

MPIC'S SUPPLY-CHAIN APPROACH TO MOVIES SETS

M Pictures Entertainment Plc (MPIC), formerly known as Traffic Corner Holdings Plc, was established on Nov 5, 2001 with initial registered capital of 15 million baht. The company's original objective was to invest in mass-media companies, especially marketing management of sports events and news programmes on radio and television, but today it focuses mainly on different aspects of movies. Chief operating officer Thitakorn Ussayaporn discusses the company's strategy and outlook.

What is MPIC's business model?

MPIC is an entertainment holding company comprising three subsidiaries: M39, M Pictures and MVD. M39 focuses on producing Thai films, making four or five a year. M Pictures acquires licences from independent studios to distribute their films in Thailand and the immediate region. MVD focuses on home video entertainment, producing and distributing Blu-Ray, DVDs and VCDs. MVD is also a licensee of Disney studios and the Cartoon Network. Our major shareholder is Major Cineplex Plc, Thailand's largest cinema operator.

What is the process involved for M39 in making and distributing movies?

When developing a movie for the Thai market, we must combine the art with marketing and scientific methodology. In the past, movies in Thailand were made with little thought to marketing or commercial profitability and were essentially gambles by producers. Today we do market research to understand the population and what the market wants, see which area of the population has been underserved and test it or focus on the biggest market, which is movies for teenagers. Once we've decided on the type of movie to produce, we begin to focus on the marketing and commercial aspects. With the marketing we may look to release music linked with the movie or build awareness via social media and traditional forms of marketing. With the commercial aspect, we look to sell tie-in sponsorships. For example, last year we linked with a major fashion distributor in Thailand to have our actors wear its clothes. This helps both us in terms of financing and the sponsor whose fashion will be marketed for the entire shelf life of the movie.

What is M Pictures' licensing and distribution model?

Our team from M Pictures must constantly visit independent film festivals and independent studios to look for acquisitions. Recent examples of independent films are *The Lady*, a biography of Aung San Suu Kyi, and *The*

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Thitakorn: Major distribution channel is 7-Eleven

Iron Lady, about Margaret Thatcher, for which we acquired distribution rights. We also look for South Korean and Japanese films and cartoons to distribute in Thailand and the region. Thus we act as a content provider to the Major Cineplex Group. The films normally play in Bangkok for two or three weeks, four if they prove popular, and then we serve second-tier cities and the rest of the country.

Please provide more information on MVD's distribution business.

Once M Pictures' movies have run their course in cinemas, they are sold to MVD for home video distribution on Blu-Ray, DVD, VCD or digital. MVD also has its own licensing agreement with Disney studios and the Cartoon Network. A movie may be in circulation for only six months or up to five years depending on popularity. Our major distribution channel is 7-Eleven, as it has 6,000 stores throughout Thailand. We also distribute through B2S and Mangpong. More than 70% of MVD's sales are from VCDs, which is a surprise to our international partners, as the shift to DVD and Blu-Ray in Thailand is still slow.

What differentiates MPIC from its competitors?

No other company in Thailand is fully integrated within the movie industry chain the way MPIC is, as we produce,

license and distribute movies via the box office and home video. In terms of purely producing movies, there are two other main competitors: GTH, which is the largest in terms of box office revenue; and Sahamongkol, which is third.

How does MPIC compete in the face of so much piracy?

Dealing with piracy has to start first with the government taking action and enforcing the law. Today even pirate sellers of physical goods such as VCDs are struggling, as people can just download movies from the internet. This is why today you see even Thai films being pirated, something the physical pirates used to consider "ethically" unacceptable. We're exploring ways to compete against piracy and looking at perhaps creating our own online store or partnering with an international group.

What are the biggest risks facing your business?

The movie business can be risky, similar to betting, as we have to ensure we license or develop a movie that will be popular in Thailand. The risk that comes with developing a movie is we must be able to combine the artistic wants of our directors, writers and actors and yet have the film be commercially viable. We feel we've been able to combine the two very well.

How was your business affected by the floods?

The floods had an immense negative effect, as the fourth quarter of 2011 was one of our worst. When we released some movies, they did not perform as well as they might have, and even 7-Eleven, a major distributor of VCDs, asked us to stop shipping for two months. So in the entire fourth quarter, we had revenue for only one month, December.

Where do you see MPIC five years from now?

MPIC will be a major local studio similar to Fox or Warner but local. We currently are the only company in Thailand that covers that whole supply chain for movies and plan to solidify and grow our business further. Our main aim is to re-create the movie culture in Thailand, to make it once again the most popular activity for Thais.

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