the industry, profitability is trending downwards for most cinemas due to increasing digitisation, shifting consumer trends and decreased discretionary income spending. Cinemas will need to

continue to adapt to remain profitable through providing more unique movie-going experiences for consumers.

Companies mentioned in this report

[Event Hospitality & Entertainment Limited](#)

[Village Roadshow Limited](#)

[Auholdco1 Pty Limited](#)