

Interfirm Rivalry in Action: An Exploratory Study of Multiplex Theaters in Korea*

Shinhye Ahn**
Wonseok Choi***
Theresa S. Cho****

This exploratory case study examines major competitors in multiplex theater market in Korea from their inception in 1998 to 2016. Although the competing firms are in the same industry, their competitive strategies differ systematically due primarily to three factors: disparity in their market and resource configurations, perceived competitive tensions, and espoused organizational identity domains. Overall, we find that competitive dynamics in the multiplex industry is determined by both the independent and joint effects of objective and perceptual dimensions of competition. Our qualitative yet systematic analysis of the external and internal environments of the major industry players provides new insights into Korea's multiplex industry as a rich context for future research on interfirm rivalry.

Key Words: Multiplex Theater Industry, Competitive Dynamics, Interfirm Rivalry, Korea

1. Introduction

Among scholars from diverse fields, there has been a long-standing interest on the competitive interaction among individuals and organizations. *Competitive dynamics* has been used by scholars from multidisciplinary fields as a lens to explain diverse observed phenomena, ranging from competitions among plant and animal species vying for dominance in the nature (e.g., Lang & Benbow, 2013),

individuals' strategic choices between competition and cooperation in game theoretic situations (e.g., Moorthy, 1985), organizations' strategic positionings according to the structural analysis of the industrial economics (e.g., Porter, 2008), to organizations' competitions against one another for having a greater share of limited resources in the environment (e.g., Hannan & Freeman, 1984). Particularly in the strategic management field, competitive dynamics is defined as the study of interfirm rivalry, having micro-competitive actions and

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** PhD Candidate, Seoul National University(starjump87@snu.ac.kr), First Author

*** Senior Manager, Hyundai Motors Company(wonseok.choi.3@gmail.com), Co-Author

**** Professor, Seoul National University(tcho@snu.ac.kr), Corresponding Author

reactions between rivaling firms as the unit of analysis (Baum & Korn, 1996; Chen & Miller, 2012; Smith, Grimm, & Gannon, 1992). The literature of competitive dynamics explores on the attributes of firms' competitive actions and reactions, their antecedents and consequences, and organizational and strategic contexts involved in the competitive interactions. In this light, interfirm competition is by nature a relative, interactive, and a dynamic process, through which patterns of competitive actions and reactions are largely determined by the idiosyncrasies in firms' organizational characteristics (Chen & Miller, 2012).

In the research stream of competitive dynamics, attention has been mainly focused on competitions' *objective* dimensions, because the study of competitive dynamics, by nature, initially originated from the industrial economics (Porter, 2008) and population ecology (Freeman, Carroll, & Hannan, 1983; Hannan & Freeman, 1984). Owing to this reason, prior streams of research have emphasized how the dynamism of interfirm rivalries, including the number and types of competitive moves (e.g., Smith, Grimm, & Gannon, 1992), market scope of competitive moves (e.g., Yu & Cannella, 2013), and the temporal delays in responding to such moves (e.g., Boyd & Bresser, 2008), is determined by the observable, objective, and economic characteristics of organizations, such as firm size, age, and financial slack. On the contrary, the *perceptual* and *cognitive* aspects of competitive dynamics have received much less attention

among scholars, albeit the progress has been slowly made over the decades. The perceptual dimensions of competition were initially suggested by scholars of the strategic group theory, who highlighted that managerial scanning and interpretation of the environment determine the idiosyncrasies in firms' competitive moves (Porac & Thomas, 1990; Porac, Thomas, & Baden-Fuller, 1989; Reger & Huff, 1993). Later on, this cognitive perspective on competition gained a strong momentum by Chen's (1996) Awareness-Motivation-Capability (AMC) model. By having previous organizational cognition research as a theoretical basis (Dutton & Jackson, 1987; Kiesler & Sproull, 1982; Lant, Milliken, & Batra, 1992), Chen (1996) provided a micro-perspective on dyad-specific competitions and offered rich insights on how rivaling firms' sensemaking and decision-making in competitive environments are shaped by asymmetries in their internal (i.e., resource similarity) and external environments (i.e., market commonality). Building on the AMC perspective, scholars have suggested how the dynamism of interfirm rivalries is determined by firms' cognitive characteristics, such as the competitive tensions (Chen, Su, & Tsai, 2007), competitive acumens (Tsai, Su, & Chen, 2011), and competitive identity domains (Livengood & Reger, 2010).

Within this burgeoning research stream that focuses on the perceptual dimension of competitive dynamics, our study finds an important gap that needs to be addressed: fewer

efforts have been previously made to identify the specific contexts in which these cognitive concepts can be applied and tested for theoretical validity. While a growing number of studies have broadened our understanding on the perceptual dimension of interfirm rivalry and competitive dynamics, we still lack a comprehensive knowledge on the following: Under what environmental conditions do such perceptual dimensions come into play in interfirm rivalries?; Through what process do firms' cognitive characteristics (e.g., competitive acumens and identity domains) influence the firms' competitive actions and responses?; And in what ways do firms' objective and cognitive characteristics interact with each other during the process of interfirm rivalries?

In the present study, we attempt to answer the above questions by examining Korea's multiplex theater market from its inception in 1998 to 2016. Korea's multiplex industry has been an intense battleground among its market players for nearly two decades, given its high market saturation and low product differentiation. As the domestic market became increasingly saturated, the need for new growth opportunities through market expansion and technological innovation has increased. Moreover, though competing multiplex firms belonged to the same industry, their strategic choices in launching competitive actions and responses have differed greatly depending on the idiosyncrasies of their target markets, resource configurations, perceptual awareness and motivations, and espoused identity domains.

Owing to these reasons, Korean multiplex industry provides an ideal setting for studying interfirm rivalries in a newly formed market category. Investigating how competitive strategies have unfolded in Korean multiplex industry over the past decades should generate nuanced insights on both the perceptual and objective dimensions of interfirm rivalries, providing a useful context for an examination of theoretical concepts and frameworks within a real-world industry setting.

This exploratory case study begins with providing an overview of our major theoretical framework and industry landscape, and then describes unique attributes of the major industry competitors. Next, we discuss in detail their competitive rivalries over the past decades, in areas including technological advances and internationalization. Finally, we offer suggestions for future studies on competitive dynamics and Korea's multiplex industry.

II. Background Information

2.1 Awareness-Motivation-Capability Model

One of the key questions in competitive dynamics research has been understanding the wide variation across firms in how they act and react with each other. Why do firms facing the same competitive environment act and react so much differently? While most research

provided answers to this question from a purely economic point of view, Chen and others (e.g., Chen, 1996; Chen, Su, & Tsai, 2007; Livengood & Reger, 2010) took a major departure from this perspective by emphasizing perceptual dimensions of competitive dynamics. Drawing on the salience model of social cognition studies (e.g., Fiske & Taylor, 1991) as well as previous studies taking a cognitive approach to strategic interactions (e.g., Porac & Thomas, 1990; Porac, Thomas, & Baden-Fuller, 1989), Chen (1996) suggested the awareness-motivation-capabilities (AMC) perspective to explain the antecedents of competitor actions and reactions. As Chen (1996) suggested, three essential factors underlie organizations' competitive actions—*awareness* and *motivation*, conditioned by market relationships, and *capabilities* which depends on organizational resource endowments. More precisely, awareness is determined by the visible size and scale disparities that affect managers' mindfulness of a given rival (Baum & Korn, 1999; Chen, Su, & Tsai, 2007). Motivation reflects a given rival's attack volume, which offers information on the rival's territorial interests and provides incentives for managers to consider the rival as their firm's direct competitor (Chen, Su, & Tsai, 2007; Ferrier, 2001). Capability indicates the operational ability of a given rival to challenge the focal firm, such as the execution and information processing abilities, determined by the rival's relative strategic and resource endowments (Chen, 1996; Chen,

Su, & Tsai, 2007). Over the years, this AMC model has provided an excellent framework through which competitive dynamics can be analyzed, in both economic and perceptual perspectives.

Within this stream of research taking on the AMC perspective, an increasing attention has been paid on how the AMC framework is fundamentally linked to cognitive characteristics of organizations and their managers. For example, scholars have synthesized cognitive concepts, such as identity domains (Livengood & Reger, 2010), competitive tensions (Chen, Su, & Tsai, 2007), and competitive acumens (Tsai, Su, & Chen, 2011) with the AMC model and suggested how firms' awareness of their rivals' actions and their motivations and capabilities to combat the rivals are either facilitated or restricted by their cognitive characteristics. Overall, these endeavors have demonstrated how firms' competitive actions and reactions are above and beyond what is expected by purely economic considerations. Although these attempts have been much fruitful, we find an important gap within this strand of research with regards to their applicability in the real business world. Previous research hinging on the cognitive and perceptual dimensions of interfirm rivalries raise numerous questions, such as on the environmental conditions that render the effects of perceptual dimensions most pronounced, as well as on the details of the interactions between firms' objective (economic) and cognitive characteristics, in the process

of interfirm rivalries.

Our work attempts to address these questions and offer a more nuanced view of the AMC model by exploring Korea's multiplex industry, an especially fruitful setting to study competitive dynamics. We first overview characteristics of the multiplex industry to explain why we consider the industry to be an especially effective setting to study interfirm rivalries. Then, we elaborate more in-depth the details of the competitive dynamics that unfolded within the industry over the past two decades using mainly the AMC framework, which allows us to explore competitive dynamics with both economic and cognitive lenses.

2.2 Overview of Multiplex Industry

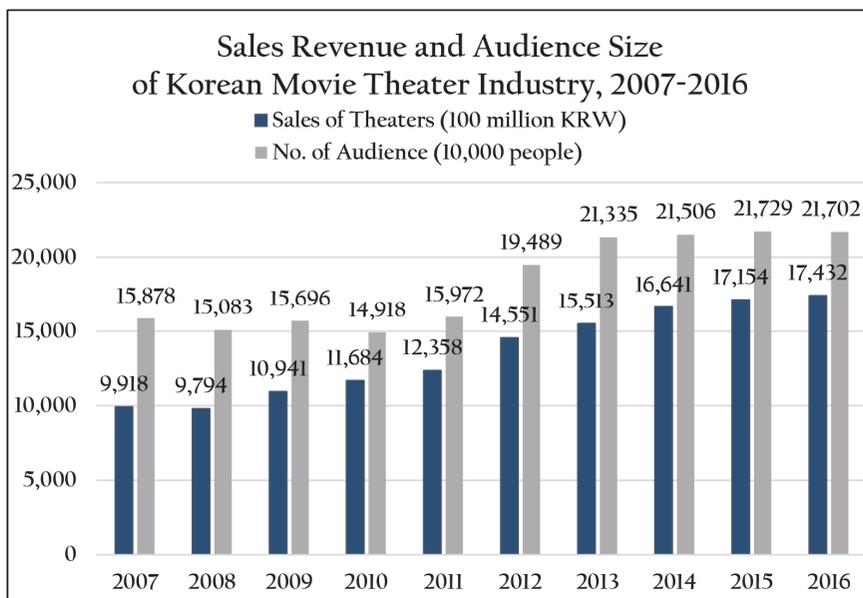
A multiplex is defined as a movie theater complex with more than seven screens and 200 to 500 seats in a stadium-style facility, capable of screening multiple sets of movies simultaneously using standardized screening and audio quality (Kim, 2013; Lee, 2012). Multiplexes are usually integrated into shopping malls or amusement parks to create a one-stop entertainment experience that includes shopping, movie watching, and dining. Multiplexes brought fundamental changes to the previous movie theater market in Korea, in which each movie theater mostly screened only one movie at a time (Kim et al., 2008). Because every movie theater screened different movies, competition among the theaters was not fierce. However, as multiplexes were in-

troduced in the industry, the level of interfirm rivalries exponentially increased.

Korea's multiplex market has expanded remarkably over the last two decades, as going to the movies has become a popular leisure activity among Koreans. Korea's theater audience grew steadily for five consecutive years beginning in 2011, peaking at 217.29 million in 2015 (Korean Film Council, 2017). In 2016, every Korean watched on average 4.2 movies in theaters, according to a global industry survey conducted by Information Handling Services (IHS). This figure is one of the highest in the world, slightly below Iceland (4.22 movies per capita) but greater than Singapore (3.93 movies per capita), Australia and Hong Kong (3.65 movies per capita), and the United States (3.64 times per capita; Korean Film Council, 2017). According to the report provided by the Korean Film Council (2017), three major multiplex theater chains—CGV, Lotte Cinema, and Megabox—along with a small number of independent film theaters, make up the theater industry in Korea. <Figure 1> illustrates the 10-year trends in sales revenue and audience size of Korea's movie theater industry from 2007 to 2016.

2.3 Market Size and Growth Rate

Korea's movie theater industry has experienced rapid growth since the introduction of the first multiplex in 1998; the audience jumped from 50 million in 1999 to 217 million in 2016, a more than fourfold increase.



(Source: Korean Film Council, 2017)

〈Figure 1〉 Sales Revenue and Audience Size of Korean Movie Theater Industry, 2007 - 2016

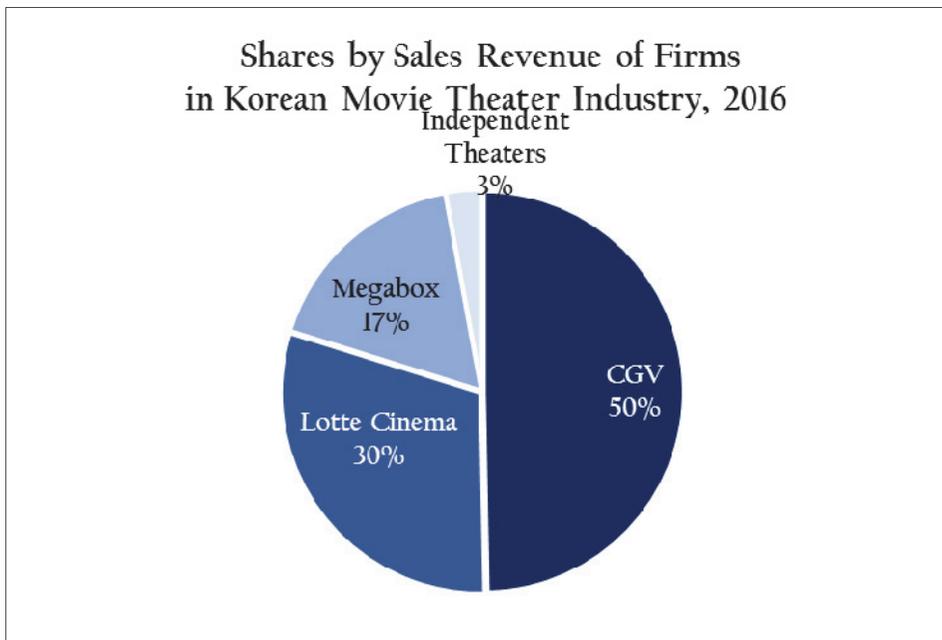
Since 2016, multiplex has been Korea's industry standard: Among 416 movie theaters operating nationwide, 335 (80.3%) are multiplexes, representing 2,428 screens (Korean Movie Council, 2017). In 2016, Korea's movie theater industry generated sales revenue of 1 trillion and 743.2 billion KRW (Korean Film Council, 2017). Multiplex theaters accounted for 98.6% of the total sales revenue generated in the industry, with the remaining 1.4% generated by independent theaters (Korean Film Council, 2017).

Korea's multiplex industry has three major players: CGV, Lotte Cinema, and Megabox. Their overall sales revenue increased from 96.1% in 2013 to 97.1% in 2016, while sales among independent movie theaters decreased

during the period. Therefore, the industry has been highly concentrated over the last decade, with CGV alone contributing around 50% of all industry sales revenue. In 2017, CGV was the industry leader, with a 49.7% market share, while Lotte Cinema followed closely behind with 30.1%; Megabox came third with 17.3% (Korean Film Council, 2017). The concentrated market share of these three major players was the culmination of aggressive growth strategies pursued by the firms through both organic expansion and acquisitions. Importantly, although Korea's multiplex industry has been highly concentrated, the market size and growth rate of the major industry players have demonstrated great dynamism over the years. One exemplary case

of this dynamism is the recently observed fast growth of Megabox. Unlike CGV or Lotte Cinema who have seen increasing theaters, screens, and audiences since 2006, Megabox saw a decline in its number of theaters and screens during the time. However, this downward trend rebounded since 2016, with Megabox demonstrating the fastest rate of increase in its domestic theaters, screens, and audience sizes in recent years (Korean Film Council, 2017). It is these strategic and market dynamisms manifested in Korea's multiplex industry that our research aims to particularly highlight. With specific theoretical lenses of

competitive dynamics and the awareness-motivation-capability model (Chen, 1996; Chen, Su, & Tsai, 2007), our study aims to shed light on how intense interfirm rivalries among three major industry players—CGV, Lotte Cinema, and Megabox—culminated into an exponential growth of the industry. Particularly, we emphasize the perceptual side of the competitive dynamics and its impacts on firms' strategic postures from the industry's inception in 1998 to 2016. <Figure 2> shows the 2016 market shares, by sales revenue, of the major players in Korea's movie theater industry.



(Source: Korean Film Council, 2017)

<Figure 2> Market Shares by Sales Revenue of Firms in Korean Movie Theater Industry, 2016

2.4 Revenue and Cost Structure

In Korea's multiplex industry, ticket sales (for film screenings) comprise the largest revenue stream, followed by the sales of snacks and advertisements. CGV earned total sales of 914.6 billion KRW in 2016 (1 USD = 1,150 KRW in June 2016; Park, 2017) and nearly 70% (67.3%: 615.4 billion KRW) of the revenue was composed of ticket sales, followed by sales from snack bars and advertisements, accounting for 17.5% and 10.4% respectively (Park, 2017). As for the cost structure, sales and management costs accounted for the largest portion of CGV's costs in 2016 (424 billion KRW), followed by financial costs, non-operating expenses, and corporate taxes (CJ Corporation, 2017).

2.5 Key Bases of Competition

Competition in Korean multiplex industry focuses on two key factors. The first is the *quality of services* which determines customers' movie-going experience at the theaters (e.g., comfortable padded seats with 4-D effects, upgraded sound systems, VIP lounges, a wide range of snacks, and refreshment assortments). Service quality is a crucial basis of competition in the multiplex industry, since movies released nationwide or worldwide are non-differentiable commodities. Hence, multiplex theaters have been devoting particular interests on differentiating their services from that of competitors and managing customer

experiences to maximize the level of customer satisfaction.

The second important factor in competition among multiplex industry players is the *physical location of the theaters*, as customers' ease of geographically accessing to the theaters is crucial to the multiplexes' business. Prime locations in major business districts, densely populated areas, and public transportation hubs (e.g., proximity to major subway stations) are directly linked to multiplexes' sales increase. Thus, market players in the multiplex industry have been competing fiercely to secure prime locations. A recent empirical study found evidence that the availability of premium-level facilities inside theaters was the most important factor in enhancing movie theaters' sales performance in major urban areas, while geographic accessibility was more crucial for theaters located in mid- or small-sized cities (Song, Park, & Lee, 2014). The research attributes its findings to the particularity of the movie theater industry: In a market that lacks government regulations on dominant market players, content factors (e.g., types of movies being screened) are secondary in affecting firms' sales performance (Song, Park, & Lee, 2014). Rather, non-content factors—such as the locations, facilities, and amenities of the theaters—contribute the most to generating sales revenue and determining the firms' competitive strategies (Song, Park, & Lee, 2014).

III. A Brief Introduction to Major Competitors in Korea's Multiplex Industry

3.1 CGV

CGV (which stands for "CJ Golden Village"), founded in December 1996, was the first company to open a multiplex in Korea. CGV's first multiplex was opened in Gangbyeon, Seoul, in April 1998, and since then, the company has experienced rapid growth of its businesses. After changing its name to "CJ CGV" in 2001, the firm acquired Primus Cinema in 2003 to become the largest player in Korean multiplex market. The company then underwent an initial public offering in 2004 and had increased its market share to nearly 50% by 2016. As of 2019, it is the largest competitor in Korea in terms of ticket sales, revenue, number of theaters and screens, and audience size. CGV has expanded its business rapidly across numerous different countries, such that in 2017, CGV ranked fifth in the global movie theater industry, running a total of 417 multiplexes globally (Park, 2017).

3.2 Lotte Cinema

Lotte Cinema, CGV's one of major rivals, is the second largest player in Korean multiplex industry. Lotte Cinema opened its first multiplex in Ilsan Lotte Department Store in

September 1999, and since then, the company grew exponentially attracting more than 10 million customers within three years after its business initiation. Lotte Cinema was founded as a subsidiary of Lotte Shopping Incorporation, which is the parent of other subsidiaries including Lotte Department Store, Lotte Mart, Lotte SSM (Super Supermarket), and Lotte H&B (Health and Beauty). Since the late 2000s, Lotte Cinema has made constant efforts to expand its cinema exhibition and distribution markets internationally, consistent with its vision of becoming one of Asia's leading entertainment companies.

3.3 Megabox

In 2016, Megabox was the third-largest player in Korea's multiplex industry, with 590 screens across 85 theaters with 90,189 seats nationwide (Korean Film Council, 2017). Megabox was founded in 2000 via a strategic alliance between Loews Cineplex Entertainment (LCE) Corporation and Orion Group, a major Korean confectionary enterprise. In July 2007, it was acquired by Macquarie Group, a global investment bank and financial service firm based in Australia. In 2010, Megabox was again acquired by Cinus, a Korean theater chain enterprise owned by Joongang Media Network. By 2011, it was completely merged and owned by Cinus and became an affiliated company of the Joongang Media Network. Megabox opened its first theater at the COEX mall in May 2000. Megabox's COEX theater

〈Table 1〉 Number of Theaters, Screens, Seats, and Directly Managed Theaters of Major Multiplex Companies in Korea, 2016 (Korean Film Council, 2017)

Criteria	Theaters		Screens		Seats		Directly Managed Theaters	
	Number	YoY Change (%)	Number	YoY Change (%)	Number	YoY Change (%)	Number	Percentage (%)
CGV	133	2.3%	996	2.2%	165,293	1.9%	93	70%
Lotte Cinema	112	4.7%	793	5.3%	134,054	4.8%	89	79%
Megabox	85	14.9%	590	16.4%	90,189	14.6%	34	40%
Total	330	6.1%	2,379	6.4%	389,536	5.6%	216	65%

was received with much enthusiasm by a wide spectrum of moviegoers, chiefly due to its modern interior and comfortable seats. Not only was the theater the largest multiplex at the time (16 screens and 4,336 seats), it also had the capacity to offer customers what was perceived as a one-stop entertainment venue, a relatively novel concept at the time. In 2005, Megabox COEX set a new world record for the largest daily (32,235 people) and yearly audience size (6,200,000 people; Lee, 2019). This huge success of Megabox increased its strategic and competitive values, attracting numerous other firms to acquire the company. For one instance, SK Group, a major Korean chaebol, tried to acquire Megabox in 2009, though the deal ended up unconsummated. 〈Table 1〉 shows year-to-year changes in major figures of Korean multiplex companies between 2015 and 2016, including their total number of theaters, screens, and seats. The table clearly illustrates the dynamic growth of Megabox, which posed a significant threat

for the current market leader, CGV.

IV. Competitive Dynamics Unfold: The Shift from Single-Screen Cinemas to Multiplex Theaters

4.1 CGV: First Mover in Multiplex Market

CGV was founded in 1996 in recognition of the high market potential of movies as products, as there had been an ongoing convergence between movies and other entertainment formats around that time. In the traditional movie theater industry, movies were less accessible to theaters than they are today. Owing to this reason, film acquisition, as a way to obtain competitive advantages, was a major issue for most movie theaters. By the early 2000s, however, movie content providers initiated a wide-release system, which eliminated the content-acquisition com-

petition that had been fierce among movie theaters. Having detected this shift in movie theater industry's competitive landscape, CJ movie business team strategically launched CGV, the first multiplex in Korea. This launch of the multiplex business was a high-risk project for CGV, because it was capital-intensive, requiring double the financial investment necessary for conventional movie theaters. Moreover, the demand forecast was shrouded in uncertainty given the market erosion caused by TV and DVD players (Hankyung Press Team, 2017). However, CJ decided to take on the high-risk project and managed to attract investments from two business partners, Golden Harvest (in Hong Kong) and Village Roadshow (in Australia).

In 1998, CGV established its first multiplex in Gangbyeon area with a remarkable investment amount of 30 billion KRW (Hankyung Press Team, 2017). This first multiplex gained much buzz and recognition from the Korean society. It was particularly noted for its innovative facility and its novel concept of "one-stop entertainment." Unlike existing cinemas, the CGV multiplex offered seats noted for their comfort, the feeling of spaciousness, cutting-edge audio and screen quality, convenient ticketing processes, and luxurious interiors. Furthermore, CGV successfully provided a "one-stop" leisure experience by being located in shopping malls and restaurants, where customers could enjoy other forms of onsite entertainments as well before and after the movie, including shopping and dining.

Although CGV's decision to dive into the multiplex market required substantial risk-taking, the decision was well worth the risk, as it opened doors for new business opportunities for the firm. This is consistent with Schumpeter's (1934) point of view that first-mover advantages drive abnormal profits, such as those CGV managed to obtain. By the early 2000s, CGV's multiplex business turned out to be highly successful, attracting over 2.3 million customers and recording sales revenue of 14 billion KRW. From 2002 to 2004, CGV achieved 300% growth in terms of customer and revenue sizes (Kim, 2003). CGV capitalized on this momentum of its initial success and expanded into other related business areas to strengthen its positioning in the industry.

The primary competitive advantages of CGV are its *high-quality services* and *theater facilities*. In particular, CGV has made constant efforts to introduce differentiated technological equipment and build specialized theaters, such as Gold Class, Cine de Chef, the Private Cinema, IMAX, Starium, SmartPlex, ScreenX, SoundX, and 4DX. These theater options are priced at a premium and offer additional services to the conventional movie-viewing experience. For example, Cine de Chef combines fine dining with movie viewing, while IMAX offers a high-tech movie experience. The Gold Class theater concept was inspired by the first-class air flight experience and offers high-end amenities to customers, including reclining and spacious

lounge-like seats. 4DX was launched in 2009 by CJ 4DPLEX as a four-dimensional movie theater system offering a multifarious sensorial experience. 4DX has aggressively expanded its business into the overseas markets, including China, the U.S., Japan, and Europe. By April 2015, it had opened 170 theaters in 33 different countries.

The second important competitive advantage of CGV is its *affiliation with the CJ Group*, a major Korean chaebol with 65 affiliates. The diverse business portfolio of the CJ Group provided CGV a competitive edge, for example, by enabling CGV to leverage the food and beverage offerings of CJ CheilJedang and CJ Foodville, the retailing resources of CJ O Shopping, and the entertainment content and media businesses of CJ Entertainment, CJ N City, Mnet, CJ Internet, and CJ Media. Cooperating with other CJ subsidiaries allowed CGV to launch various services and new screens. By cooperating with other subsidiaries within the CJ parent group, CGV has managed to introduce innovative services more frequently at relatively lower costs. For example, Cine de Chef, a premium screen run by CGV, procures premium desserts from Twosome Place, an upscale desert café run by CJ Foodville. In a related vein, as CJ Media was a dominant player in the movie and entertainment content production fields, CGV has enjoyed exclusive and preferential access to a prime selection of films and entertainment contents. Additionally, with intensive capital support from the CJ Group, CGV's strategy has be-

come more proactive and entrepreneurial, experimenting with innovative services, acquiring real estates, and expanding into new markets more rapidly.

The third competitive advantage of CGV is its *positive brand image*. CGV has continuously sponsored well-renowned art festivals in Korea, such as MAMA (Mnet Asian Music Awards) and the Pusan International Film Festival, which greatly contributed in enhancing its brand awareness among Korean moviegoers. In addition, CGV has placed first in the NCSI (National Customer Satisfaction Index) and NBCI (National Brand Competitiveness Index) for eight and seven consecutive years, respectively.

The final competitive advantage of CGV is its *geographic presence*. The company has invested a great deal of efforts and financial resources into placing its theaters in the best, prime locations. CGV holds a particularly strong presence in Korea's downtown areas, frequented by millions of people on a daily basis. Large number of screens located mostly in major downtown areas is a key strength of CGV, because it enables the firm to offer a diverse assortment of movie contents at any given point in time and reach a wider spectrum of customers across different genders, age groups, and income classes.

To summarize, as the first-mover in the multiplex business, CGV's strengths lie in its *brand, equity, and geographic presence*, as well as its *collaborative ties within the CJ Group*. Overall, CGV has been making big-bet

investment decisions to build up its competitive advantages and cement its position as a market leader. As the marketing team of CGV announced in 2008, "CGV does not consider its competitors to be industry players such as Megabox. Rather, CGV aims to win in the battle against alternative leisure activities such as the Internet and draw a larger number of customers into the multiplex industry" (Kim et al., 2008). The strategic postures of CGV resonate well with Miles and Snow's (2003) "prospector" type of organizations, who "continually search for market opportunities" and "regularly experiment with ... emerging environmental trend," such that they "often are the creators of change and uncertainty to which their competitors must respond" (p. 29).

4.2 Entry of a Second-mover: Lotte Cinema

The success of CGV stimulated many potential competitors, and among them, Lotte Group had a different motivation for entering the multiplex market, compared to others. Lotte Group's department store business, Lotte Department Store, had allocated substantial resources to operate multiplex theaters inside its department stores to attract customers, while leveraging the synergy of owning both the department stores and cinemas in close proximity. Hence, Lotte Cinema was founded under a particular goal of attracting more customer traffic to Lotte Department Stores. In this light, the basis for Lotte Cinema's dif-

ferentiation strategy lies in its strong ties with Lotte Department Stores, along with numerous other subsidiaries within the Lotte Group. Lotte's multiplexes are usually placed on the top floor of the department stores to generate more traffic, a phenomenon called "the fountain effect," as shoppers trickle in from the stores underneath. Based on the basic strategic principle of "theaters inside department stores," Lotte Cinemas inside or near Lotte Department Stores have generated greater cross-traffics and sales for both business segments.

In 1999, Lotte group opened its first multiplex, Lotte Cinema, at Ilsan Lotte department store. Like CGV was supported by the CJ Group, Lotte Cinema was able to access substantial financial resources of the Lotte Group. With the group's financial support, Lotte Cinema was able to sustain its aggressive expansion momentum and acquire more cinemas into its department store chain (Kim, 2004). In the following years, it soon became the second largest competitor in the multiplex market.

To counter competitors such as CGV and Megabox, Lotte Cinema has invested heavily in building a *positive brand image*. Particularly, Lotte Cinema has positioned itself as a "Theater for Families" and has devoted particular interests on attracting families to its multiplexes and department stores. The company was also a first-mover in introducing innovative programs such as the "Hi-Pass Program", through which customers can reserve and purchase

tickets digitally. This reservation system radically simplified customers' ticketing process, as customers can book their movie tickets online and scan their credit cards at scanning machines right at the theater's entrance.

Similar to CGV, Lotte Cinema has also sought to remain competitive by leveraging its ties with diverse affiliated businesses under its parent company. Lotte Cinema's collaborative ties with Lotte Group, the fifth largest chaebol in Korea with 90 affiliated companies in 2017, enable Lotte Cinema to forge strategic partnerships with other Lotte subsidiaries. For one instance, Lotte Group has an advantage over CJ Group regarding payment systems, as the Lotte credit card offers smoother payment transactions, as well as cross-promotional opportunities such as loyalty programs and discounts.

4.3 Entry of Megabox into Multiplex Theater Industry

The remarkable success of CGV and the rapid expansion of Lotte Cinema attracted other players into the multiplex industry. Megabox was one of them. Orion group, one of Lotte Group's main competitors, decided to enter the multiplex market, and in alliance with Loews Cineplex Entertainment (LCE) Corporation, it launched the first Megabox at COEX-mall in 2000. Given the popularity of COEX, it soon became one of the major players in the multiplex market.

Megabox has consistently tried to counter-

act its competitors via its *innovative marketing strategies*. It was the first multiplex to adopt the loyalty program, a price discrimination system between matinees and prime time, as well as teenager discounts and credit card payments. Also, the company was the first in the industry to schedule its movie premieres on Thursdays to preempt its rivals. Furthermore, it first introduced the "early-bird discount" pricing system for morning showings at about half the price of a daytime ticket. Megabox also introduced the VIP membership system, through which customers can accumulate points, use them to buy movie tickets, and receive membership discounts. It was also the first multiplex to host a movie festival (e.g., the Megabox European Film Festival [MEFF], begun in 2000). Additionally, Megabox has been active in developing new contents such as music videos and live concerts, and has introduced a novel concert paradigm using vivid screens and high-quality sound systems that is offered only in Megabox. Megabox's core competency has not been limited to films but has expanded into diverse genres, such as screening music videos, live broadcast concerts of popular K-Pop Singers (e.g., Seotaji in 2010), classical music concerts (e.g., Berlin and Vienne Philharmonic concerts in 2013, 2014, and 2015), sports games (e.g., 2006, 2010, and 2014 World Cup matches), operas, and musical performances.

Utilizing top-notch technologies to integrate numerous media has turned out to be very successful for Megabox. In particular, Megabox

has been given credits from customers for its *technological features* and *innovative contents*. For example, recordings of New York Metropolitan Opera performances have been shown on vivid 4K digital-quality Premium M screens in Megabox's multiplexes, which are equipped with high-end screens, sound systems, and seat technologies. Its multiplex in Songdo, which opened in 2011, is renowned for providing premium sound systems and seats. Megabox recently opened a new theater at KINTEX, Ilsan, which boasts an architecturally designed sound system. Additionally, it launched free applications for smartphone users, which allowed ticket reservations available first on iPhones (2010) and then on Androids (2011).

4.4 Heightened Competitive Tension in Premium, High-End Market Segment

Given the new entrants in the multiplex industry, such as Lotte Cinema and Megabox, CGV shifted its strategic focus to becoming the "first-class cinema" (Hankyung Press Team, 2017). This repositioning helped CGV transform its organizational identity as a high-end movie theater, heightening its sensitivity to competitors' actions in this particular market segment (Chen, Su, & Tsai, 2007; Livengood & Reger, 2010). More concretely, in order to differentiate itself from other emerging competitors in the industry, CGV has strategically introduced premium movie theaters, such as the Gold Class theaters. The premium experience in CGV's Gold Class

theaters was designed to meet the demands of the older, well-to-do generation, who drives ticket sales in the morning and early afternoon hours (Park, 2017). Gold Class was opened in 2000 and offers luxurious interiors, wine, dining services, and lounges, with far fewer seats and much wider spaces between them, at about only 30 seats per screen. Furthermore, the recent stabilization in the growth of Korea's theater audience, due mainly to the arrival of the maturity phase in the industry cycle and the emergence of new media platforms, such as online channels, VOD, and IPTV, has increased the need for CGV to differentiate itself from its competitors residing both inside and outside the industry borders (Park, 2017). Driven by these environmental shifts, CGV has increasingly focused on providing differentiated services to make customers feel at home for the entirety of their theater visits from entry to exit. These strategic endeavors of CGV resonate with the perspectives of industrial organization economists (e.g., Porter, 2008) as well as that of strategic group theory scholars (e.g., Peteraf and Shanley, 1997), which suggest that external economic environments and historical forces are the key determinants of corporate competitive strategies.

In response to CGV's competitive action in the premium cinema market, Lotte Cinema eventually introduced its own luxury theater, Charlotte, to target customers with high purchasing power. However, it took Lotte Cinema five years to do this. Since CGV and Lotte Cinema had high market commonality (Chen,

1996), Lotte Cinema was well aware of CGV's introduction of Gold Class. Although Lotte Cinema had enough capital resources to finance its premium theater business, its drive to move into the high-end segment was comparatively less urgent (Chen, Su, & Tsai, 2007), because Lotte Cinema's primary reason for running the multiplex business was to attract more customers to Lotte Department Stores. In other words, Lotte Cinema's belated introduction of Charlotte reflected a different strategic priority of the firm. They did not see themselves as a major competitor in the multiplex business, but rather regarded their multiplex business as an additional feature of Lotte Department Stores. Thus, Lotte Cinema's identity as an additional business of Lotte Department Stores impeded the firm's response to competitors' strategic moves particularly made in the high-end market segment. As Livengood and Reger (2010) pointed out, a strong organizational identity does not always result in positive outcomes: a firm's undivided focus on its identity domain often results in a narrow cognitive perspective and impedes its awareness, motivation, and resource-deployment capabilities in making prompt reactions to competitors (Chen, 1996).

As for Megabox, there were two major reasons why the firm did not respond to CGV's high-end service strategy. First, Megabox's primary strategy was to target the younger generation, a segment that was price-sensitive and interested in the movie-going experience as a package. Thus, Megabox has initiated

various discount programs and maintained a more casual and friendly service experience for customers. In this sense, Megabox's identity domain focused more on meeting the needs of the younger generation consumers rendered the firm to become less aware of and motivated by its competitor's strategic moves in the premium, high-end market segment (Chen, 1996). Second, financial constraints of the firm during the period made it especially difficult to introduce new services. Megabox's business partner, LCE, who held a 50% stake in Megabox, divested its ownership and caused serious financial difficulties for Megabox. This divestiture event of a crucial business partner rendered Megabox financially less capable of aggressively reacting to competitors' moves (Chen, 1996).

These strategic inactions of Lotte Cinema and Megabox to CGV's competitive action in the premium market segment resonate well with the "defender" type of organizations suggested by Miles and Snow (2003), who "have narrow product-market domains" and "do not tend to search outside of their [expertise] domains for new opportunities" (p. 29). In sum, the crucial factors determining whether a firm would competitively respond to competitors' strategic moves in the premium theater market segment are strongly influenced by the three dimensions of interfirm rivalry (i.e., awareness, motivation, and capabilities), which are shaped by the availability of the firm's internal resources as well as the domain of its organizational identity, or the core,

distinctive, and enduring characteristics of an organization that differentiate itself from others (Albert & Whetten, 1985; Livengood & Reger, 2010). Overall, firms' competitive moves in the high-end market well reflects the perspective of Chen, Su, and Tsai (2007) and Livengood and Reger (2010) that they are not only a function of the firms' objective and economic characteristics (e.g., size, financial resources, slack), but are also significantly shaped by the firms' and their managers' perceptions and cognition.

4.5 Domestic Market Expansion

CGV was supported by stable financial resources provided by the CJ Group, and its initial success attracted large additional investments of other business partners. With this availability of large-scale financial resources, CGV aggressively expanded its multiplex business both domestically and internationally. In the initial phase of this geographic expansion, CGV did not choose to locate its multiplexes in the core areas of Seoul (e.g., Jongro or Gangnam), but targeted other densely populated areas within Seoul and Kyong-gi area, such as Express Bus Terminal, World Cup Stadium, and various apartment complexes. This strategy allowed CGV to enhance its accessibility to customers while avoiding head-on competition with large pre-existing competitor cinemas. Also, the strategy allowed CGV to establish a firm presence in the outer areas of Seoul before moving their

business into more central downtown areas.

Lotte Cinema was not unaware of CGV's aggressive growth plans, but had limited strategic options due to its limited capability; the company's strategy was too dependent on that of Lotte Department Stores (Chen, Su, & Tsai, 2007). Until 2005, Lotte Cinema built multiplexes only inside or near Lotte Department Stores, rather than as standalone complexes. Given their limited strategic options and resources, Lotte Cinema chose to open in provincial areas first in an attempt to sidestep fierce market competition, which was in contrast to CGV's expansion strategy targeting mainly Seoul and Kyung-gi area.

Unlike its rivals who actively engaged in domestic market expansion strategies, Megabox initially focused on operating its existing multiplexes rather than establishing new facilities. The main reason for Megabox's inaction was the company's lack of financial resources; despite the remarkable success of the COEX branch, Megabox suffered prolonged financial problems in the late 2000s. As a consequence, although Megabox earned a reputation for having the best facilities in terms of audio and screens, the firm continued to lose market shares between 2006 and 2010, falling to have only 8.4% of the market in 2009. Nonetheless, Megabox managed to make a breakthrough from this dwindling performance with the help of its merger with Joongang Media Network in 2011. Since this successful merger, Megabox's main strategic focus has become expanding its business domestically, which was contra-

riwise to the strategic focus of its two major competitors, CGV and Lotte Cinema, who presumed domestic market to have been already saturated. For instance, Megabox showed a 14.9% increase in its domestic multiplexes in 2016, which was sevenfold and threefold the increase of CGV (2.3%) and Lotte Cinema (4.7%), respectively (Korean Film Council, 2017). To summarize, players in the multiplex industry varied significantly in how they competitively responded to competitors' market expansion strategy. The greatest facilitator or inhibitor in firms' response to competitors' market expansion strategy is the availability of the firms' financial resources, which fundamentally determined firms' capability to engage in competitive moves and to strategically guard oneself from the retaliatory actions of competitors (Chen, 1996; Chen, Su, & Tsai, 2007).

4.6 Catering to Niche Markets

Movie theaters' revenue generation is dependent primarily on their ability to attract as many viewers as possible. A typical strategy for maximizing ticket sales is to dedicate screens to famous blockbusters from the recent wide-release lists, shown for a limited duration of time (from a few days to a few months). This operational reality means that there is no room for old, independent, low-budget movies, since these movies carry a

higher risk of not attracting enough audiences. In October 2004, however, CGV introduced Arthouse (formerly Movie Collage), the first movie theater in Korea to screen only independent and classic films. At Arthouse, movie-goers can enjoy specially selected collection of movies that are not normally played in ordinary theaters. CGV currently operates 21 Arthouses nationwide, promoting a balanced growth in the nation's movie industry and providing audiences with a wider array of movie choices. CGV's entry into this niche market was designed to exploit the so-called "long-tail segment." More importantly, CGV wanted to change its image of being a "huge, profit-at-all-cost commercial business" and "foster a more positive corporate image of supporting diversification in the movie industry."¹⁾

CGV's expansion into the noncommercial, niche film category inspired mixed responses from competitors. For Megabox, independent movie segments were already part of its movie portfolio. In fact, Megabox's mission statement, "Creating a unique space for people to communicate their meaning and happiness in life," well reflects the firm's high interest in promoting cultural diversity and its community-oriented strategic focus. Megabox launched MEFF in 2000 and JFF (Japanese Film Festival) in 2005, both of which provided the firm a good reputation and a large and steady group of loyal fans. In addition, Megabox has recently been the major sponsor of numerous

1) This information was provided by a CGV trainee during an interview conducted in 2011 by one of the authors.

film festivals held in Seoul and elsewhere in Korea promoting independent and classic films, including Seoul International Food Film Festival, DMZ International Documentary Film Festival, and Jecheon International Film and Music Festival. The motivation for sponsoring these festivals was to cultivate a brand image that reflects diversity and a humanistic core, distinct from the commercial nature of the business. Given that it had a brand reputation as a supporter of independent films, Megabox was not compelled to take action in response to CGV's strategic moves into the niche market. Moreover, due to the financial constraints experienced in the early and late 2000s, Megabox lacked the financial resources required to introduce such a feature. Due to this low resource similarity with CGV (Chen, 1996), Megabox had low awareness, motivation, and capability to react (Chen, 1996), which rendered the firm to remain inactive towards competitive actions of CGV.

By contrast, Lotte Cinema felt more urgently the need to respond to the new independent film segment, as it was keen to enter into niche markets (Chen, Su, & Tsai, 2007). When Lotte Cinema's main competitor, CGV, introduced an independent movie section, it was received much positively by the media and public. Lotte Cinema did not want to fall behind in this market or, especially, gain a negative reputation of being too focused on blockbusters. Just one year after CGV's introduction of Arthouse, Lotte Cinema launched Arte Classic in 2008, which is a separate sec-

tion within the multiplex dedicated to showing independent movies. Thus far, seven Lotte Cinemas in Korea have opened Arte Classic theaters. In addition to Arte Classic, Lotte Cinema also launched the Silk Road Theater, which specializes in Chinese movies; Opera in Cinema, which broadcasts live performances from the Royal Opera House in London; and the G Cinema, which promotes diversity in Korean film contents. In sum, multiplex firms' competitive responses to their rivals' strategic initiatives in the niche market are greatly shaped by both the relative resource configurations and capabilities of the competing firms (Chen, 1996), as well as by their espoused identity domains (Livengood & Reger, 2010).

4.7 Global Expansion

As the domestic market has started experiencing saturation, Korean multiplex industry has gradually changed into a "Red Ocean." Moreover, as the theater industry in many countries (e.g., China, Vietnam, Turkey, and Indonesia), contrary to the situation in Korea, is in the structural growth stage, multiplexes in these countries are expected to show high growth in the future. Therefore, CGV has set its sight on markets outside Korea. In 2006, CGV launched a global expansion by opening its first Chinese branch, ShangYing CGV, in Shanghai. In 2017, CGV had 92 multiplexes with 732 screens in major cities of China, including Wuhan, Tianjin, Beijing, Fushun, and Shenyang (Park, 2017). Moreover, CGV

officially announced plans to strengthen its global presence. In 2011, CGV acquired the largest Vietnamese multiplex enterprise, MegaStar, to stabilize its business basis in the market (Choi & Kang, 2017). In 2017, CGV ran 50 theaters with 313 screens in Vietnam (Park, 2017). CGV entered Indonesia and Myanmar in 2014 and has opened 50 and 7 theaters in each country by 2017 (Park, 2017). CGV is not limiting its expansion only to China or the East Asian market. In 2010, it opened a boutique-styled multiplex in Korea Town in Los Angeles with the aim of becoming the cultural communication hub between Asia and the U.S. CGV also entered Turkey in 2016, and is running 92 theaters in the country (Park, 2017). In 2017, CGV signed a contract with ADG Group, a Russian real estate enterprise, to create a joint corporation for opening multiplexes in Russia. CGV and ADG Group plan to open 33 theaters with a total of 160 screens by 2020 starting with Moscow in 2018 (Park, 2017). In these new market entries, CGV has flexibly chosen its entry modes between greenfield and M&A, depending on the environmental conditions of each overseas market (Lee, 2017). Furthermore, during the process of their internationalization, CGV has devoted much attention on providing standardized upscale services to overseas customers, such as by continuously researching trends in local customers' preferences for movie contents and services as well as by educating local employees in Chinese, Vietnamese, and Indonesian branches in

"CGV university," a corporate institution specialized in educating employees (Lee, 2017). CGV has also engaged in corporate social responsibilities in the overseas market, such as screening local independent movies in its multiplexes, supporting marketing activities of the local movie directors, and providing educational programs on film production for local teenagers, so as to avoid its business being perceived as a part of a cultural colonization and to provide a positive impression of the firm to local customers (Lee, 2017). CGV's mission statement—"Leaping up as Global No. 1 Cultureplex"—well illustrates the firm's strong aspiration and continuous efforts to become the global market leader.

CGV's competitors are also aggressively expanding and are heavily investing in building up a global network. The two main competitors, Lotte Cinema and Megabox, are both running close behind CGV in global expansion. Since Joongang Media Network's acquisition of Megabox in 2011, Megabox has gained momentum in its business expansion, as its financial structure greatly enhanced (Hankyung Press Team, 2017). Since 2016, the primary focus of Megabox's expansion strategy has been increasing the number of theaters domestically. While Korea's movie audience fell by 0.1% in 2016 from the previous year, the size of Megabox's audience increased by 5.8%, thanks to the momentum provided by its aggressive expansion strategy in the domestic market. However, top executives in Megabox have been steadily seeking opportunities to open

new theaters in lucrative foreign markets as well, especially in China. In 2007, one year after CGV's Shanghai opening, Megabox expanded into the Chinese mainland. In 2015, Megabox made a strategic alliance with Shinsegae Group, which owns Shinsegae Department Store and E-Mart, to promote business synergies with the company in expanding Megabox both within and outside Korea (Kim, 2015). Megabox is planning to open new theaters not only in first-tier cities in China but also in the second- and third-tier cities in the country as well (Kim, 2015). It also plans to invest in East Asian countries in the near future (Kim, 2015).

Lotte Cinema was the latest to expand internationally. Although it was much later than its competitors' initial moves, Lotte Cinema took over the Korean Diamond Cinema Joint Venture Company in 2008 and established its first and second branches at Ho Chi Minh and Danang in Vietnam. Having expanded successfully to the Vietnamese market by opening theaters in multiple cities (i.e., Dongnai, Diamond Bay, Saigon South, and Hanoi), Lotte Cinema then targeted the Chinese market, opening new theaters in Shenjing, Wuhan, Weihai, Tianjin, and Suzhou (Hong, 2016). The company is aspiring to enter the Indonesian market and has established an Indonesian corporate body for setting up the business basis (Kim, 2018). In overall, firms' competitive postures in domains of global expansion are greatly influenced by each firm's financial capability, which helps materialize their plans to make competitive moves (Chen,

1996). As the financial structures of the firms significantly enhanced, their business expansion strategies targeting markets both within and outside Korea likewise intensified.

4.8 Competing in Technological Innovation

With the recent technological advances in the visual and audio fields, multiplex companies have faced new challenges and opportunities. Moreover, the emergence of and advances in digital online media and content platforms, such as CATV, IPTV, Netflix, and Amazon, are forcing multiplex companies to differentiate themselves technologically in order not to lose their audiences to alternative media and content platforms (Park, 2017). In 2016, 39.8% of Korea's multiplex screens had special effects and digital equipment, such as 3D, IMAX, and 4D (Korean Film Council, 2017).

Each multiplex competes by offering cutting-edge facilities, such as 5.1 Dolby audio systems and crystal screens. In 2005, CGV introduced the IMAX theater, an image-projection technology that could record and display images of far greater size and resolution than conventional projection systems could offer. This has significantly magnified theaters' screen scope, which is particularly appropriate for large-scale movies, and has created much positive buzz among the customers. CGV has cemented its technological lead over its competitors through its key marketing initiatives to differentiate itself from others.

Encouraged by the branding success pro-

vided by its technological edge, CGV continued to invest in new technologies. The fruit of this effort was the early acquisition of 3D projection technology. This allowed CGV to outperform its rivals when, in 2009, the blockbuster movie *Avatar* was released. At the time, CGV had 100 3D screens, while Lotte Cinema had 30 and Megabox had only 10. The phenomenal success of the movie facilitated a wider adoption of 3D screens in Korean multiplex industry.

CGV now draws audiences with its 4D technology. 4DX, the brand name for CGV's 4D movie screening system, was introduced in 2009. 4DX has two major competitive advantages over its competitors, which block the entry of more competitors into the market: its 4D editing technology and its global theater chain network, supported by CGV (Park, 2017). 4DX was available in 30 CGV theaters in Korea both in Seoul and in other provincial areas in 2017. 4DX has aggressively pursued its foreign market expansion strategy via strategic partnerships with major theater enterprises around the world and is today the world's largest 4D movie enterprise, with 395 theaters in 49 countries. Regal Cinemas in the U.S., Hong Kong's Cinema City, the UK's Cineworld, and China's Wanda Cinemas have been strategic partners of 4DX. 4DX theaters operate in China, Japan, the U.S., Brazil, and Europe and had 77% of the global market share in 2016, followed by MX4D (21%), Shuquee (1%), and E-motion (1%: Park, 2017).

Lotte Cinema soon followed CGV closely behind in introducing 4D technology into their theaters, under the brand name "Super 4D" in 2010. Aside from 4D, Lotte Cinema has been keeping up in the technology competition by striving to adopt top-notch sound and screening facilities in their theaters, including the largest screen in the world (in 2014) as well as LED screens and JBL audio speakers (Cho, 2017). Lotte Cinema's mission statement well demonstrates the firm's keen interest on technological innovation, as it states that the firm aspires to "provide happy memories to customers with top-notch facilities and quality contents."

Consumers' rapid adoption of smartphones and applications has opened up numerous new possibilities for the multiplex industry in terms of marketing and service innovation. For example, customers can now make reservations and payments online and enjoy ready access to movie reviews and ratings. Smartphone apps as a means of purchasing tickets offer enormous potential for CGV and its competitors. Developments in smartphone applications and their rapid adoption by target segments of moviegoers are likely to open up many new opportunities for CGV to increase its market share through its brand power.

To summarize, CGV has been on the lead in technological developments in the multiplex industry, while Lotte Cinema and Megabox have been keenly aware of and motivated by CGV's moves and following up fast by making competitive reactions via speedy resource re-

deployments (Chen, 1996).

4.9 Growing Tension among Competitors

Unlike CGV and Megabox, Lotte Cinema was not established as a joint venture with foreign cinema firms but was founded as a sole investment by the Lotte Group. Lacking the opportunity to learn from experienced business partners, Lotte Cinema was often criticized by its domestic customers, in its initial phase, for its poor service and inefficient management. In 2005, newly appointed CEO Kim Gwang-sub undertook dramatic changes and expanded into new areas, including filmmaking, investment, and distribution. This helped Lotte Cinema to achieve greater efficiency by building an enhanced value chain, as well as to expand its presence in the overall multiplex market. Its growth momentum continued under the leadership of Kim's successor, Cha Won-chun, as the firm strived to catch up with CGV in the Korean multiplex market. Overall, Lotte Cinema's willingness to take initiatives in employing first-mover tactics and strategically respond to competitor's moves support the cognitive perspective of competitive dynamics, which posits that perceived competitive tensions and acumens affect the intensity of interfirm rivalries (e.g., Chen, Su, & Tsai, 2007; Marcel, Barr, & Duhaime, 2011; Tsai, Su, & Chen, 2011).

Meanwhile, the third-rank player in the multiplex industry, Megabox, aggressively sought to increase its market share by opening

new theaters in domestic and foreign markets. Subsequently, CGV's top management team felt threatened by their stronger and more diversified competitors in a market that is starting to become saturated and hyper-competitive.

V. Discussion and Conclusion

5.1 Discussion

This exploratory case study examined major competitors in Korea's multiplex market from their inception in 1998 to 2016. This research context offers a rich set of complexities in which theoretical views on interfirm rivalries and competitive dynamics can be tested and elaborated. The major players of the Korean multiplex industry (i.e., CGV, Lotte Cinema, and Megabox) were seemingly similar in their strategic profiles, yet their strategic choices of competitive actions and responses differed systematically, due to their relative disparity in their target markets, macro environmental factors, resource configurations, and perceptions, including their identity domains and competitive acumens. Importantly, we found that competitive actions and responses of the major players in Korean multiplex industry were in large part influenced by the firms' perceptual and cognitive characteristics (Chen, 1996; Chen, Su, & Tsai, 2007; Livengood & Reger, 2010; Tsai, Su, &

Chen, 2011), above and beyond the pure effects of the firms' objective and economic conditions, such as their size, age, and financial slack. In this regard, our study is expected to provide ample theoretical contributions to the competitive dynamics literature, with regards to how the objective and perceptual dimensions of competition independently and jointly affect firms' actions and responses during the interfirm rivalry. In this sense, we suggest that Korean multiplex industry provides an optimal research setting where the theoretical frameworks of the perceptual dimensions of competitive dynamics, as delineated, for example, by Chen (1996) and Chen, Su, and Tsai (2007), may be considered, anticipated, and empirically tested.

Several limitations may be pointed out from our case study, which are expected to provide potential avenues for future research. One of the major research limitations is that our study observed competitive dynamics of the multiplex industry only in Korea. Given Korean movie and multiplex industries' particularity in their institutional environment, including government regulations and support, our research findings may have limits in its generalizability. We suggest future studies to expand our idea into novel contexts, including multiplex industries in diverse countries outside of Korea. Another limitation is that we could not directly measure cognitive characteristics of the multiplex firms' top executives as competitive dynamics unfolded in the industry. A more in-depth qualitative meth-

odologies towards executives and employees of the multiplex industry, such as interviews and ethnographic studies, would enable us to look deeper into the cognitive mechanisms that is working behind the scene of competitive strategies and interfirm rivalries in the industry.

5.2 Conclusion

Korea's multiplex industry is clearly facing a new era of competition as both opportunities and threats abound in the market. Though CGV has maintained its market-leading position, it might be difficult to sustain this position unless new strategic actions are taken. Senior executives of CGV are well aware of this transformation as well as the broader industry-level shifts. Adding to the uncertainties caused by the technological shifts, CGV now faces more fierce competition with foreign multiplexes as it expands into overseas markets. Therefore, we suggest that this is a critical juncture that will determine the next 20 years of competition in the multiplex industry. Whether CGV can maintain its status as the dominant player in the multiplex industry remains to be seen. We hope this case study provides additional impetus for future research on competitive dynamics in this intriguing industry.

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한국의 멀티플렉스 산업 내 경쟁역학에 관한 사례연구

안신혜* · 최원석** · 조승아***

요 약

본 사례연구는 한국의 멀티플렉스 산업 내 기업경쟁의 양상을 산업이 형성된 1998년부터 2016년까지 살펴본다. 멀티플렉스 산업 내 경쟁기업들은 동일 산업에 포함되었지만 기업의 고유한 시장과 보유자원, 경쟁적 긴장에 대한 인지, 그리고 조직정체성 영역에 따라 각각 상이한 경쟁전략을 수립하고 실행해왔다. 본 연구는 각 기업의 객관적 특징과 함께 주변환경에 대한 주관적 인지와 해석에 따라 멀티플렉스 산업의 경쟁역학에 변화가 있었음을 발견하였다. 아울러 본 연구의 질적 분석은 멀티플렉스 시장 안팎의 환경과 시장참여자들의 특성을 체계적으로 분석함으로써 해당 산업 내 기업경쟁에 대한 새로운 관점을 논의하고, 나아가 경쟁역학에 관한 후속연구의 방향을 제시하였다.

주제어: 멀티플렉스 영화관산업, 경쟁역학, 기업 간 경쟁

* 서울대학교 경영대학 박사과정(starjump87@snu.ac.kr), 제1저자

** 현대자동차 책임매니저(wonseok.choi.3@gmail.com), 공저자

*** 서울대학교 경영대학 교수(tcho@snu.ac.kr), 교신저자