

# **Business Plan for Cinema Lounge**

**Combining Customer-Centric features, Profitability, and Value Innovation**

## Abstract

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Abstract		
<p>This thesis emphasizes establishing a profitable, conceptual, and sustainable business model for a cinema lounge in the province of South Karelia. The study was carried out because the number of customers in cinemas has decreased since the pandemic. Movie theatres face several challenges, such as the growing popularity of streaming services and evolved customer needs. These challenges highlight the need for value innovation and enhancement of the customer experience.</p> <p>Several theoretical frameworks were utilized in the research, such as Blue Ocean Strategy, SWOT analysis, Experience Triangle, Four Realms of Experience, and Market Research. With the help of these tools, current challenges and opportunities were analyzed and a deeper understanding of the customer experience was created.</p> <p>A key insight of the research is that customers are increasingly looking for unique and enjoyable cinema experiences. Customer experiences can be improved in diverse ways with the help of Blue Ocean Strategy frameworks, and other significant theoretical frameworks. The research found several approaches to improve cost efficiency without impairing the customer experience.</p> <p>The conclusion of the study is that the cinema lounge concept has potential to be successful in the South Karelia province. The concept of the business is unique, versatile and suitable for different customer segments. However, the research is preliminary, and before the establishment of the business, further research must be executed.</p>		
Keywords		
Customer experience, Blue Ocean Strategy, Cinema, Lounge, Profitability		

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## 1 Introduction

### 1.1.1 History of Innovation of Movie Theatre Business

Films have carried viewers into the realm of imagination and diverse temporal and spatial contexts since the invention of cinema in the 19th century. The synchronized sound and the introduction of color films solidified Hollywood's dominance in the 1930's, also known as its Golden Age. Through the decade, movie theatres were the primary source of entertainment, with many consumers going to see films weekly. Super cinemas and picture palaces were constructed in urban areas. They offered additional amenities like cafés and ballrooms. In the United Kingdom, cinema attendance peaked in 1945 with over 31 million weekly viewers. (National Science and Media Museums 2024.)

In the late 1970s, after a relatively smooth and profitable journey, when Sony introduced VHS tapes, many believed it would lead to the demise of movie theatres. The new luxury of enjoying entertainment at home was an innovation that brought greater privacy and convenience. Nevertheless, the success of VSH tapes increased revenues both in cinemas and VHS tape sales by playing films in theatres exclusively before releasing them on VHS. (Barrera 2020.)

### 1.1.2 Decline of the Movie Theatre Business

Nowadays, there is a threat that cinemas will disappear due to digital competition. At first, piracy threatened the film industry. Then, televisions' growing size and technological advancements reduced the gap between cinema and home viewing experiences. Lastly, the huge popularity of various streaming services has become the greatest threat. The cinemas cannot compete with streaming services in terms of lower prices and better convenience. In response to the risk that the streaming services pose, the solution for the movie theatres is to enhance the customer experience. (Barrera 2020.)

In addition to significant competition in the entertainment field, the cinema business has other complications regarding profitability. Revenue streams in cinemas are generated from ticket -, food -, beverage -, merchandise sales in addition to public funding. Regardless, the sales of the tickets cover much of the high operational costs. The high operational costs, which include rent, wages, film rentals, equipment, advertising, licenses and additional overheads. (Independent Cinema Office 2017.)

Furthermore, a global media company, Forbes, discusses whether the movie theatre business is dying after the COVID-19 pandemic due to inflation and the rise of streaming services. They state that due to the high prices, competition, improved technology, and time commitment to driving to a movie theatre, the challenge is not seeking out a higher quality product. The solution is in creating a more advanced moviegoing experience. (Phillips 2024.)

Moreover, the California Aggie's article written by Mortazavi (2024) discusses the current state of the cinema industry. The article highlights the declining box office numbers and the potential threat of streaming services eradicating the movie theatre business. The author interviews UC Davis students regarding these issues. For instance, Dari Gonzales, one of the students, highlights how the unique experience brings people to watch movies in theatres. Similarly, Emily Essex states that when she watches movies at home, her focus drifts often. As a result, she misses key moments in the film. She further explains that the theatre environment helps people to stay focused on the movie. Jenna Gage agrees, emphasizing that the immersive atmosphere of a theatre provides an experience that the streaming services simply cannot recreate. Overall, according to the students interviewed, regardless of the popularity of streaming services, moviegoing experiences depend on the environment that cannot be provided at home.

## 1.2 Topic of the Thesis

The thesis topic focuses on producing a business plan for a cinema lounge in South Karelia. The aim of the thesis is to utilize customer-centric features, profitability, and value innovation. The business plan is intended for individual purposes and application. The research problem concentrates on many issues that the industry seeks to address. For instance, the popularity of streaming services, unauthorized content distribution, decreased cinema attendance, high operational costs, technological advancements and constantly evolving customer preferences and demands, are only few challenges in the current industry.

The topic of the thesis is relevant and innovative as it considers the current challenges of the movie theatre business in the post-pandemic world. This era demands a greater need to innovate a new moviegoing experience than in previous times. The topic of the research demands a deep understanding of market dynamics, consumer behavior and business planning skills to organize a profitable and sustainable business model in a competitive industry.

The research topic addresses a gap in the market by exploring what constitutes a movie theatre experience that customers deem worthy of their time and financial investment. Also,

due to the lack of existing research on this subject in the South Karelia region, the thesis aims to address this gap. The thesis seeks untapped market opportunities by developing a customer-oriented cinema lounge that offer unique characteristics and innovative values. Simultaneously, the thesis focuses on creating a profitable and sustainable business.

### 1.3 Objectives

The thesis aims to develop a viable business plan for a cinema lounge in South Karelia that reconceptualizes a moviegoing experience. The objective is to create an experience in a movie theatre environment using customer-centric features and operational efficiencies to ensure profitability and value innovation. The thesis is based on strategic frameworks such as the Blue Ocean Strategy. It conducts comprehensive market research to produce a viable plan that addresses the current issues and trends of the industry, as well as the evolving customer experience. This study aims to discover solutions and strategies that will revitalize the cinema experience and make it worthwhile for the target audience. Ultimately, the research investigates actionable insights for launching and sustaining a profitable company.

### 1.4 Delimitations

The thesis will include a comprehensive market assessment of the cinema and entertainment industry focusing on customer expectations, preferences, trends, challenges, and opportunities in South Karelia. As a deliverable, thesis will be well-composed, which means that it will include a detailed business plan outlining variables like the concept, strategy, target audience, features, and revenue streams. The study will include the application of strategic frameworks like the Blue Ocean Strategy and other relevant frameworks to identify and analyze the competitive landscape, innovate, and offer operational business solutions. The research will also concentrate on how and what operational efficiencies will be achieved to ensure profitability during the challenging financial landscape of the area.

Furthermore, the thesis will discuss some financial projections of the business. However, complete financial modeling and accounting will be a secondary focus of the study as the primary perspective of the thesis will be on conceptual business plans. Also, while regulatory analysis will be included to some extent, a comprehensive examination of legislation and regulations governing the industry will not be incorporated. Lastly, the research will not be a longitudinal study, where the movie theatre industry or other subjects will be observed over years or decades. The focus of the study will be more on initial implementation and strategies for future growth and sustainability.

The study's limitations are justified for several reasons, such as the scope of the study, practicality, research feasibility, and dynamic industry complexity. Firstly, the scope of the study must be precise and focus on a detailed and actionable plan without being overly complex. As a result, the plan of the business will be coherent, and it will be easier to understand the proposed concept. Secondly, the practicality of the in-depth financial projections and legal considerations need further resources and time to be concluded properly. Considering the available thesis timeframe, including these comprehensive and vital, nevertheless, complex concepts weaken the quality of the core conceptual business plan.

Thirdly, the thesis has to be feasible, and focusing on the conceptual business plan within the boundaries of the research will enclose a direct approach, ensuring that the findings are relevant and applicable to the proposed business concept. Also, the movie theatre industry is complex and requires rapid adjustments. Thus, longitudinal research may not have efficient and accurate results of the immediate impact of proposed innovations, strategies, and solutions.

### 1.5 Research Question

The main research question is, "What kind of business model is profitable, conceptual, and sustainable for a cinema lounge in South Karelia." Sub-research questions are used to gain a greater understanding of and application of the topic. Sub-research questions of the thesis are:

1. How to enhance customer experience in the cinema?
2. How to use value innovation in business planning?
3. How to apply the Blue Ocean strategy in competitive business environments?

### 1.6 Structure of Thesis

The thesis consists of mainly four parts. Firstly, there will be an introduction that includes subject matters, such as a presentation of the topic, research gap, research questions, objectives, delimitations, and research methodology. Secondly, the theoretical framework consists of the crucial frameworks and themes included in the thesis, such as business planning, customer experience, market research, the Blue Ocean Strategy, and the SWOT Analysis. Thirdly, empirical work is done through research and analysis. In the research and analysis section, the business plan is constructed based on the implementation of those frameworks discussed in the theoretical frameworks. Lastly, the results are summarized in



the conclusion section, and a discussion regarding the thesis work is deliberated. The discussion will include strengths, weaknesses, and future recommendations for research.

## 1.7 Research Methodology

The approach used in the thesis is an action research framework. Action research is a group of methods that integrates theory and practice to manage crucial organizational, community, and social challenges collaboratively with those experiencing them. It entails planning, action, and reflection cycles to originate knowledge and generate change. In the business concept, action research functions in the realm of strategies, operational tasks, and configured hierarchical organizational systems. (Shani & Coghlan 2019, 518-522.)

In their article called *Action Research in Business and Management: A Reflective Review*, Shani and Coghlan (2019, 518-522) assess action research in business and management. The authors emphasize four core factors: context, research process quality, relationship quality, and outcomes. They offer real-life examples of action research projects, demonstrating how the variables are applied in diverse contexts. The authors conclude that while action research has the potential to aid in creating organizational solutions, business and management have not realized their full prospects currently.

The article's authors investigate how the relationship between business planning and action research is closely intertwined. The framework in a business environment prioritizes addressing issues like customer service, globalization, innovation, financial management, and organizational change. It is used across various industries and business functions. Action research consists of operations management, marketing finance, and supply chain management. By integrating action and reflection, action research aids organizations in establishing a deeper understanding of critical challenges, resulting in more effective business planning and implementation. (Shani & Coghlan 2019, 520-531.)

Action research is highly practical in the creation of a business plan. It entails theory and practice, allowing the researcher to identify and address challenges while providing information. The approach of action research for the thesis aids in establishing solutions to issues from practical experience reinforced by rigorous research. Also, it fosters the cultivation of self-guidance competencies, strengthening the ability to organize and adjust the business plan efficiently. Furthermore, action research has a versatile approach among several industries, illustrating how adaptability and efficiency are important in identifying various business issues. Therefore, it is a vital resource when creating high-quality business plans. (Shani & Coghlan 2019, 520-535.)

Based on an article titled Action Research as Meta-Methodology in Management Field written by Erro-Garcés and Alfaro-Tanco (2020, 1-9) the action research process in developing a business plan goes through iterative stages of gathering data, analyzing, and applying changes. It entails constant feedback loops and spiral cycles, enabling cyclical advancements. Multiple data-gathering methods are used to obtain a holistic view of the issue. The iterative nature of the approach helps emerging action research studies to arise from previous studies or cycles. Also, this approach improves the relevance and precision of empirical studies in business and management fields. Action research is a meta-methodology or umbrella process merging from various research methods to facilitate diverse business challenges.

## 2 Theoretical Frameworks

The theoretical framework aims to contribute theoretical insights of the key themes and topics of the thesis. It will depend on a variety of key themes and topics that are vital for apprehending and developing the business plan. This research includes theoretical frameworks such as market research, the Blue Ocean Strategy, SWOT Analysis, and other key literature on customer experience and business planning.

### 2.1 Business Planning

A business plan is composed of a document outlining the anticipated trajectory of a company. It is a written description of the intended actions and strategies for achieving them. Generally stated, a business plan should entail all the crucial variables that will advance the business's success. (The Staff of Entrepreneur Media 2015, 3.)

According to Staff of Entrepreneurship Media (2015, 3-4), the following issues should be included in a business plan:

1. Fundamental business concepts are explored. The discussion encompasses aspects, such as organizational frameworks, industry, and specific offering and strategies are deliberated.
2. The strategy and specific actions one plan to implement it. To adequately address these issues, one must respond to two questions: What are the objectives for one's business? What is the timeline and methodology for achieving these objectives?
3. Products and services and their competitive advantage. This section serves as a description of products and services and why the consumers will want to purchase them from this business instead of its competitors.
4. The marketing plan. To tackle these objectives, the target audience must be clearly stated. The plan should cover how the business will attract and maintain enough customers to be profitable, the methodology used to obtain customers, and the differentiation from the competitors.
5. Finances. This section includes financial projections such as the revenue streams, start-up costs, and the necessary funding. The statements will supply a conceptual framework for how one's hypotheses regarding the organization, its market environments, and its strategic initiatives may manifest.

Furthermore, a business plan should be based on demonstratable facts and realistic expectations that will enforce the credibility of one's business plan. There is no set length requirement for a plan, but often, the plan consists of 15 to 25 pages. However, this can vary depending on the business size, the amount of funding that the business needs to acquire, and the nature of the business. For instance, if the plan proposes a new sort of business or emerging industry, more than 25 pages are required to explain it further. (The Staff of Entrepreneur Media 2015, 4-5.)

Business plans must be updated even after the initial creation. Especially financial statements, where the funding has been utilized, and the results of the set plans have to be revised. In order to get the best benefit from the business plan, it must be rewritten or revised regularly. Overall, business plans are not necessarily complicated or extensive documents but rather a constantly evolving, formal written description of the business, encompassing its nature, rationale, and strategies for success. (The Staff of Entrepreneur Media 2015, 6-28.)

The importance of business planning has been evident in the business launch, growth, and success. Statistically, entrepreneurs who complete their business plan are 260% more likely to launch and two times more likely to prosper. Businesses with completed business plans are 150% more likely to secure loan approvals and 133% more likely to get investment capital. Businesses with a business plan have greater growth of 85,19% than those without. Thus, a business plan is a vital tool to help entrepreneurs and businesses succeed. (Yaqub 2024.)

The business plan in this thesis will be compiled from empirical findings based on various theoretical frameworks. In the "Research and Analysis" section, the business concept is developed through the application of multiple analytical tools and a strategic framework. Additional business plan components are addressed under the subheading titled "Outcomes of Research and Analysis."

Firstly, the executive summary entails the key features of the complete plan. It's approximately two pages long and consists of a mission, risks, vision statements, a brief description of objectives and plans, a short description of the company and its organization, strategies, and a highlight of the financial status and requirements. An executive summary is the highlights, the introduction to the business that should catch the attention of the reader. (The Staff of Entrepreneur Media 2015, 105-107.)

Secondly, the implementation section will cover actionable plans that will describe the business's objectives, operations, timeline, and methodology. The implementation will be a forecast of how the business should organize the starting of a new business in realistic steps and schedule. (The Staff of Entrepreneur Media, 185-188.)

Thirdly, the unique selling proposition of the plan introduces the products and services of the business. It elaborates on the characteristics of the product or services, such as expenses, product attributes, market reach, intended demographic, rival businesses, and manufacturing considerations. The section covers what problem the service or product solves, highlights the compelling characteristics, and differentiates the product or service from competitors. (The Staff of Entrepreneur Media 2015, 135-145.)

Moreover, the marketing plan is fundamentally about understanding your target demographic and how to reach their attention. A great product or service is not enough to succeed. Marketing strategy is essential as it defines what is sold, with what price(s), and how to raise attention to the business. The four Ps of marketing, product, place, price, and promotion will be identified in the marketing plan. (The Staff of Entrepreneur Media 2015, 163-182; Twin 2024.)

Furthermore, financial projections in this thesis will be brief, as discussed in the delimitations section. This theme includes start-up costs for the business, investments, VAT, funding requirements, and strategies to find funding. In the research and analysis section of financial projections refers to few additional sources. Firstly, the thesis titled Establishment of Cinema and Brainstorming of Services with Service Design Methods by Kangas (2019) is utilized to see diverse funding opportunities. Secondly, the business uses contribution margin pricing. Thus, the thesis makes use of the definition and explanation given by the Investopedia Team (2024). The thesis will not cover issues, such as depreciation, liabilities, interest, and financial statements, as explained earlier in the introduction.

## 2.2 Blue Ocean Strategy

The Blue Ocean Strategy framework will be crucial for assessing the development of the business's unique value proposition. It includes simultaneously striving for low cost and differentiation to unveil emerging market space and discover untapped consumer needs. The priority is on inventing and catching undisputed market space, thus rendering the competition insignificant. The Blue Ocean strategy thinking rests on the idea that market limits and industry organization are fixed and are remodeled by the perceptions and actions of the industry participants. Applying the Four Action Framework (Eliminate, Reduce, Raise, Create), Value Innovation, Strategic Canvas, Three Tiers of Noncustomers, and Six Paths

Framework will identify ways to improve the existing experience. (Kim & Mauborgne 2015, 3-47.)

### 2.2.1 Red Ocean versus Blue Ocean

Kim and Mauborgne categorized the market into red and blue oceans. Red oceans symbolize currently existing industries where the competition is intense, and organizations compete to get a larger portion of the current market. The vicious rivalry in these market spaces turns the metaphorical ocean red with competition. On the other hand, the blue ocean represents undiscovered industries and market spaces. The blue ocean is free from competition and offers potential for growth and profitability, similar to the big and powerful blue ocean. (Blue Ocean Strategy 2024.)

The blue ocean and red ocean are opposites of one another. In the red ocean strategy, organizations are in competition, where they seek to outperform their rivalries in their established markets. Firms using red ocean strategy analyze their competitors' actions and use that knowledge to surpass them. Regardless of their efforts, this ultimately leads companies to a struggle for market share in an increasingly saturated environment. As a result, firms basing their entry decisions on these assessments categorize industries as either attractive or unattractive. (Blue Ocean Strategy 2024.)

Conversely, blue ocean strategies challenge the notion of fixed market boundaries, recognizing that these limitations primarily exist in the minds of managers. They seek to tap into the latent demand by redirecting their center of attention from supply to demand and from rivalry to value innovation. This strategy aims to simultaneously achieve differentiation and cost reduction, thereby creating new market spaces and opportunities. (Kim & Mauborgne 2015, 49-82.)

The blue ocean approach posits that industry attractiveness is not inherent but can be influenced by deliberate corporate efforts. By breaking the traditional value-cost trade-off, organizations can alter market structures and render existing competition irrelevant. This strategy enables firms to expand the demand side of the economy, generating new wealth and engaging in a non-zero-sum game with significant potential rewards. In this paradigm, the concept of inherently attractive or unattractive industries becomes largely obsolete. (Blue Ocean Strategy 2024.)

### 2.2.2 Value Innovation

As a part of marketing-creating strategy Kim and Mauborgne (2015, 3-23) introduced value innovation. It is a concept that simultaneously aims for cost reduction and differentiation.

This is shown in Figure 1. The authors introduce the concept to help value increase for both customers and businesses. As a result, the value for a customer is concluded by subtracting the price from the offering's utility, while the value for an organization is derived from deducting the cost from the offering's price. Value innovation only takes place when utility, cost, and price are parallel throughout the entire system.

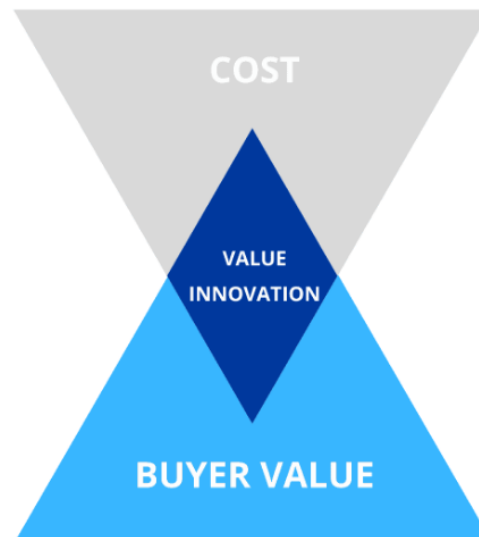


Figure 1. Value Innovation. (Kim & Mauborgne 2005, according to Blue Ocean Strategy 2024.)

Value innovation prioritizes both value and innovation. By focusing on both aspects of value innovation, the limitations of solely emphasizing either are avoided. While value without innovation prioritizes the creation of value on an accumulative scale. These improvements in the business model fail to distinguish a firm in the market space. On the other hand, innovation without value gravitates towards more technological advancements. As a result, the offering of the business exceeds realistic and current customer needs and willingness to pay. Value innovation enables businesses to pursue both differentiation and low cost simultaneously, creating unique market opportunities and staying away from competition. (Blue Ocean Strategy 2024.)

### 2.2.3 Four Actions Framework

The four actions framework serves as a tool for reconstructing elements of buyer value when developing a new strategic profile, also known as a value curve. To develop a fresh value curve that breaks the traditional trade-off between low cost and differentiation, this framework provides four crucial questions. These questions are designed to challenge the established strategic logic within an industry. (Blue Ocean Strategy 2024.)

Chan Kim and Renée Mauborgne (2015, 31-33) present these four questions followingly:

1. What elements does the industry consider standard that should be removed?
2. What aspects should be significantly lowered compared to industry norms?
3. What features should be enhanced beyond the typical industry level?
4. What new offerings should be introduced that the industry has not yet provided?

#### 2.2.4 ERRC Grid

ERRC Grid, also known as Eliminate-Reduce-Raise-Create Grid, enhances the Four Actions Framework and it has been utilized as a key tool of blue ocean strategy. The tool serves as a straightforward matrix-style instrument, which encourages businesses to concurrently focus on elimination and reduction, as well as enhancement and creation. Thereby unveiling new blue oceans. (Kim & Mauborgne 2015, 37-39.)

Eliminate	Raise
Reduce	Create

Figure 2. Empty ERRC Grid (Kim & Mauborgne 2005, according to Blue Ocean Strategy 2024.)

As shown in Figure 2, The grid prompts organizations to not only consider the inquiries presented in the Four Actions Framework but also to implement all four actions, resulting in a novel value curve that is vital for discovering unexplored market spaces. Firms gain four immediate advantages from utilizing this grid. Its complex businesses simultaneously seek differentiation and cost reduction, breaking the value-cost trade-off. It promptly identifies firms that solely concentrate on improvement and establishment often lead to increased cost structures and over-engineered products and services. (Blue Ocean Strategy 2024.)



Moreover, the grid aids understanding and engagement of the information immediately. As the finalization of the grid is challenging in its nature, a meticulous examination of each competitive factor occurs. As a result, this approach is guiding firms to uncover the range of assumptions they unknowingly make while competing. (Blue Ocean Strategy 2024.)

### 2.2.5 Strategy Canvas

Furthermore, to create an appealing blue ocean strategy, strategy canvas is a core diagnostic tool and an action framework. The canvas is a single-page analytic and visual tool that illustrates how an organization structures its offering to customers in contrast to its competitors. It effectively depicts four essential strategic elements: the competitive factors, the level of offering that buyers receive across these factors, and the strategic profiles and cost structures of both the organization and its rivalries. The strategy canvas portrays a story by revealing where the firm and its competitors are at present time allocating resources. Especially the factors which the businesses are fighting a market share for, and what consumers are benefitting from current competitive offerings in the marketplace. (Kim & Mauborgne 2015, 27-31.)

The strategy canvas provides two key purposes. Firstly, it captures the current competitive landscape, showing the factors the industry focuses on, what buyers receive, and the strategic profiles of key players. Secondly, it drives action by shifting attention from competing within the industry to exploring alternatives and addressing non-customers, helping to visualize how a blue ocean strategy can depart from the competitive red ocean environment. (Blue Ocean Strategy 2024.)

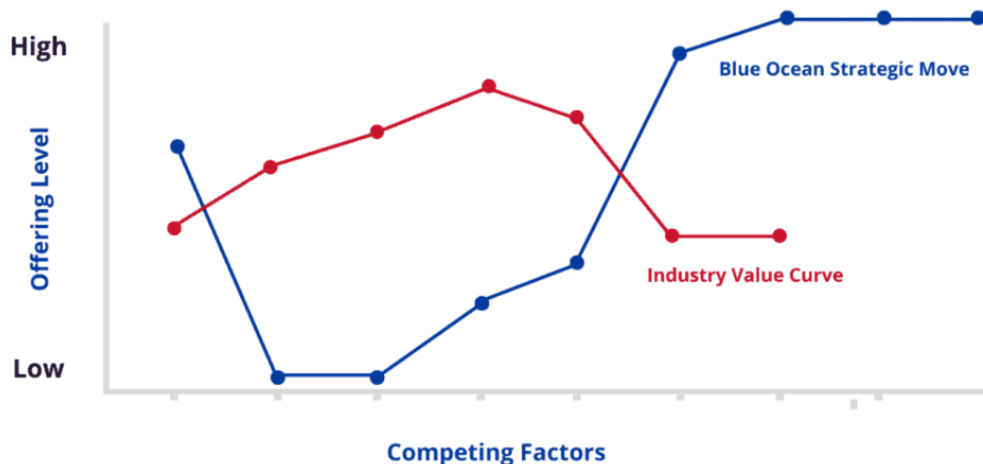


Figure 3. Strategic Canvas. (Kim & Mauborgne 2005, according to Blue Ocean Strategy 2024.)

In Figure 3, the horizontal axis of the strategy canvas represents various key factors in which an industry competes and invests, beginning with pricing. On the vertical axis, the level of offerings that consumers obtain for each of these core components is illustrated. A higher level vertically suggests that an industry player provides more. Thus, customers get more value for money. A value curve, also known as the strategic profile, is plotted to the illustration, and the dots are connected to create the curve. It depicts a company's performance in terms of its competitive factors. (Blue Ocean Strategy 2024.)

To create a strategic canvas, the industry must first be named. Secondly, the key competitive factors are identified by the industry or target market competition for the business, product, or service offerings. For each factor, each relative offering level is rated on a 5-point scale, where a lower offering rating indicates a weaker offering, and a higher rating represents a stronger one. Thirdly, the ratings are plotted on the vertical axis and the ratings that are represented as dots should be connected to form a value curve. Lastly, the competitor is chosen, and the process is repeated and compared against the first value curve. (Blue Ocean Strategy 2024.)

#### 2.2.6 Three Tiers of Non-customers

Three Tiers of Non-customers is another analytic framework to aid firms in identifying untapped demand and establishing blue oceans. To increase market share, companies focus on maintaining and growing an existing customer base. Many businesses lack a clear understanding of how to capture a larger market share. The three tiers of non-customers present new blue ocean opportunities, but the firms are unaware of who are these non-customers and how to attract them. To make use of this untapped potential, businesses must gain a deeper understanding of the non-customer landscape. (Kim & Mauborgne 2015, 47-83.)

Figure 4. Three Tiers of Non-customers. (Kim & Mauborgne 2005, according to Blue Ocean Strategy 2024.)

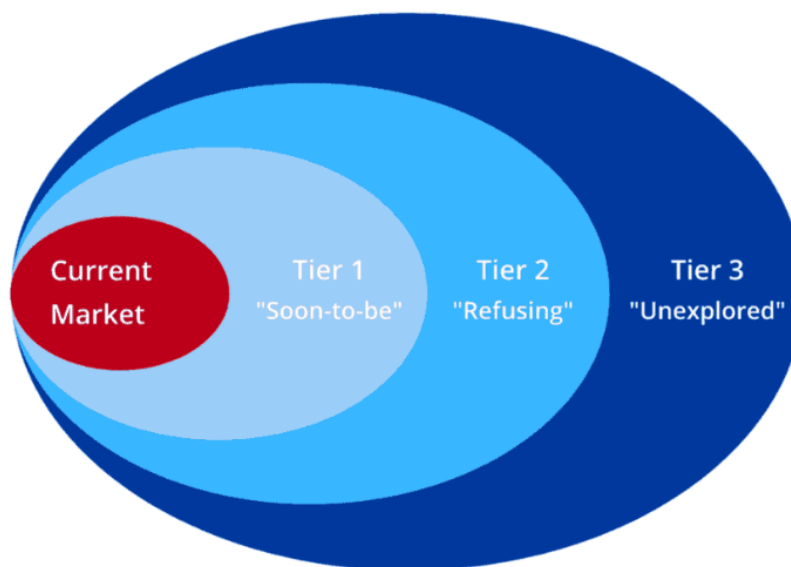


Figure 4 illustrates the non-customers who are divided into three tiers. The first tier, situated close to the existing market, comprises individuals who make minimal purchases from an industry out of necessity but do not consider themselves true customers. The second tier consists of those who actively choose not to use an industry's offerings despite being aware of them as potential solutions to their needs. The third and most distant tier includes individuals who have never even considered the industry's products or services as viable options. (Blue Ocean Strategy 2024.)

By identifying and emphasizing the shared characteristics between these non-customers and existing clients, firms can develop strategies to draw them into their newly created market space. (Kim & Mauborgne 2015, 47-83.)

### 2.2.7 Six Paths Framework

Chan Kim and Renée Mauborgne's (2015, 49) Six Paths Framework offers a solution to the search risk many organizations face. This approach helps to identify promising blue ocean opportunities from the vast array of possibilities by redefining market boundaries.

The framework offers six methodical approaches to shift one's perspective when examining the market landscape, thus uncovering new value cost frontiers. It guides through each path, demonstrating how to discover potential blue ocean prospects by expanding beyond an industry's self-imposed limits rather than remaining confined within them. (Blue Ocean Strategy 2024.)

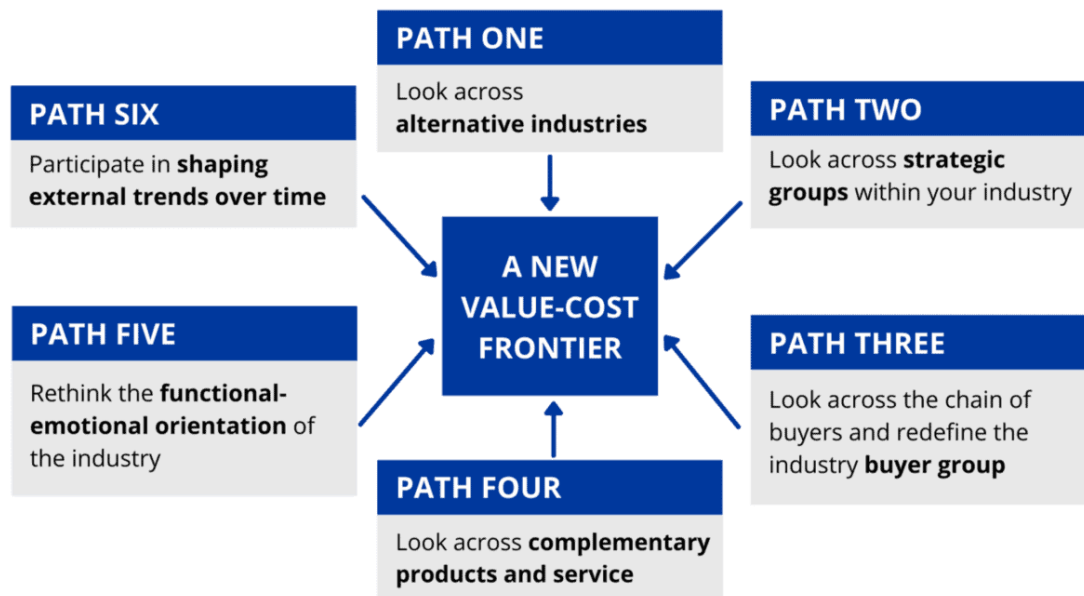


Figure 5. Six Paths Framework. (Kim & Mauborgne 2005, according to Blue Ocean Strategy 2024.)

By employing this technique, decision-makers can break free from traditional competition-based thinking, alter their viewpoint, and gain insight into reconstructing conventional boundaries to create new demand. As shown in Figure 6, the Six Paths Framework encourages looking beyond typical industry confines and instead examining various industries, strategic associations, consumer segments, supplementary goods and services, the emotional-functional direction of an industry, and even diverse time frames. (Blue Ocean Strategy 2024.)

### 2.2.8 Buyer Utility Map

The Buyer Utility Map reinforces a demand-focused approach. It identifies the diverse methods to improve the value for customers and evaluates the entire range of experiences customers have with a product or service. This perspective aids the discovery of all the potential areas where products or services can provide utility. (Kim & Mauborgne 2015, 121-125.)

**The Six Stages of the Buyer Experience Cycle**

	Purchase	Delivery	Use	Supplements	Maintenance	Disposal
Customer Productivity						
Simplicity						
Convenience						
Risk Reduction						
Fun & Image						
Environmental Friendliness						

Figure 6. Buyer Utility Map. (Kim & Mauborgne 2005, according to Blue Ocean Strategy 2024.)

As presented in Figure 6, the map illustrates two dimensions: the Buyer Experience Cycle (BEC) and Utility Levels. The Buyer Experience Cycle (BEC) decomposes a consumer's experience into six sequential stages, from initial purchase to the final disposal of the product or service. Conversely, Utility Levels symbolize different methods through which businesses can enhance customer utility across these stages. (Blue Ocean Strategy 2024.)

By positioning a new offering within the map, managers can identify how the new idea delivers a unique value proposition compared to existing options and address major barriers that prevent non-customers from becoming customers. However, in practice, management often concentrates on the same stage of the customer's experience. While this map can be highly beneficial in emerging industries where there's room for enhancing utility, in established industries, this approach is less likely to lead to a transformative blue ocean strategy. (Kim & Mauborgne 2015, 121-125.)

### 2.2.9 Sequence of Creating a Blue Ocean

Organizations must create their blue ocean strategy by prioritizing four elements: customer value, pricing, expenses, and implementation. This approach helps companies to build a sustainable business model and gain the benefits of the emerging market space. According to Kim and Mauborgne (2015), firms significantly lower business model risk and guarantee benefits for both the business and its customers. Businesses achieve success with this

approach by comprehending an accurate strategic sequence and assessing blue ocean conceptions against crucial criteria within that sequence. (Blue Ocean Strategy 2024.)

Kim and Mauborgne (2015, 117-144) outline the strategic steps for developing a commercially viable blue ocean concept. The initial focus is on customer value. Issues such as the product or service's utility and its appeal to a large number of consumers who purchase it are discussed. Followingly, the pricing is considered. Questions regarding the offered price and its appeal to target customers will be analyzed. Affordability is vital to make the product or service manageable to purchase, or it won't generate significant market interest. These stages focus on the revenue aspect of the business model of a firm, ensuring a substantial increase in net customer value.

The third element to assess is the cost to secure profitability. The cost element of a business model guarantees that it builds intrinsic value in the aspect of profit. The profit is determined by deducting production expenses from the selling price. The critical topic to assess in the third sequence is whether the firm can produce the product at the aimed cost while maintaining a profitable profit margin. Companies need to avoid letting costs dictate prices or reducing utility due to high costs that prevent profitability. If the target cost is not achievable, either the idea must be disregarded, or innovation must take place so that the business model meets the target cost. (Blue Ocean Strategy 2024.)

The final step in the sequence involves addressing adoption barriers. Challenges regarding the implementation of the idea and addressing the issues must be considered. The formulation of the blue ocean strategy is fully finished when the potential adoption challenges are addressed from the outset. This ensures the successful realization of the business concept. Figure 7 shows the entire sequence of creating a blue ocean. (Blue Ocean Strategy 2024.)



Figure 7. An illustration of the sequence of Creating a Blue Ocean. (Kim & Mauborgne 2005, according to Blue Ocean Strategy 2024.)

### 2.3 SWOT Analysis

SWOT analysis is a well-known strategic management tool in various fields. Businesses employing it have increased significantly. It analyzes four key elements: strengths, weaknesses, opportunities, and threats in internal and external environments. The analysis tool, when used properly aids an organized approach to decision-making and strategic planning. (Helms & Nixon 2010, 215-217.)

Helms and Nixon, in their article titled "Exploring SWOT analysis – where are we now? A review of academic research from the last decade" (2010, 215-231), investigate the application of SWOT analysis and whether its value as a planning tool is still prevalent. Authors state that over the last ten years, studies have indicated that the usage of the SWOT tool has increased in the assessment of organizations and proposal of strategic recommendations. They found out that the method is used in nearly every business case study targeting business students. Additionally, SWOT analysis nowadays is widely utilized as a teaching tool by educators as well.

Panagiotou (2003) argued that the tool is too vague and oversimplified with its numerous limitations. The authors of the article deliberate that the success of using the SWOT tool relies on the depth of analysis that is done. SWOT analysis has fundamental flaws such as a lack of hierarchy, issues in categorizing values, classification challenges, and limited to no strategic direction. Despite the limitations of the tool, it continues to be a major strategic tool. (Helms & Nixon 2010, 231-240.)

Evans and Wright (2009) state that SWOT remains a highly valuable component in the strategic planning process. The authors of the article refer to a study conducted by Evans and Wright (2009); SWOT analysis offers a concise summary of the strategic position of a company with its application spanning from corporate and functional levels down to individual usage. However, the study that the authors emphasize concludes that the tool should not be used in isolation but should be integrated with additional tools to enhance its effectiveness. (Helms & Nixon 2010, 229-230.)

Furthermore, the SWOT Analysis process starts by examining the internal resources and capabilities of a company to achieve a competitive advantage. The internal analysis is done to identify areas that require improvement or maintenance. The business environment and strategies are investigated through external analysis. In conclusion, SWOT analysis compares the four core elements and uses strengths to address weaknesses and threats. (Gürel 2017, 1005-1006.)



## 2.4 Customer Experience

Enhancing customer experience will be a prominent theme in the thesis. This section will explain how a business creates a memorable and engaging environment that further improves customer loyalty and satisfaction. By designing a unique customer journey, the business differentiates itself from its competitors. The role of ambiance and service quality will be explored to comprehend how they affect the immersive experience.

Welcome to the Experience Economy by Pine and Gilmore (1998, 97-99) states that economists traditionally have included experiences alongside services. However, experiences represent an alternative economic offering that differs from services as much as services differ from goods. In today's market, consumers seek experiences, which are now recognized as the fourth economic offering, following the progression from commodities to goods, and services. As shown in Figure 8, experiences have appeared as the latest stage in what is referred to as the progression of economic value.

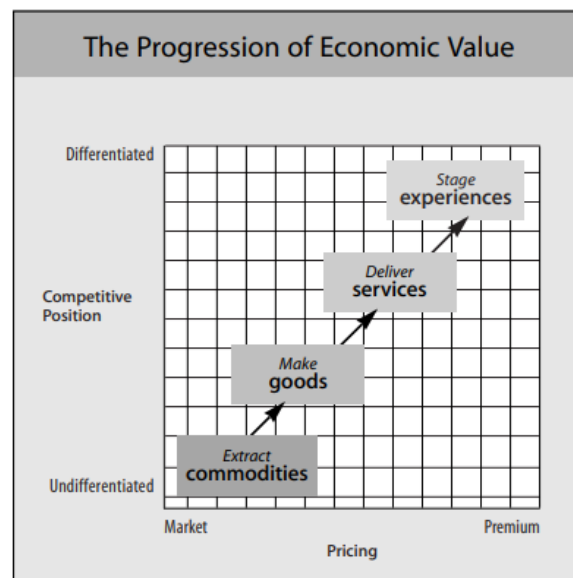


Figure 8. The Progression of Economic Value (Pine & Gilmore 1998.)

The establishment of an experience takes place when a firm deliberately utilizes services as a stage, goods as props, and interacts individually with consumers in a manner that produces an unforgettable occurrence. While commodities are interchangeable and fungible, goods are tangible. Also, services are intangible individualized activities with advantages, while experiences are memorable. However, experiences are not limited to entertainment. Organizations create an experience whenever they interact with consumers in unforgettable and personal matters. (Pine & Gilmore 1998, 98-99.)

A company can claim to offer experiences as its economic offering only if an admission fee is charged. An event designed solely to improve customer preference for the standardized goods or services of a company does not qualify as an experience economic offering. Nevertheless, even if a company currently chooses not to charge for admission for the events it organizes, its management should consider what they might do differently if they were to implement an admission fee. This consideration will help the business envision how to progress into the experience economy, as the approach necessitates the creation of more enriching experiences. Cinemas have already implemented admission charges for featured films. Implementing an admission fee does not suggest that organizations should cease selling services or goods. (Pine & Gilmore 1998, 100-101.)

In advance of the implementation of admission charges, a company must create an experience that guests deem worth the cost. Superior design, marketing, and delivery are just as vital for the experience as are services and goods. Creativity and innovation will often increase revenue. However, experiences, like other economic offerings, possess unique characteristics and qualities and bring distinct design issues. (Pine & Gilmore 1998, 99-101.)

#### 2.4.1 Four Realms of an Experience

Experiences can be categorized into two dimensions. The first axis represents customer involvement, ranging from passive to active participation. In passive participation, the customer does not influence the performance, while in active participation, they play a quintessential role in creating the performance of the experience. The second axis depicts the connection between customers and the event. This spectrum ranges from absorption to immersion. For instance, attending a cinema with an audience, a giant screen, and immersive sound is more enjoyable than viewing the same film at home. (Pine & Gilmore 1998, 101-103.)

These two axes create four broad categories of experiences: entertainment, educational, escapist, and aesthetic. These categories form the Four Realms of an Experience, in which the “sweet spot” is dot in the section where spectra intersect. The Four Realms of an Experience is illustrated in Figure 9. (Pine & Gilmore 1998, 101-103.)

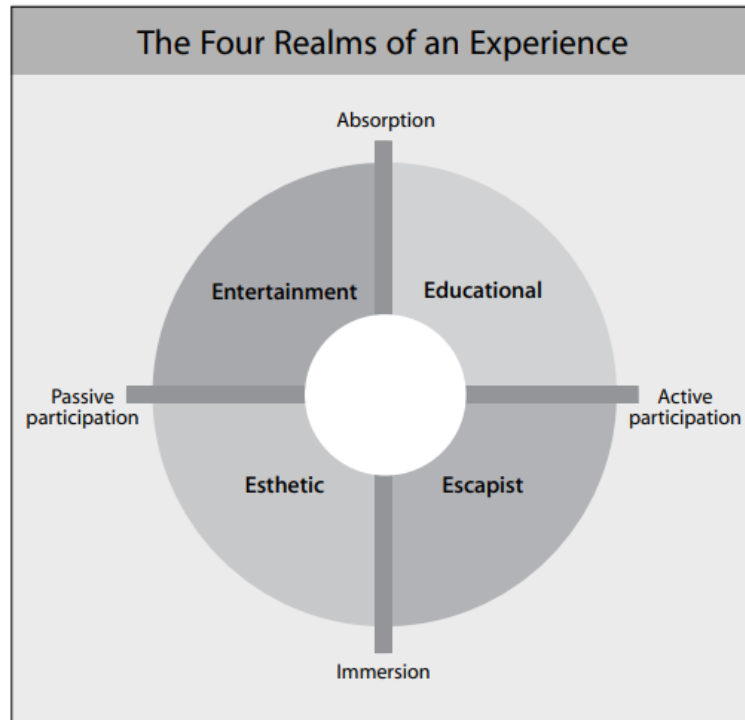


Figure 9. The Four Realms of an Experience. (Pine & Gilmore 1998.)

Furthermore, the entertainment category of the Four Realms of an Experience signifies that customers are captivated by the performance. The educational section means that the buyers expand their understanding or abilities. The aesthetic category implies that the customers are inspired by visually appealing surroundings. Lastly, the escapist section is how the customer immerses themselves in activities set in diverse eras or locations. (Pine & Gilmore 1998, 101-103.)

#### 2.4.2 Creation of Experiences

A key aspect of creating an experience is designing a clear theme. A poorly conceived theme fails to provide customers with a framework to organize their impressions, resulting in no lasting memory. An efficient theme is succinct and engaging, driving all design elements and staged events toward a cohesive narrative that fully immerses the customer. It does not need to be a corporate mission statement, marketing slogan, or even written down. (Pine & Gilmore 1998, 102-104.)

To reinforce the theme, experiences must create lasting impressions. These impressions, which are the main takeaways, should align with and support the theme. Businesses must convey cues to align with the theme of the experience, ensuring all elements are consistent

with the theme and removing anything that detracts directly from it. (Pine & Gilmore 1998, 102-104.)

Incorporating memorabilia into the experience represents a valuable opportunity. Consumers spend tens of billions annually on memorabilia, often at prices significantly higher than similar items not associated with the experience. This price difference reflects the value buyers place on remembering the experience rather than the cost of goods. Also, incorporating all five senses is crucial to the overall experience. The sensory elements that complement an experience should align with and amplify its central theme. The experience becomes more impactful and unforgettable as it engages more senses. (Pine & Gilmore 1998, 103-105.)

Moreover, businesses should strive to relate to customers on an individual level. For instance, tailoring their products and services to meet their desires is a key to personalization. The new consumer priority is authenticity, which has emerged alongside the shift to the experience economy. Regardless of what is being offered, buyers will evaluate it based on its perceived authenticity and alignment with their self-image. (Pine & Gilmore 1998, 103-105.)

Nevertheless, employing these design principles does not guarantee success, as the fundamental laws of supply and demand remain in effect. Businesses that fail to deliver consistently engaging experiences, set prices too high relative to perceived value, or create excessive capacity for staging experiences may face challenges with demand, pricing, or both. (Pine & Gilmore 1998, 103-105.)

### 2.4.3 Progression of Economic Value

In the future, the transformations represent the fifth and the final economic offering. Transformations utilize experiences to guide customers toward meaningful change by integrating these experiences into their lives in ways that produce noticeable improvements. Looking ahead in the experience economy, more experiences should lead to transformations. Figure 10 illustrates the progressions of economic value in full. While experiences are more enduring than the services, participants often seek beyond mere memories. Buyers seek something that surpasses what goods, commodities, services, or experiences can solely provide. (Pine & Gilmore 2013, 23-33.)

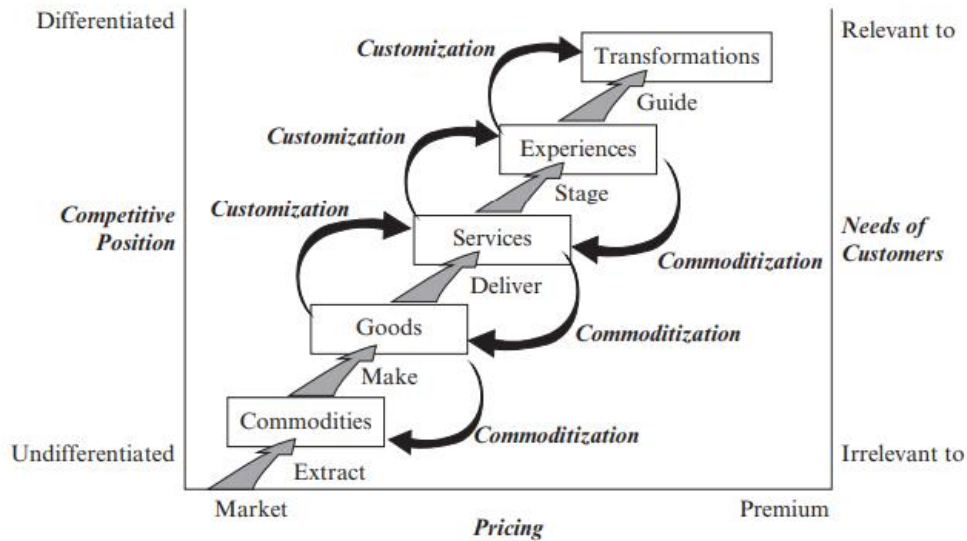


Figure 10. The Progression of Economic Value in Full (Pine & Gilmore 2013.)

As economic activity moves further from goods and services, companies will eventually see their experiences become commodified. The enjoyment derived from repeated experiences diminishes over time, in the end leading to disengagement. Nevertheless, society is not fully prepared for this economic shift yet. Many people are still adjusting to the concept of experiences. These customers might be hesitant to seek external help in changing themselves due to the intensely personal nature of such transformations. Therefore, for now, the focus is staging experiences. (Pine & Gilmore 2013, 32-43.)

#### 2.4.4 Experience Triangle

Experience Producer's Handbook (Tarssanen, 2009, 11) presents the experience triangle. Figure 11 shows an illustration of the Experience Triangle based on the work of Pine and Gilmore. The model aids analyzation and understanding of tourism, entertainment, and cultural products. The experience triangle describes the perfect product, where all the elements of the experience are represented. It is a clear tool for the critical points or shortcomings of the product. The model makes it easy to analyze the product and develop it. The experience triangle establishes better products that give a company a competitive advantage.

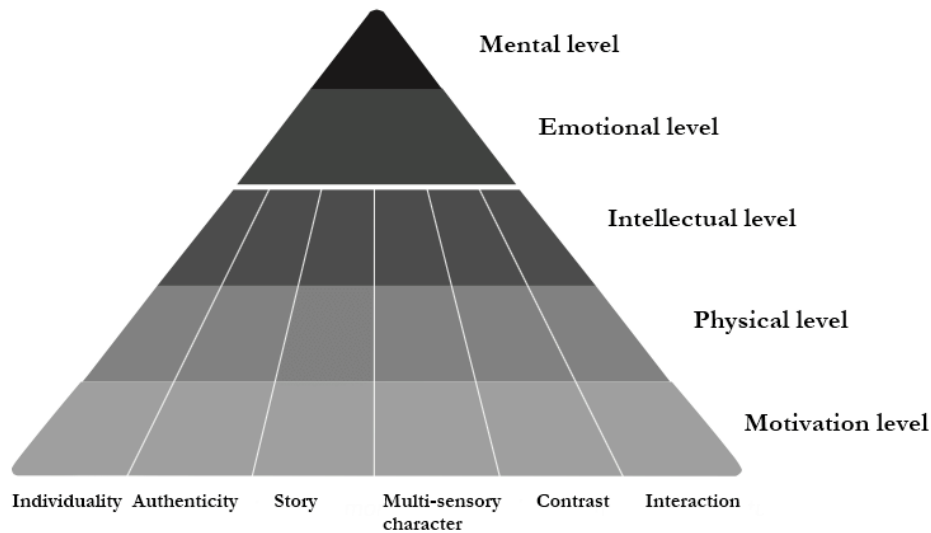


Figure 11. The Model of the Experience Triangle (Tarssanen & Kylänen 2005, according to Vlad 2015, 8.)

The model views the experience from two perspectives. Firstly, at the level of the product's elements. Secondly, at the level of the experience of the customer. The bottom of the experience triangle depicts the factors that affect the experience. It is impossible to guarantee for every guest that the experience is as promised. Nevertheless, elements of the product can be included, and with their help, a better experience is created. This ensures that the criteria for the experience are met, and the service refined as an experience. (Tarssanen 2009, 12.)

There are six elements in the model. Firstly, individuality means the uniqueness of the product. The customers are unable to find a similar or the same experience elsewhere. Individuality is seen as customer orientation, flexibility, and the possibilities of product customization according to the preferences and needs of the consumer. In its simplest terms, this means that there is flexibility in the program so that each participant can customize their preferences. Product individuality and degree of customization can be executed diversely, and there are endless possibilities. When individuality is increased, the cost tends to raise simultaneously. Therefore, the challenge of this element is in terms of producing easily customized products whose basic concept is duplicable. (Tarssanen 2009, 12-13.)

Secondly, authenticity in the context of elements means the credibility of the product. In its simplest form, it is about existing in an authentic way in the culture of the region. According to Edward Bruner (1994), the customer ultimately decides what is considered authentic. The creation of the product should be influenced by the cultural background of its developers, making it familiar and a natural extension of their local identity. Bruner (1994) argues

that every representation of a certain culture changes the original perception. Therefore, part of the authenticity of a product lies in its cultural-ethical sustainability. An ethical product should never offend ethnic or other communities, and the companies should never seek benefit at the communities' expense. (Tarssanen 2009, 13.)

Thirdly, the next element, the story, is closely connected to the authenticity of the product. It is crucial to tie various elements of the whole with a coherent story. This makes the experience dense and immersive. A believable and authentic story gives the product and experiences a social dimension, meaning, content, and justification for the customer to experience the product in question. A good story has elements of facts and fiction and should be enticing to the consumer on an emotional level. As a result, the customer gets to experience the product intellectually and emotionally. The effectiveness of the product must be considered carefully. Each product should be scripted, taking into consideration the needs of the target demographic. This ensures the believability of the possible plot twist efficiently. (Tarssanen 2009, 13-14.)

Moreover, multisensory in the context of the experience elements is related to the careful design and selection of all sensory stimuli. Multisensory is meant to reinforce what is desired from the theme and ensure the attractiveness of the product. However, if there are too many sensory stimuli or the provided stimuli are disturbing, the overall impression of the experience suffers. (Tarssanen 2009, 14.)

Furthermore, contrast signifies the dissimilarity from the viewpoint of the customer. The product must be differentiated from the consumer's ordinary actions. They must be able to experience something new, exotic, or out of the ordinary. By experiencing something new, the customer can see themselves from a new perspective, in an alternative way, in a foreign environment. This provides freedom to view and experience things away from everyday restrictions or habits. The contrast must be taken into consideration in relation to the nationality and the culture of the customer. (Tarssanen 2009, 14.)

Lastly, interaction is successful communication between the guide and/or other travelers. Great communication takes the communication of the consumer and the product and/or developers into account as well. A sense of community plays a vital role in communication. As a result, greatly important that the customers participating in the same excursion are familiar with one another. Although the customer can experience the product alone, a community involves greater value and appreciation. In this way, the experience raises the social status of the participants or creates a closer association with this community. When there is discussion about experiments, the element of interaction is particularly crucial in the creation of individuality. The personal interaction between the service provider and traveler is

important in conveying the experience to the customer in a certain environment in the most successful way possible. (Tarssanen 2009, 14-15.)

On the vertical axis of the experience triangle model, the structure of the experience of the customer is described. It begins from the awakening of interest experiencing to the conscious processing of the experience. The structure furthers an emotional experience that leads to a transformative experience. In a functional experience product, all the basic elements of the experience described are included for the experience level for everyone. (Tarssanen 2009, 15.)

At the bottom of the axis, the motivation level is located. The motivation level of the client awakens interest and creates expectations for the product. Already at this stage, as many as possible experience criteria should be met. In other words, product marketing should have qualities of all the experience elements. (Tarssanen 2009, 15.)

Followingly, on the physical dimension, the customer experiences and becomes aware of the economic offering via their senses. With the help of physical sensations, the customer acknowledges where they are, what is happening, and what they are doing. On a physical level, an excellent product guarantees a pleasant and safe experience. The technical quality of the product is measured via the physical level. (Tarssanen 2009, 15-16.)

On the other hand, on an intellectual level, customers process the environment with given sensory stimuli and act according to them. On an intellectual level, consumers decide whether they are satisfied with the product. A pleasant experience at an intellectual level offers a learning opportunity to develop or gain new knowledge either consciously or unconsciously. (Tarssanen 2009, 16.)

In the end, the experience is experienced on an emotional level. It is challenging to foresee and manage individual's emotional reactions. If the product has been well taken into account with all the basic experience elements, a positive emotional reaction of a customer is very likely. A reaction that the individual feels to be significant. (Tarssanen 2009, 16.)

Lastly, on a mental level, a positive or strong emotional reaction may lead to personal transformation. It may result in permanent changes in the physical condition, mindset, or lifestyle of the customer. In this case, the individual feels that they have changed or accept that they have adopted something new as a part of their personality. Through the experience, customers may adapt a new hobby, a way of thinking, or find new resources within. (Tarssanen 2007, 16.)



## 2.5 Market Research

Market Research is fundamental to understanding markets and it involves a systematic collection and analysis of knowledge about organizations and individuals via statistical and analytical tools and methodology of the applied social sciences. It provides valuable perspectives into the target audience's needs, competitive benefits, and future challenges and growth. (Sarstedt & Mooi 2010, 2-4; Phillips 2007, 37-58.)

The Market Research Handbook (Phillips 2007, 37-58) prioritizes a systematic market research process. It aids businesses to understand customers, develop innovative products, and monitor the market. The value of market research is based on the ability to combine the needs of the company and customers with systematic research. The authors emphasize that value arises from the process and its use, not from singular research methods.

The authors describe the systematic market process as the process hygiene, which systematically integrates market research into a business's core operations. They advocate that rather than using market research sporadically as a reactionary measure, it should be a foundational and consistent practice in a business. (Schroiff 2007, 99-101.)

The handbook outlines an overarching journey, also known as a macro process. In essence, it is a passage from an initial idea to a thriving product in the market. The journey begins with a phase where businesses dive deep to understand customers' lifestyles, needs, desires, and even anxieties. As a result, businesses find opportunities for innovation and design valuable products. (Schroiff 2007, 99-111.)

The next stage of the process is pretesting. It is reminiscent of a rehearsal where every aspect of the product is refined, from messaging and packaging to pricing. Pretesting acts as an insurance policy. It allows companies to identify and correct potential issues before a large-scale launch. For instance, pretesting investigates whether the product resonates with the audience. (Schroiff 2007, 99-115.)

The macro process carries on with market observation and analysis after the initial launch. The last phase of the systematic market assessment enables companies to adapt strategies based on concrete evidence rather than intuition. Market observation and analysis involves gathering data on sales, customer feedback, and activities of rivalries. As a result, the complete process hygiene helps firms to maintain an edge on the competition and adapt in a constantly evolving market. (Schroiff 2007, 99-118.)

Furthermore, in each macro process there are individual research studies that support each phase. These studies are also known as micro-processes. The authors highlight common

errors regarding individual research studies. For instance, having a poor research question or careless study design results in insignificant results. Moreover, many researchers grant the research methods to dictate the outcomes of the study instead of focusing on the research question. During these micro-processes, data must be collected and analyzed thoughtfully to maintain intellectual rigor. (Schroiff 2007, 99-122.)

Market research is more than the collection of data. Ultimately, it is about interpreting the data to draw actionable insights. A valuable deliverable from market research is its ability to aid companies in challenging the status quo and consider solutions in alternative methods. Regardless of these valuable insights, some researchers struggle with decision-making. This phenomenon, commonly known as decision fright, is about researchers who hesitate to make bold choices or recommendations. Nevertheless, researchers have a vital responsibility to present findings objectively. In essence, data must be assembled clearly to draw actionable insights. (Schroiff 2007, 99-127.)

Market research is able to enhance decision-making without commanding the outcome. It is up to the decision-makers to assess the insights along with strategic goals, competitive pressures, financial constraints, and ethical considerations. Although data is a vital component in decision-making, the outcomes of the data analysis are not set in stone. Judgment, expertise, and intuition remain crucial, as even the most meticulously conducted study cannot eliminate uncertainty entirely. (Schroiff 2007, 99-127.)

In conclusion, market research, when conducted carefully, becomes a tool for reducing risks, driving innovation, and building stronger brands. This systematic approach transforms market research from a one-time event into a continuous practice. Market research enables systems to stay competitive and make informative decisions that align with broader objectives. (Schroiff 2007, 99-127.)

### 3 Research and Analysis

#### 3.1 Blue Ocean Strategy

##### 3.1.1 Value Innovation

The initial concept of the start-up enterprise was to create an enhanced cinema experience. It has been extensively documented that since the pandemic, there has been a decrease in cinema attendance. The cinematic experiences offered in South Karelia have remained largely unchanged for at least a decade. The experience is staged more functional rather than emotional. Therefore, cinemas lack unique characters, atmosphere, and aesthetics.

A typical movie theatre experience proceeds as follows. Firstly, the customer arrives at the theatre approximately 15 minutes prior to the screening. Before arrival, customers purchase confectionery from a grocery store due to the elevated prices of concessions provided at the cinema. The tickets and popcorn are purchased from the movie theatre. At times, a beverage of some kind is bought. Subsequently, the seats are taken, and the film begins. Customers depart upon the conclusion of the movie.

Historically, movie theatres were considered picture palaces, where individuals sought entertainment beyond merely viewing films. As a result of the industry's challenges and vicious competition, theatres must innovate solutions. Key aspects of the innovation are to enhance and prolong the customer experience.

The enterprise aims to create a unique offering that incorporates elements atypical of traditional cinemas. The cinema combines a comfortable lounge atmosphere, thematic décor, cocktails, mocktails, food, and interactive activities such as dinners and board games. The aim is to differentiate the business from traditional movie theatres by reducing cost and value innovation. In the research, customer experience will be investigated in detail with the use of Blue Ocean Strategy frameworks, SWOT analysis, Market Research, The Experience, and The Four Realms of an Experience.

The target audience initially consisted of a demographic of twenty- to thirty-year-olds. However, the business appeals to a broader audience, including a demographic of thirty- to fifty-year-old individuals, couples, and friends. Ultimately, the core demographic of the business is the customers who seek a distinctive and enjoyable cinematic experience.

##### 3.1.2 Four Actions Framework

The questions for the Four Actions Framework created by Chan Kim and Renée Mauborgne (2015):

1. What elements does the industry consider standard that should be removed?

The business eliminates elements that are not valued by customers. The standard of multiple screening rooms and the regular one-person seats would be removed. The business focuses on comfort and aesthetics. As a result, the traditional theatre-style seating or – space is not a priority. The space should be pleasing to the eye, and interior decoration should be utilized to stage a certain era or timelessness.

The space might not have the usual screening room. However, if it did, there would be only one room reserved for screening. The aesthetics and comfort are more crucial than the layout of the room. With the use of interior design, the space would feel like an appealing living room with couches, footrests, and coffee tables.

2. What aspects should be significantly lowered compared to industry norms?

The business reduces unnecessary costs associated with traditional cinemas. The ticketing and concessions can be more functional and timelier via a website. The food and beverages can be prepared for their seats beforehand. Also, the customers can focus better on socialization before the movie. Additionally, there is better accessibility for those with disabilities with these services.

The food, beverages, and tickets will be purchasable from the theater as well, however, the customers booking the seats and snacks via the website have priority. The website allows the customer to select the preferred seats, food, and beverages prior to the movie, and they can prepay in advance. This helps the workload of the workers to be faster and easier. The automation coming from the website helps the business minimize staffing during slow hours and reduce lines during rush hours.

As a result of eliminating the traditional space and seating of cinemas, reduce additional costs of purchasing multiple screens and maintaining them in good condition. Also, the screen chosen for the space can be of greater quality as there is no need to purchase multiple screens and other equipment necessary. The screen size will be large in ratio to the size of the room. With compromises to the screening area, the screen size will stage an illusion of being bigger than it is.

In the current market, BioVuoksi has a very spacious screening room. However, the screen, compared to the room, is outdated and too small. On the other hand, Finnkino has a big screen and large screening room that is up to the industry standard. The new business venture will not have a screen that will be up to the industry standard or beyond the industry

norm, but the size of the screen is chosen for the room to stage the illusion of being in industry norms.

Also, as people are purchasing sweets and snacks from grocery stores, those products are excluded from the selection. The products will not bring enough sales to the business. Thus, a more limited number of grocery-level treats are offered.

Lastly, the location of the theatre will not be the most convenient. The worse location enables more sensible renting overheads. For instance, Finnkino in the IsoKristiina mall is very convenient in the center of Lappeenranta. Conversely, BioVuoksi is also in an adequate location, but most people must travel there via car or public transport. Similarly, the new business will not be in the center of the city, but in a reasonable distance and easy to travel to. The business is not competing with convenience if the customer wants merely to view the film, they are going to choose to rent the movie online, purchase it, or utilize streaming services.

### 3. What features should be enhanced beyond the typical industry level?

One of the key aspects of the business is comfort. Raising the quality of seating from single-person seats to sofas will enhance the customer experience. The sofas would be for two to three individuals, each sofa will have a footrest and adequate table for food and beverages. There would be seats of approximately thirty to forty customers.

Furthermore, as the grocery store level treats selection is limited and decreased significantly from the industry standard, greater quality of food and beverages are offered. Foods will be appetizer – and dessert-like. The cuisine selection could include snacks like nachos, tapas, and premade candy cups in the menu. The beverage menu would have a selection of cocktails, mocktails, sodas, beer, and wine. The elevated prices of cinema concessions seem more reasonable as the quality of the products is better. Consequently, customers have greater experience in the cinema as they feel that they have excellent value for their money.

Also, the theatre will expand the variety of movie selections. The selection would range from new releases to classics and movie marathons. Including various films by season will bring people to re-experience the movie on a bigger screen, with audio, the audience, more appealing surroundings, and quality of food and beverages.

For instance, during the fall season, showing Twilight or Harry Potter movies as a movie marathon is appealing to the target audience. Alternatively, during Halloween, classics such as Hocus Pocus, Beetlejuice, or Coraline would be suitable options to show at the cinema.

Moreover, on May 4<sup>th</sup>, also known as Star Wars Day, there could be an organized Star Wars movie marathon. There are limitless opportunities to create nostalgic movie experiences. Also, memorabilia from those movies could be offered in merchandise. The key to succeeding in selling the experience is to understand the target demographic's needs through social media marketing. Following the trends on social media helps businesses to recognize what people would like to see, then efficiently advertise it and sell the experience via social media.

With these so-called "re-releases" or "re-experiences" of these classic movies, a better viewer engagement and more immersive experience can be organized. Depending on the movie, customers could dress up, sing, and engage with the movie. A greater immersive experience balances the passive nature of the cinema experience.

To sell the interactive movie experience, the surroundings of the theater must be immersed in the theme of the film. Signature drinks are created inspired by the movie, and there are decorations or photo booths where people can take pictures before the film. Even with the new releases, the aesthetic of the cinema creates a feeling of affordable luxury. With evolving customer expectations and preferences, buyers want more products, services, and experiences for as affordable as possible. This business venture is not aiming to be the cheapest option nor the most expensive option compared to the competitors.

Lastly, the business possesses lounge qualities beyond the cinema industry norms. Comfortable seating, immersive aesthetics, and activities offered are a few of the lounge aspects in the business model. People can come to socialize at the cinema, have a drink, play board games, and have snacks. The lounge will be perfect for meeting up with friends and significant others.

#### 4. What new offerings should be introduced that the industry has not yet provided?

The business would enhance the customer experience by creating events in the cinema before the movie and by introducing a new ordering system.

Firstly, the new ordering system allows customers to purchase more drinks or food during the movie, which is brought to their seats. Each table has a menu where customer writes what they would like to have. Then, the customer presses a button provided on the table, and staff discretely gets the menu with the order and brings the ordered items to their seats. After the movie ends, customers pay for their order at the cashier.

The creation of the new ordering system increases accessibility to order food or beverages during the movie. Often, after the film begins, customers do not want to miss the movie by going to the toilet or getting something from the shop. The new ordering system enables

consumers to fully enjoy and immerse themselves during the movie without ever needing to leave their seats. Also, it would be cost-effective for the business and rather easy for the customers to adjust to.

Secondly, creating events will attract more traffic to the business. There can be themed events inspired by the movies. There could be event tickets that would cover the food, signature welcome drink, activities, and the ticket to see the movies. These tickets would be sold primarily on the website due to the food offered being buffet style and the preparation of these dinners is done according to the demand.

The events could differ depending on the theme of the movie. For instance, there could be a candlelight dinner with live music or charcuterie-style food, wine, and activities. There could be activities related to decoration, games, arts, and crafts. There are endless possibilities to customize these events, and the target audience can suggest movies from which events are derived. In creating these events, the business must be alert to trends on social media to get more visibility and traffic to the business. The marketing of these events plays a vital role in catching the target demographic's attention.

By creating these events, people could enjoy the lounge aspects of the cinema, where socialization, aesthetics, music, comfort, food, and beverages would be prioritized. The event and service with products stage the experience that customers deem worthy of their money and time. Additionally, these events would prolong the experience. Often, customers want to meet up with their companions, exchange words, and have something to eat before going to see a movie. The convenience also increases as customers can spend the whole evening in one place at a reasonable price. Figure 12 illustrates the ERRC Grid that summarizes the Four Actions Framework.

Eliminate	Raise
<ul style="list-style-type: none"> <li>• Additional screening rooms</li> <li>• Traditional theatre seating and space.</li> </ul>	<ul style="list-style-type: none"> <li>• Quality of seating</li> <li>• Food &amp; Beverages selection</li> <li>• A wider range of movie selections, from new releases to classics and movie marathons</li> <li>• Improving customer engagement</li> <li>• Aesthetics</li> </ul>

	<ul style="list-style-type: none"> <li>Lounge qualities</li> </ul>
<b>Reduce</b>	<b>Create</b>
<ul style="list-style-type: none"> <li>Staff during slow hours</li> <li>Tickets and confectionary through the website</li> <li>Eliminating additional screening rooms, resulting in reduced expenses in screens and audio</li> <li>Smaller selection to none of grocery style treats</li> <li>It is not the most conventional location, thus having more reasonable rent</li> </ul>	<ul style="list-style-type: none"> <li>Events before the movie</li> <li>New ordering system: customers order food and beverages during a movie, are brought to their seats, and pay later.</li> </ul>

Figure 12. The Complete ERRC Grid.

### 3.1.3 Strategy Canvas

In the Strategy Canvas key competing factors are rated on a Likert type scale. The scale ranks each factor from one to five, one being the lowest and five the highest. Each factor is rated basis on offering level in the classified organizations. As shown in Figure 13, the values presented in the table below are made into a chart. The Strategy Canvas has each value dotted in the chart and connected them to create value curves.

<b>Key Competing Factors</b>	<b>Offering level of my company:</b> Rate on 1-5 Likert type scale	<b>Offering level of Finnkino</b> Rate on 1-5 Likert type scale	<b>Offering level of BioVuoksi</b> Rate on 1-5 Likert type scale
Price	2,5	1	4
Atmosphere	5	3	2



Comfortable seating	5	3	1
Movie Selection	5	3	3
Food & Beverage	4	3	2
Merchandise	3	2	2
Visual and audio quality	4	5	2
Location	2	5	2
Capacity of viewers	2	5	4

Figure 13. Table of Key Competing Factors and Offering Levels.

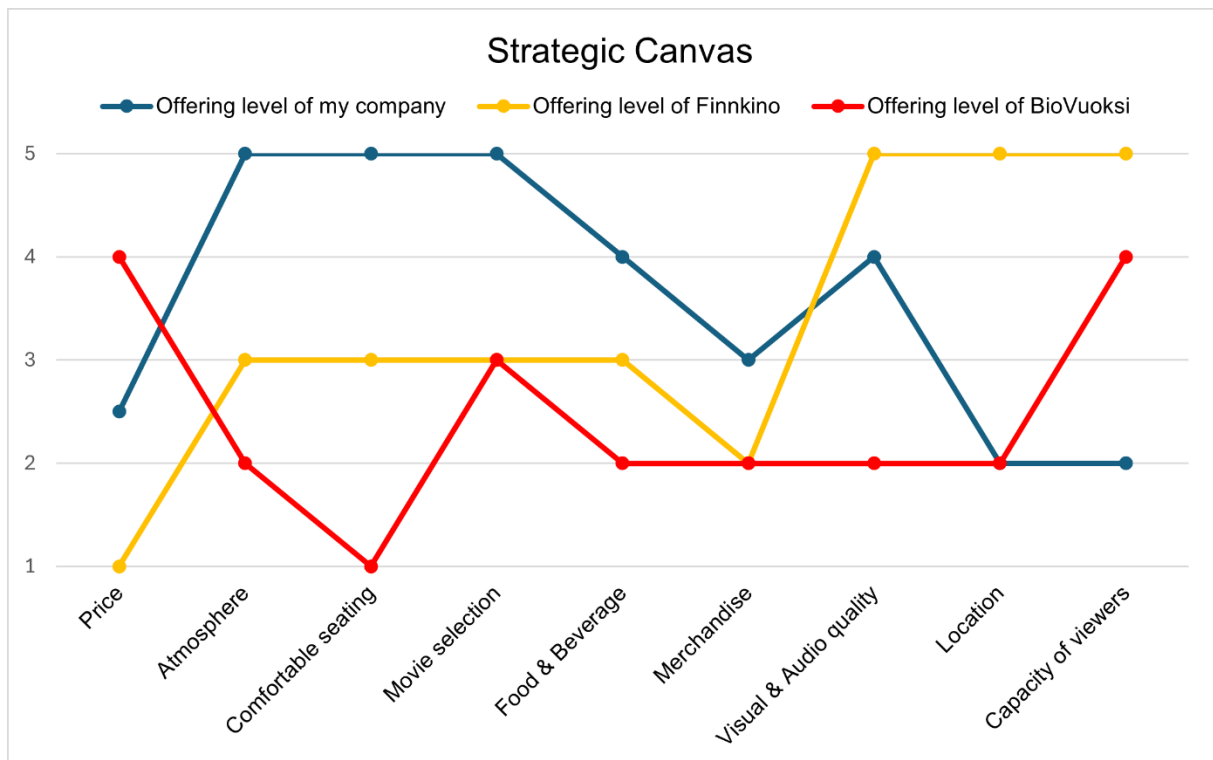


Figure 14. The Strategy Canvas on cinemas in the South Karelia region.

The values presented in Figure 14 are based on individual findings and countless personal discussions on the cinemas in the region of South Karelia. These discussions have been had with exchange students, the target demographic, individuals belonging to the three tiers of non-customers and industry professionals. The relaxed setting of these conversations enables the participants of the discussions to present their perspectives freely. These conversations have taken place over a year and a half. The topics of the discussions would center around the pros and cons of both firms rather than the content shown in the films.

The strategic canvas compares the offering level of three cinema companies across various characteristics. The canvas utilizes a Likert scale from one to five, from lowest to highest scores. This analysis suggests that the business concept of the researcher stands out in atmosphere, comfort, movie selection, and food and beverages. The results dictate that the offering level of Finnkinno excels in location, the capacity of seats, and visual and audio quality. However, the price scores the lowest as they are the most expensive compared to their competitors. Lastly, the analysis provides key insights into the offering levels of BioVuoksi. BioVuoksi has the best price, and good capacity to hold viewers. Nevertheless, they scored lowest on average from the complete analysis in terms of all other attributes of the strategic canvas. Overall, this analysis proposes that the organization concept of the researcher attracts customers seeking a superior cinema experience with comfortable seating, whereas BioVuoksi appeals to budget-friendly buyers, and Finnkinno draws customers to their theatres with the best location and visual and audio quality.

#### 3.1.4 Three Tiers of Non-customers

The three tiers of non-customers include customers that occasionally visit, customers that choose not to attend, and customers who have little to no interaction with cinemas. The framework identifies and aids to create strategies to attract non-customers to attend cinemas. Figure 15 illustrates all three tiers of non-customers.

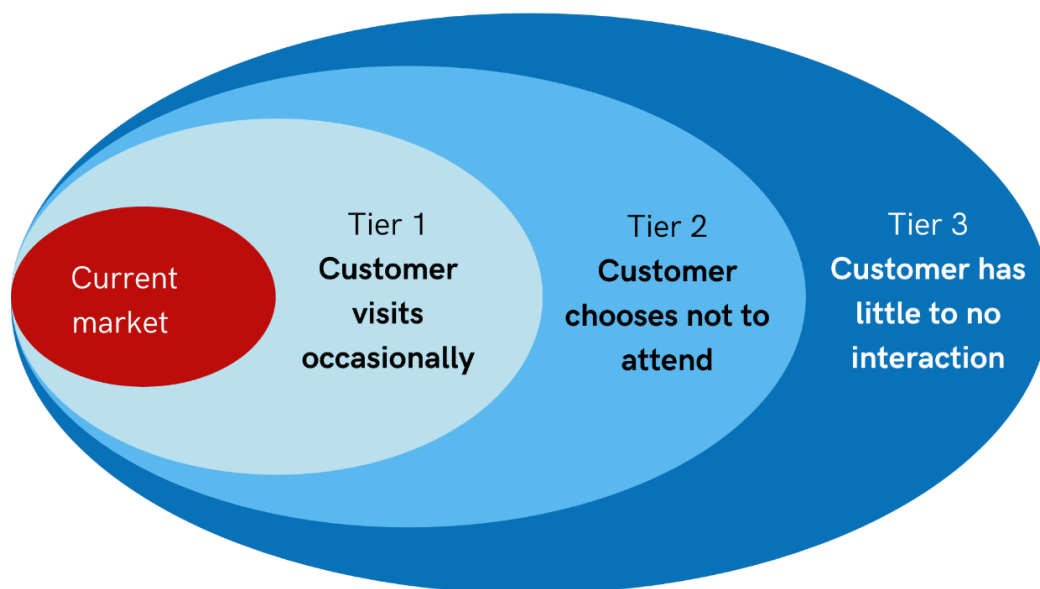


Figure 15. Illustration of the Three Tiers of Non-customers.

The first tier of non-customers are individuals who occasionally visit the cinema. They go to the movie theatre for specific reasons like a highly expected movie release or due to a social gathering. These occasional customers visit the cinema a few times a year. The reason for

their non-frequent attendance lies in ticket prices, the prices of food and beverages, inconvenient showtimes, or lack of appealing content. It can be determined that the customers do not see value in the offerings of the current market. Therefore, resulting in irregular visits to the cinema.

Solutions to attract the first tier of noncustomers could lie in creating a greater experience in the cinema at a reasonable price. Even if the experience would be better than the industry standard, they are not willing to spend too much. Offering loyalty programs or discounted prices for students or other niche groups of individuals could also lower the threshold of visiting more regularly. Themed movie nights could be favorable in terms of appealing content for the customer. The cinema lounge could focus on creating affordable luxury deemed worthy by the customer.

On the other hand, the second tier of non-customers includes individuals who choose not to go to the cinema despite being in the target demographic. They prefer other methods of entertainment, like streaming services, as they are more affordable and convenient. Also, some customers despise the crowd, noise, and the seating in the theater. At times, the second tier of non-customers might just generally lack interest in the content shown at the theatres. Yet again, these non-customers do not see value in the economic offerings provided by the organizations.

To embellish the value of the experience in the case of the second tier of non-customers, it involves superior services like more comfortable seating, smaller or private screening rooms, or private screening of the film at a reasonable price. Also, capturing the attention of customers who prefer home entertainment, is reached by collaborating with streaming services. The collaboration could include exclusive content only shown in the theatres.

Moreover, the third tier of non-customers has little to no interaction with the cinema. This is because the non-customers have not considered theatres as an option for their entertainment. This tier includes individuals with accessibility challenges, elderly individuals who might not consider that cinemas accommodate their needs, or niche groups that have very specific content preferences. The third tier of non-customers do not see value in attendance in the cinema; they might have accessibility barriers preventing them from attending, or they are unfamiliar with what the cinema has to offer.

There are plenty of opportunities to seek when attracting the third tier of non-customers. Developing targeted outreach strategies, such as specialized screenings or community events, could bring individuals to visit the theatre. For instance, a community event for senior citizens could include dinner, socialization, and a black-and-white movie. Also, improving accessibility brings more customers to the business. There is a lack of inclusive cinema

experiences and environments for all. The new ordering system, preordering tickets, foods, and drinks to customers' seats, increase inclusivity. The layout of the room and the paths of travel should be accessible and should be considered in the interior design of the space. The service delivered by the staff should be smooth and delivered with competence. Each customer and their needs must be met to deliver a positive experience.

By customizing diverse strategies for each tier of non-customer, cinemas can expand their target audience. With the three tiers of the non-customers framework, businesses can also improve customer loyalty and increase revenue by transforming non-customers into regular moviegoers. Although it would be ideal to get the regular moviegoers to visit more frequently than they do currently, having the non-customers to attend cinemas would be equally ideal. To have more people utilize the services a few times a year brings more revenue than not having the non-customers attend at all.

### 3.1.5 Six Paths Framework

The first path of the Six Paths framework is about observing across various industries. Tourism and hospitality industries are investigated as a part of the first path. The cinema business will combine attributes of hotels, restaurants, bars, and lounges. First and foremost, the lounge atmosphere is crucial in staging the cinema experience. The lounge atmosphere would be derived from comfortable seating, ambiance, and mood lighting that would create a relaxed environment. The lounge characteristics of the cinema would ensure the right environment for socialization.

Moreover, inspired by restaurants and bars, the quality of food will be prioritized rather than the amount of food. All the dishes and beverages offered should be of good quality and include customization opportunities. During themed events, customized drinks or cuisine inspired by the movie are of paramount importance to get an enhanced experience. Beyond merely viewing films, live entertainment, and events are organized similarly to bars. For instance, the yearly Eurovision Song Contest could be shown in the cinema to create a sense of community whilst watching the event in real-time. With the aspect of having a bigger audience, there is a greater feeling of being part of the Eurovision Song Contest rather than watching it at home alone.

Also, many hotels and restaurants improve their customer loyalty by organizing a membership or loyalty program. Similarly, the cinema could do a loyalty program with discounts. For instance, if they had gone to a hypothetical number of times to movies within the month, they could get one ticket, beverage, or snack for free. Loyalty programs could get a newsletter each month for upcoming events and have the possibility to book seats before regular

customers. Since the cinema would have a limited number of seats, having priority, like boarding an airplane, would be beneficial for the customer.

The second path of the framework involves visually investigating strategic groups within the industry. Movie theatres often attract masses of customers. However, these masses can be separated into segments like luxury, budget- or family-friendly cinemas. The plan of the business is to merge two of the segments to create a new segment, affordable luxury. It is not yet present on the market, and customers would not have to choose between affordable or luxurious. Affordable luxury is going to reach the customer base of both luxury – and affordable movie theaters.

The third path, on the contrary, guides businesses to look at different groups of buyers. Although movie theatres are targeting individuals as their customers, there is untapped market potential in business-to-business sales. With the themed events and socialization aspects of the cinema lounge, there could be helpful team-building events. These team-building events can be customized to the needs and preferences of the business customer. By implementing corporate partnerships, there is another possibility to create revenue.

The fourth path investigates complementary products and service offerings. This path considers what the customers do before, during, and after the movie. By enhancing the movie-going experience, the business can offer products and services before and after the actual movie. The most natural extension of the theatre experience is before the movie. Most customers want to eat, have a drink, and socialize before seeing the film. Before the film, the bar is open, and customers can order drinks and food, play card and board games, or participate in a themed event.

The fifth path re-evaluates the emotional and functional appeal to buyers. The business plans to make the ordering more functional and the experience itself more emotional. The ordering is done primarily through a website, where tickets, food, and beverages can be ordered right to the seat of the customer. With the ability to order during the movie, the customers can immerse themselves in the experience. The emotional appeal and value increase with the introduction of the events. Themed events enable customers to re-experience certain films on a big screen alongside great atmosphere, food, beverages, and activities. The experience is more special than a regular movie night at home or an outing to view the film in theatres.

The sixth and final path of the framework is about looking at the trends of the future. There are certain trends that shape evolving consumer preferences, technological advancements, and societal shifts by leveraging the popularity of streaming services by hosting exclusive premiers of films from the platforms. For instance, Netflix original films could be premiering

at the cinema. Another opportunity to collaborate with streaming services would be by offering customers short-term access to streaming service exclusive series. The streaming services would benefit from the collaboration as many people are watching their content only in one account rather than everyone getting the subscription. With the collaboration, they would get a margin on each ticket.

### 3.1.6 Buyer Utility Map

	Purchase	Delivery	Use	Supple- ments	Mainte- nance	Disposal
Customer Productivity						
Simplicity	X		X	X	X	O
Convenience	O	X	O	O	O	
Risk Reduction						
Fun and Image		O	O	O		
Environmental Friendliness	X					X

Figure 16. The Buyer Utility Map. X represents the current industry focus, while O signifies Blue Ocean offering.

The Buyer Utility Map consists of the Buyer Experiment Cycle (BEC) and Utility Levers. In Figure 16, the X represents the current industry focus, and O signifies the Blue Ocean offering. BEC stages of the cinema lounge go followingly. Firstly, the customer purchases the tickets and movie snacks from the website or at the counter. Secondly, the delivery of the experience refers to arriving at the cinema, finding parking, and locating the theatre. Thirdly, the use section in the context means the experience that the customer is getting. Supplements naturally signify the food, beverages, merchandise, and activities offered by the business. Maintenance, on the contrary, involves the ongoing aspects of service quality, such as customer service, cleanliness, and facility maintenance. Lastly, there is the disposal, which includes how the customers finish the experience.

Similarly, there are six Utility Levers of moviegoing experience. Customer productivity is about the easiness and effectiveness of the offered experience. Simplicity, on the other

hand, signifies the straightforwardness and the required level of understanding. Convenience investigates convenience for the user, whereas risk reduction considers whether any risks are minimized. Fun and Image portrays the enjoyability of the offered experience. Environmental friendliness is the last factor of the Utility levers.

Key findings regarding the Blue Ocean Offering are the clear themes of not only convenience, but also fun and image. The first stage of the experience is the purchase, which is intended to be as convenient as possible. There are multiple purchasing options, such as counter and website. The fact that concessions can be ordered already to the seats on the website, makes the purchase section more conventional rather than simple. The delivery and arrival of the guest won't be the most conventional but more aesthetic with the lobby filled with luxurious and relaxed ambiance. Therefore, the delivery is more connected to fun and image lever. The entrance and the exit will be marked in a simple manner but in a style that is coherent with the rest of the cinema.

The experience is a combination of convenience and fun and image. Enjoyability is guaranteed with the superior quality of seating, visual and audio. Experience has priority compared to the other stages of the Buyer Experience Cycle. The supplementary is also connected to the enjoyability of the experience, where food and beverages are inspired by the movies. The maintenance of customer service, cleanliness, and facility maintenance will be systematic for the business and convenient for the customer. All places should always be sanitary, facilities should be safe for the staff and the customers, and the customer experience should always be individualized for each customer. Every customer should be made to feel comfortable to ask help, guidance, and questions, and the staff will aid and serve the customer to their best knowledge.

Lastly, the disposal of the experience is done in a convenient manner. Before exiting, the customer can pay for their order, buy merchandise, or buy more concessions and have a discussion after the movie is shown. Within the opening hours, there is no singular way to proceed with the experience. The customer can spend time at the cinema lounge prior to the movie, they might just want to see the movie and leave immediately, or they might want to stay after the movie for drinks. Each customer gets to customize their experience for their schedule, preferences and needs. Since the exit is the same door as the entrance, the customer is familiar with it, and the exit is carried out conveniently.

The current industry focus differs within the industry. In the region of South Karelia, the focus within the industry between the competition is almost opposite from one another. However, there were few similarities within the industry. For instance, the purchasing of tickets and concessions is carried out in a simple manner, either online or counter.

The location of the movie theatres is found straightforwardly. The Finnkiino is located within a mall with expensive but convenient parking spaces. The BioVuoksi, on the other hand, also has a clear location and is, to some extent, convenient for the locals. The experience is functional as it is carried out exactly by the book in both locations.

The maintenance is done quite differently in Finnkiino compared to BioVuoksi. Finnkiino has a newer building, and the maintenance work is quite straightforward. Although BioVuoksi has an older building, which needs substantial renovation, their efforts are quite poor and simple. Both methods can be characterized as simple when their respective differences are put aside.

Lastly, the industry clearly focuses on environmental friendliness when the customers leave, as there are plenty of trash cans at the exit. The exit is clearly located, and after the end credits begin, the experience ends immediately. Each customer is responsible for recycling their trash before exiting.

### 3.1.7 Sequence of Creating a Blue Ocean

The sequence of creating a blue ocean framework will not currently bring value to the thesis as the concept has not yet been finished. The exact price of the experience must be set to see whether the product is affordable for the customer. Also, the costs need to be calculated in order to see whether the experience brings revenue to the business. Even though the buyer utility has been determined, it is not enough to test whether the concept will create a viable blue ocean venture. More exact numbers must be laid out to consider all four aspects of the sequence of creating a blue ocean.

Furthermore, the financial aspect has been justified in the limitations of the research chapter of the thesis. The thesis will address financial issues later after the conclusion of the concept has been made. However, it won't be accurate enough to test and guarantee a viable blue ocean. The sequence of creating a blue ocean is a crucial tool to be utilized in future research before the launch of the business.

## 3.2 SWOT Analysis

### 3.2.1 Strengths

The uniqueness of the concept. The blend of characteristics like comfort, socialization, and aesthetics differentiates the business from the market. The concept is built around the theme of affordable luxury that reflects the greater quality of services, products, and experiences.



Business enhances customer experience within a reasonable purchase point for the customer. The greater experience is carried out through superior seating, greater quality of food and beverages, and the lounge attributes stage. Also, a new ordering system and events are introduced to increase value, convenience, and accessibility for the customers.

Businesses have strategies to attract a variety of customers. The business looks across the strategic – and buyer groups and develops strategies to attract non-customers. For instance, by creating an affordable luxury customer segment, consumers do not need to choose from the great quality of Finnkinno and the affordability of BioVuoksi. Also, with event offerings, the cinema can target corporate customers and community events for senior citizens. The target customer segment is all the people who want a distinctive and enjoyable movie experience at a reasonable price.

There is value added from the perspective of the customer by introducing not only themed events, but also live entertainment. The business has looked from the perspective of the buyer on what makes the experience even better. By including events and live entertainment, the experience is longer, it is more convenient for the customer, and the bonus of greater movie selection improves customer engagement. By showing movie marathons and classics and having events inspired by them, customers can interact with the movie, dress up, and build a sense of community with the rest of the audience. Similar to events, live entertainment brings a new dimension of customer interaction to the cinema lounge.

The flexibility of the space is not restricted to industry norms. There is a possibility to multi-use the spaces, which adds versatility for the organization of various events and activities. The versatility of the space increases its utility rate and profitability.

The ease of use of the website improves functionality. The greater convenience is guaranteed with the option to get concessions waiting for the seats of the customer. Tickets and concessions are sold at the counter as well since consumer preferences depend on the individual. Utilization of the website allows the business to be more environmentally conscious, manage preorders, and prepare for incoming events.

Cost-effectiveness is taken well into consideration to make the business profitable. For instance, factors like reducing staff during slow hours, automating most of the ticketing and concessions through the website, cheap rent that is derived from the worse location, and focusing on the quality of the services and products rather than quantity, improve cost efficiency. Also, having a single screening room is more cost-effective than having multiple screening rooms, as they are expensive to maintain over time. The business eliminates and reduces aspects of the experience that are perceived to be less significant by the customer.

### 3.2.2 Weaknesses

On the contrary, limited capacity is a weakness in the business plan. Having a small capacity of seats limits the revenue potential and the ability to manage large masses of customers simultaneously.

The location of the business makes the arrival of the customer more difficult. Parking spaces are provided, and there are public transportation opportunities nearby, however, it won't be conventional to accidentally stumble on the theatre. As a result, there is a greater significance in marketing to reach the target demographic. If the marketing of the experience fails, the business won't make enough profit.

A new business venture has its own challenges and weaknesses. The brand or customer base is yet to be established, which may result in competition between the new business and the already-established operators.

### 3.2.3 Opportunities

There is a growing demand for unique experiences. Consumers are increasingly looking for unique experiences that offer an opportunity to grow the company's customer base.

The company can take advantage of the popularity of the streaming service by establishing a strategic partnership. By offering exclusive premiers or other collaborative content, the customers of streaming services can be drawn to attend cinema.

The growth of tourism in South Karelia brings collaboration opportunities with local tourism and hospitality organizations. In the partnership, each participant in the collaboration would recommend the services of one another to the customers to cross promote one another. As a result, the cinema lounge would attract tourists, and the tourism and hospitality organization would draw locals to use their services.

Social media marketing is used effectively to grasp a target audience's attention. Cross-promotion on various social media platforms ensures even better visibility and slowly the business can create brand awareness. Moreover, there are collaboration opportunities with social media influencers where they could come to promote or review the cinema lounge in exchange for a free experience and concessions for x number of individuals.

### 3.2.4 Threats

There are a few potential threats that the business may face. Firstly, the competition is high within the industry, and the established operators have a strong market position. It might be

harder to gain customers at first, as many might be loyal to their favorite companies due to personal reasons. Secondly, the popularity of streaming services will continue to affect the cinema industry even if collaborations are made. Thirdly, the current economic downturn affects the spending behavior of customers and reduces their willingness to spend money on entertainment. The economic downturn is in favor of streaming services as customers choose affordable and convenient options for entertainment. Many customers do not have the money to spend on entertainment at all.

Another threat that the business faces is the paramount importance of customer experience. The success of the company lies in the ability of the staff to provide excellent customer service and manage versatile events. If the staff is incompetent, the business is in threat. Lastly, the constantly changing trends oppose the threat if the businesses are not able to adapt their offerings accordingly. To succeed with the events, the business must be vigilant of the ongoing trends that happen globally to have the best effects with marketing.

### 3.3 Customer Experience

#### 3.3.1 Four Realms of Experience

Entertainment is a quintessential element in the cinema lounge. Customers come to the theatre primarily to enjoy the movie and spend a relaxing time. To ensure a good level of entertainment, the quality of audio and visuals must be high, and the movie selection must be versatile. Themed movie nights based on classics increase the experientiality and attract non-customers who would not normally attend.

Although educational aspects are not the primary goal of the cinema, they can be integrated into the experience. For instance, during these themed movie events, a short introduction can be made about the historical time it takes place or short presentations about the makings of the film. On the other hand, to increase customer participation, there could be organized playful trivial, where the guests could learn something regarding the film. A prize for the winner would be a small incentive or concession. This would increase the knowledge base of the customers and deepen their appreciation of the film.

The strength of the cinema lounge concept is its unique aesthetic and atmosphere. Both attributes differentiate the business from traditional movie theatres. Comfortable sofas, atmospheric lighting, and stylish interior décor create a comfortable and luxurious environment. The customers can enjoy the aesthetics of the cinema before, during, and after the experience.

Furthermore, the films themselves offer an escapist experience that takes the viewer to other worlds. The cinema lounge can strengthen this experience by investing in themes and creating an atmosphere. For instance, themed food and drinks related to a specific film or genre can help customers to immerse themselves in the world of the film more deeply.

### 3.3.2 Experience Triangle

Firstly, the various product's elements are discussed. Afterwards, the experience of the customer is further elaborated on.

Individual customization opportunities are presented at the cinema. The movie theatre should offer unique experiences that customers cannot find elsewhere. Individuality can be added by offering the customers an ability to tailor their experiences to their preferences. For instance, customers can select their seats, food, drinks in advance through the website. However, adding customization can increase costs. Thus, it's important to find a balance between individuality and profitability.

The atmosphere and the economic offerings of the theater should be authentic, and believable. The concept can draw inspiration from the culture and the history of the South Karelia region to create unique and local identity. For instance, there could be an event where Karelians would be celebrated. There could be collaboration with locals who will make authentic Karelian pies and Karelian roast with mashed potatoes. The film shown could be the Unknown Soldier or a documentary of some sort. The event could be organized close to Finnish Independence Day. Nevertheless, it is crucial to remember that the inspiration should always be respectful towards the locals. Ultimately, customers define what is authentic to them.

The story of the cinema lounge should be believable and engaging. It should connect with different elements together and give customers a justification to experience the product. The story can tell about the history of the movie theatre, its unique concept or the meaning of the experience it offers. Naturally, as it's a new business venture, there yet is not a history to be told. Nevertheless, the meaning behind the experiences and the distinctive attributes of the concept will be a core part of the story. Although, the story is mostly conveyed in marketing to draw people to attend the cinema. However, the story will be coherent and believable in the experience itself.

The concept should utilize all the senses to create an unforgettable experience. In addition to the cozy atmosphere, it is also vital to pay attention to the soundscape, lights, and scents. For instance, in connection with themed evenings, the business can use scents and sounds appropriate to the theme to enhance the experience.

The experience offered in the cinema should offer the customer a contrast from everyday life. There should be opportunities to experience something new and different. The unique atmosphere, high-quality economic offerings, experimental events create contrast to day-to-day routines. However, it's important to consider the nationality and culture of the customers so that the contrast won't be too great.

The business concept should offer customers opportunities to interact with staff and with one another. The sense of community can be strengthened from joint activities before or after the film. In addition to the themed events before the film, there could be opportunities to have discussions about the movies after the film has ended.

The experience of the customer has five categories: motivation, physical -, intellectual -, emotional -, and mental level. The motivation of the customer begins before entering the cinema. The interest of the customer must be piqued with marketing that emphasizes the unique elements of the entire experience.

Secondly, on a physical level the customer experiences the environment through their senses. The colors, the textures, the combinations of materials make a difference to the atmosphere. The environment should be pleasing to the eye of the customer. During the film, there must be high quality picture and sound, but also seats. To fully immerse in the experience, the seats should be supportive on the back of the customer, and the material of seats should be pleasant. A place to put down concessions and a footrest for the legs must be provided. If these factors are not offered, they will affect the enjoyability of the experience. Scents can be introduced within limits as many people are sensitive to scents.

In addition to watching the film, there should be opportunities for the customer to learn something new. Enhancing the experience intellectually could be organized through playful trivial, short presentation of the subject, or there could be self-reflection exercises offered which help the customer to learn something new about themselves. These activities can be organized before or after the screening of the film.

Films are made to connect with the customer on an emotional level. The concept aims to evoke positive emotions in customers like joy, relaxation, and a sense of community. However, it is impossible to predict or control the emotional reaction of the customer. Therefore, the staff must be prepared to comfort customers or get help when needed. Cinema is meant to be a safe place for all and there is a place for all emotions in the experience.

A powerful emotional experience can lead to a personal transformation that alters the way that the customer thinks. For instance, a sense of community experienced at the theatre can inspire customers to participate in more social activities. Conversely, in extreme cases,

when an experience provides eye-opening message and self-reflection. The experience can alter the way they view the whole world.

### 3.4 Market research

The research consists of a focus group interview. The aim of the research is to deepen understanding of the needs and preferences of the target group regarding the cinema experience. In addition to understanding the perspectives of customers on current operators, the research pretests whether the business concept is viable. The focus group had 7 individuals who present the target demographic and first tier of non-customers in the thesis. They are 20-65-year-olds.

The market research has open-ended questions. The interview focuses on these questions so that the attendants can freely share their opinions and experiences. The interviewer guides the conversation slightly, just enough to cover all topics. The interviewer is conducted in Finnish, and in a relaxed and informal environment so that the participants feel comfortable discussing the topics freely. The interview questions and results will be translated to English for the thesis.

#### 3.4.1 Interview Questions

The interview questions are surrounded by three themes: the current cinema experiences, cinema lounge concept, and themes and events.

The current cinema experiences:

1. How often do you attend cinemas?
2. What is your opinion on current movie theatres?
3. What things should be improved?

The concept of Cinema Lounge:

1. What thoughts does a cinema with a lounge atmosphere evoke?
2. What qualities would you value in such a place?
3. What would be a comfortable price point you would be willing to pay for a greater cinema experience?

Themes and Events:

1. What kind of movies you would like to see?

2. Would you be interested in themed events which are inspired by films shown in theatres?
3. What activities would you like to see in connection with the film screenings?

### 3.4.2 Results

The current cinema experience:

The interview with the focus group suggested that most of the individuals attend cinema one or two times per year. Two of the participants have not gone to the movie theatre for a decade. From the two, one participant would like to attend the cinema in the future.

The second question gathered a variety of perspectives. For instance, some of the participants appreciated the nostalgia and the old building of BioVuoksi. The participants liked that the cinema was not in a brand-new building, since they think that the facilities of Finnino lack a certain characteristic. Other participants liked that the cinemas bring something different from day-to-day life experiences, and also that the snacks are delicious. Regarding the atmosphere all participants agreed that the cinema should feel homely, relaxed, and more comfortable overall. There was one contradicting opinion in terms of audio of the theatre. One participant states that the volume is too loud in the cinemas, whereas another participant thought that it was not loud enough.

The third question investigated on what should be improved in current theatres. Five of the seven participants wanted better seating. Other participants brought up the general prices that could be more aligned with the offered experience. Nowadays the prices of tickets are too high for them compared to the mediocre viewing of a film. Also, there was some discussion about the cinema etiquette that if someone is late, they should not be let in as it creates greater disturbance. Lastly factors like serving alcohol and bringing some blankets to the seats would sound ideal to some participants.

The concept of cinema lounge:

After explaining the preliminary concept of the cinema lounge, there were diverse thoughts. Six of the seven participants were interested in the concept, they deemed the idea worthy of their time and money. One participant thought that the concept sounds heavenly, but there was one individual who didn't like it at all. The participant thought that if the cinema offered better food and drinks, it would be like a bar or restaurant, not a movie theatre. Another participant argued that usually they go to the theatre only to see the film, but they would not be against the idea of having food or drinks offered.

The participants brought up qualities that they would appreciate in this specific cinema lounge or in new cinema overall. Firstly, most participants agreed that they would appreciate quality seating and a relaxed atmosphere. The atmosphere should be peaceful, but not look like an institution and the lighting should be atmospheric. Secondly, some individuals brought up good food, but drinks would be of secondary importance to them. Also, there should be high-quality audio, and the size of the screen should be big according to one participant. Thirdly, the participants would appreciate strategic partnerships especially with locals. Lastly, for a new theatre overall one customer would be interested in 3D and 5D experiences since those are not popular in this province.

The participants had clear perspectives on the pricing of the experience. A few individuals would like to have competitive pricing like in BioVuoksi. They are not willing to pay for a movie with high ticket prices. Most people agreed that when the unique characteristics of the cinema lounge were considered, they would be willing to pay a little more than the industry standard. One participant argued that the price should be equal to the current industry standards.

Themes and events:

Regarding themes and events, the first question found insights into what people would like to see in the movie theatres. All the participants would like to see new movies and classics. Genres like Sci-fi and Action were mentioned as favorites of some. Four of the seven individuals separately added that they would be interested to see movie marathon type of events. According to the participants the events should investigate and take into consideration the wishes of the customers, there should be film festivals for all ages (except children), and there should be films that are not traditionally shown at theatres. For instance, there could be collaboration with young adult filmmakers who cannot afford to get their films to the big screens.

All the participants were interested in participating in the themed events. Even the individual who was against the concept was intrigued by the themed events. Participants agreed that the theme must be comprehensively organized, visually, with music and activities. One individual emphasized that the theme must be seen outside the movie itself to make a difference between viewing a film and experiencing it.



Lastly, Figure 17 presents all the activity ideas that the participants came up with. The market research brought up creative ideas for the activities that the participants would be interested in. Perhaps all the suggestions cannot be fulfilled. Nevertheless, there were some ideas that could be achieved and included in the cinema lounge.

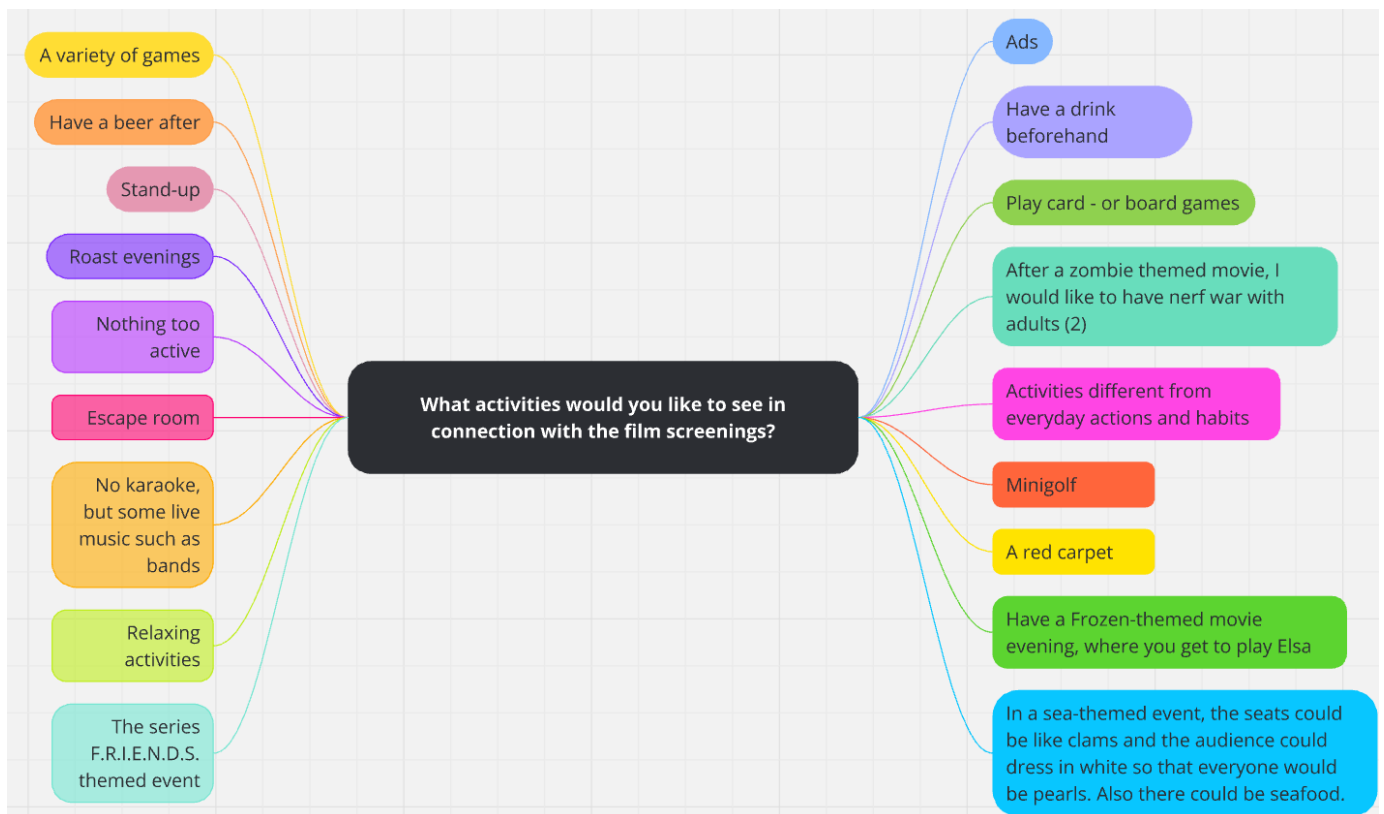


Figure 17. All the activities brought up in the Market Research.

### 3.5 Outcomes of Research and Analysis

#### 3.5.1 Executive Summary

The aim of the business is to create a new and attractive entertainment destination in the South Karelia region. The cinema lounge stands out from competition by offering customers a more experimental and customized movie experience. The theme in the business concept is to create affordable luxury. The target audience is primarily 20 to 50-year-old individuals who are looking for a different and pleasant film experience at a reasonable price. The concept is excellent for couples, groups of friends, and corporate recreation. The business is an entirely new venture, and therefore, small. It focuses on providing individualized and excellent customer service and creating unique experiences. The competence and ability

of the personnel to provide high-quality service are of paramount importance to the company's success.

There are unique features highlighted in the business concept. The first enhanced attribute of the business is the cozy lounge atmosphere. The facilities are stylishly and comfortably furnished. There are opportunities to relax and socialize before and after the movie in these facilities. To create a luxurious atmosphere, comfortable sofas, atmospheric lighting and fashionable interior decorations are chosen for the space. Secondly, the cinema lounge offers especially chosen high quality food and beverages. These include cocktails, mocktails, snacks, and special dishes inspired by the films. The selection of these concessions is limited as the business rather focuses on delivering quality compared to quantity.

Thirdly, there is a greater movie selection of new releases classics, and movie marathons. The selection includes something for everyone. The business organizes various themed events. These themed events are inspired by the films or genres shown in the theatre. The events offer opportunities for the customers to re-experience their favorite classics, learn something new, socialize, use all their senses, and engage with the films in more detail. There are endless opportunities to organize these events from authentic Karelian experiences, movie marathons of beloved films, live events, to corporate team-building events. These events bring opportunities to collaborate with locals, social media influencers, streaming services, and tourism and hospitality organizations.

Furthermore, convenience is approached differently in the cinema compared to streaming services. There is a useful website where customers can book their tickets and order their concessions right on their places. During the movie, customers can order more food or drinks with the new ordering system. All they need to do is choose the product on the menu, press a button, and the staff discreetly brings the order to their seats. The customer will be able to pay for their order after the movie. Also, every customer can customize their movie experience. They can participate in an event, have a drink before or after the movie, freely socialize, play card - or board games, and have snacks. As a result, the approach increases smoothness of the experience and reduces waiting times. These thought-out services enable individuality in experiences, where they are not restricted to a certain timetable.

The strengths of the business concept include uniqueness, experientiality, versatility, and cost efficiency. The cinema lounge is one of a kind concept in South Karelia and it offers something brand new to the market. Also, the business offers customers exhilarating, unforgettable, and individual experiences. Thirdly, the concept is versatile as it is suitable for many customer groups, and it can be used in a variety of ways. Lastly, the concept of the cinema lounge has closely examined its cost effectiveness in order to make it profitable.

The challenges associated with the business concept. Firstly, the cinema industry is competitive, and established operators have a strong market position. Secondly, the popularity of streaming services continues to grow, which may reduce demand for cinemas. Thirdly, the location of the theater is unconventional, which may make it difficult for customers to find the cinema lounge.

According to the market research, the target audience and non-customers appreciate a cozy atmosphere, high-quality seats, good food and drinks, and versatility in the film experiences. Customers are willing to pay a little more for unique and immersive cinema experience. Themed events and interactive activities arouse the interest in the focus group. The cinema lounge can use the market research results to improve the concept and its marketing even further.

The company is in the early stages and needs funding to start its operations. Financing options include public subsidies, loans, partners, the state, municipality, or other public entities' funding, as well as capital investment (Kangas 2019, 30-39).

### 3.5.2 Implementation

The implementation section covers a preliminary schedule of actionable plans required to establish the business and launch it in the future. Figure 18 presents the timetable, where the actionable objectives are divided by month from January 2025 to December 2025.

Figure 18. Preliminary timetable to establish the business.

x.1.2025	<p>Finding a business partner. Introducing the concept, and dividing responsibilities.</p> <p>Rewriting and editing Business Plan:</p> <ul style="list-style-type: none"> <li>• Key Stakeholders, legislative issues, updating financial projections.</li> <li>• Second Market Research with larger focus group, risk management plan, improved marketing plan</li> <li>• Sequence of Creating Blue Ocean, branding, and logos.</li> </ul>
x.2.2025	Acquiring funding and negotiate strategic partnerships.

x.3.2025	Finding suitable facilities considering size, location, and rent. Negotiate a lease agreement and making sure that the space can be renovated to the company's needs.
x.4.2025	Space design and furnishing. Plan the layout of the facilities, make sure its barrier free, and comfortable. Choose interior design elements that create the lounge atmosphere and supports the company's brand.
x.5.2025	Renovating all that is necessary, such as flooring, painting, and other operational renovations.
x.6.2025	<p>Purchase high-quality AV equipment and ensure that the quality of visuals and sounds are excellent.</p> <p>Buy furniture and interior decor:</p> <ul style="list-style-type: none"> <li>• Sofas, other seats, side tables, posters, artwork, rugs, greenery</li> <li>• Lighting, concession stand, and its equipment, shelving, storage units.</li> </ul>
x.7.2025	Creating the website and testing the functionality of the website. Setting up social medias, such as TikTok, Instagram, Facebook, and Twitter/X.
x.8.2025	If needed, recruit competent and customer service-oriented staff. Train staff about the concept, services, product, and experiences of the business.
x.9.2025	Plan opening event and implement the marketing plan.
x.10.2025	Officially open the cinema lounge and start selling services, products, and experiences. Regularly plan and organize themed events
x.11.2025	Follow up on customer feedback by creating questionnaires and trying to get feedback straight from the customer. Analyze feedback.
x.12.2025	Develop and adjust economic offerings when needed to guarantee that the company remains competitive.

### 3.5.3 Unique Selling Proposition

The problem that many cinemas face currently is with decreased number of customers since the pandemic. This is due to the various challenges that the movie theatres face, but also because the cinema experience has remained largely unchanged for the past decade. The current movie theatres have become more functional rather than emotional experiences. Therefore, the streaming services saw an opportunity on even greater functionality with a lower price. Now more than ever, customers are looking for distinctive and pleasant cinema experiences where they feel they are getting their money's worth. As a solution, the cinema lounge provides unique and exhilarating cinema experiences that combines a cozy lounge atmosphere, themed events, high-quality food and beverages, and interactive activities.

Target demographic is mainly 20-50-year-old individuals who are looking for a different and enjoyable movie experience at a reasonable price. The economic offering of the business is ideal to groups of friends, couples, and corporate recreation. According to market research, customers would appreciate the atmosphere, high-quality seats, and versatile movie experiences.

There are seven attractive features of the cinema lounge business concept. Firstly, the cozy lounge atmosphere with stylishly and comfortably furnished facilities aid customers to relax and socialize. Secondly, the theatre offers a selection of high-quality food and beverages inspired by the movies. Thirdly, the film selection is versatile combining both new releases, movie series, and classics.

Fourthly, the cinema lounge organizes themed events inspired by movies and genres. They offer customers opportunities to re-experience beloved classics, learn new things, socialize and immerse themselves to the world of films more deeply. Moreover, the handy website brings convenience to purchasing both tickets and concessions right to seats of the customers. Also, with the new ordering system, viewers can order more food and beverages right to their seats by pressing a button. Lastly, the customers can individualize their experience to their needs and preferences. They can participate on the events, enjoy a drinks and snacks before or after the movie, socialize freely, and play card – or boardgames for free.

The cinema lounge concept differs from its competitors with diverse attributes. For instance, the business offers a combination of cozy lounge atmosphere and high-quality services. Also, the concept of the business concentrates on experientiality and improving customer

experience. The company offers versatile themed events and interactive activities. The economic offerings of the cinema lounge provide affordable luxury. Also, there is greater convenience when coming to ordering more concessions during the film with the new ordering system. Based on the market research, customers would be interested in attending such services.

Although the concept could be viable, there are definite challenges with it. The cinema prioritizes customer experience rather than the traditionality of cinema facilities. As a result, limited capacity can limit income potential. Another weakness of the concept regards the location of the cinema lounge. The unconventional location can incommode customers to find the facilities of the business. Also, as a new business venture, it takes time and resources to build customer base and brand awareness. Ultimately, the competence of the personnel is of utmost importance for providing excellent customer service. If the staff is incompetent in staging these events and services, the entire experience can be ruined.

#### 3.5.4 Marketing Plan

The marketing plan is rooted in the marketing mix. In it, the four Ps of marketing are product, place, price, and promotion. These are four fundamental determinants in marketing an economic offering. The framework was invented in 1950s, and since its introduction, it has been widely utilized. (Twin, 2024.)

##### Product:

The product of the business is a distinct and immersive cinema experience. Customers do not come to merely view the film, but to enjoy the entire evening in a comfortable environment, with high-quality food and beverages and to participate in themed events.

The marketing plan must consider the needs and preferences of the target audience. The demographic audience is 20-50-year-old individuals who are looking for unique movie experiences at an affordable price. The marketing communication must be targeted at this specific audience.

It is important to highlight the features that differentiate the business from its competitors. These are described in detail in the Unique Selling Proposition section. A few diverse attributes that the business possesses include cozy lounge atmosphere, diverse film offerings, and themed events.

##### Place:

The location will be to some extent unconventional as the theatre won't be in a city center. Nevertheless, the location needs to be made known among the customers and guaranteed to be easily accessible.

Conversely, the environment of the cinema lounge is fundamental to the overall experience. Marketing communications must convey this atmosphere to its customers. The atmosphere and physical aesthetics of a place draws people in. Ultimately, when people's attention is captured, they are interested in visiting and becoming potential customers.

Furthermore, the distribution must work smoothly to ensure positive customer experiences. The sales of tickets and concessions online and on-site need to be up to date to guarantee available resources. The marketing plan must take into consideration both channels of distribution and ensure their seamless cooperation.

#### Price:

The cinema lounge aims to provide affordable luxury. The business should have a competitive price to attract customers. Considering the current economic situation globally, most people do not have dime to spend on luxuries like entertainment. Although the pricing must be reasonable, the price should be aligned with the quality and experientiality of the experiences. The prices should be high enough to cover expenses and still have a healthy contribution margin. The marketing strategy should define a pricing strategy. The business should consider various price points. Different price points can be given to various customer segments like students or the pensioners.

#### Promotion:

Marketing communication must be targeted to the demographic audience with clear message of unique features of cinema lounge. The promotion can use a variety of marketing channels. For instance, social media is an effective channel to reach the attention of the target audience. Other possible marketing channels are local newspapers, radio, and outdoor advertising.

Partnerships are useful mediums to market the offering of the business. There are plenty of cooperation possibilities, such as tourism and hospitality organizations, influencers, locals, and streaming services. These collaborations increase visibility of the cinema lounge.

### 3.5.5 Financial Projections

The business uses contribution margin pricing to determine the selling price of the tickets. The selling price of the experience is based on its contribution margin. Moreover, contribution margin is the quantity of money accessible to address fixed costs and contribute profit after deduction of variable costs from total sales revenues. (The Investopedia Team 2024.)

Variable expenses are costs that vary from direct proportion to the extent of products or services manufactured and sold. Variable costs include raw materials, direct labor, and variable overheads. Conversely, fixed expenses remain unchanged regardless of the quantity of goods or services sold and produced. Contribution margin plays a crucial role in pricing decisions. A higher contribution margin conveys that a greater portion of every transaction assist in addressing the fixed expenses and generates profit. Businesses can choose prices by evaluating the contribution margin to guarantee that it covers all the expenses while achieving the desired profit margin. Overall, contribution margin emphasizes the impacts of product pricing on a company's financial health. (The Investopedia Team 2024.)

	Start-up Purchases & Expenses	Monthly Fixed Costs	Monthly Variable costs
All Expenses	Deposit, Rent Renovation, Lights Seating, tables Projector, screen Sound System Initial licensing fees Concession, bar, and small kitchen furniture and equipment Marketing, branding	Rent Salaries Utilities, such as heating, water, and electricity Film licensing Insurance Maintenance and repairs	Raw material on concessions Additional staff Marketing Themed events Miscellaneous costs like cleaning supplies
Prices altogether (€)	47 000-155 000	7 000-24 000	2 000-10 000+

Figure 19. Financial Estimations.



Figure 19 provides preliminary estimates on the start-up purchases, fixed costs and variable expenses. The estimates are composed of various information found on the web. The exact monthly operational expenses can still vary depending on the size, location, and level of activity in the cinema. For instance, the size of the screen and the projector cannot be determined before the facilities are found.

Additionally, some expenses like rent, branding, and marketing will be lower than the given estimates. For instance, the further location of the cinema allows cheaper rent, and marketing in addition to branding will be carried out by the owner resulting in lower costs than average. Also, other cost-effective measures must be taken before establishing the business. There must be good budgeting so that the expenses will not affect the price of the tickets too much. Some of the start-up purchases can be made second hand to reduce costs. For instance, coffee tables, small furniture, and interior design elements can be found second hand. Additionally, some of the investments are covered by funding.

The pricing of the tickets must be considered carefully. Few factors must be considered in the price of the economic offerings. Firstly, from the perspective of sustainability the business, the prices must have a healthy contribution margin. The contribution margin varies depending on the economic offering. For instance, beverage- and concession prices have usually higher contribution margins compared to ticket prices. The experience tickets that include a variety of offerings should have a mediocre contribution margin, lower than concessions, but higher than regular cinema tickets.

Secondly, if the prices are too high, there will not be enough customers regardless of the experience given. The price point can be given when there will be cost effective measures taken and proper funding that lowers the investment – and monthly fixed costs simultaneously. Thirdly, the company must consider how much there should be sales to break even. The break-even point can be calculated through cost-volume-profit analysis. The impact of these factors on the cost structure becomes clear only after when financing for the investments and a proper implementation schedule is known. The final price of the experience will be first determined without consideration of the Value Added Tax (VAT). After the price is calculated with the use of contribution margin pricing, the VAT is added to create the selling price.

Overall, the most vital aspect of establishing the business is to find funding. Financing options include public subsidies, loans, partnerships, funding from state, municipality or other public entities, and capital investments. Firstly, the company can apply public subsidies, such as start-up money or business subsidies. This aid helps to cover part of the expenses of setting up the business. More detailed information about these subsidies is found on the website

of ELY-center. Secondly, the business can apply for a loan from a bank or another financial institution. However, to get a loan usually requires collateral and guarantees. The firm must provide a realistic business plan and present convincing justifications for the need for a loan. If the loan is given to the business, it must be paid back with the payment plan agreed with the bank. (Kangas 2019, 30-37.)

Thirdly, the company can look for partners who can invest in the company or provide other resources. Partnerships allow the firm to share risks and benefit from the expertise and networks of the partners. For instance, cooperation with hospitality and tourism businesses, streaming services, local organizations and residents, and influencers can increase visibility and brand awareness. Additionally, the firm can apply for funding from the state, municipalities, or other public entities. For instance, funding can be obtained for regional development or cultural activities. Getting the funding requires convincing arguments on the significance of the project. Lastly, a company can apply for capital investment from those who are looking for investing opportunities. Capital investors often expect a high return on their investment. Therefore, paying back to the investors depends on the negotiated investment terms. The firm must be able to present a convincing business plan and growth potential to receive capital investment. (Kangas 2019, 37-39.)

## 4 Conclusions

### 4.1 Discussion

The goal of the research was to create a profitable, conceptual, and sustainable business plan for a cinema lounge in the province of South Karelia. The research utilized several diverse theoretical frameworks, such as Blue Ocean Strategy frameworks, SWOT Analysis, Experience Triangle, The Four Realms of Experience, and Market Research. These tools were used to create a deeper understanding of the current challenges and opportunities in the industry. For instance, one of the most crucial challenges yet to be defeated is the plummeting sales of tickets.

The key findings of the study are the many opportunities to enhance the customer experience, create value that customers deem worthy, and the cost-effective measures. The research indicates that customers are increasingly looking for distinct and enjoyable movie experiences. The study leveraged the weaknesses of the current film experience to differentiate the business from its competitors. For instance, the current movie theatres are more functional in its operations, and the experience lacks value compared to the price it is sold at. This have resulted in the favor of streaming services as the customers do not see value of merely viewing one film once. The streaming services are cheaper and more conventional.

Therefore, the new concept of the cinema lounge aims to enhance the customer experience. The business has various characteristics that make a superior experience worthy of customer's time and money. It utilizes a more comfortable and luxurious atmosphere and experiences that differ from the existing industry standard. The stylish and cozy interior design, high-quality sound and image, and comfortable seats improve the physical experience of the customer. Also, the customization via the themed concessions inspired by the movies increases the enjoyment of the experience. Moreover, thematic events, interactive activities, and discussion opportunities before and after the film enrich the experience socially, intellectually, mentally, and emotionally. The customers can individualize their experience by choosing what they would like to do, in which order, and when, within the opening hours. The viewers can suggest what they would like to see from the diverse film selection of classics, new releases, and movie marathons. Additionally, there are conventional services, such as the handy website and new ordering system that increase accessibility and smoothness of the entire experience.

Considering these unique features of the business, customers are willing to pay a little more for an immersive cinema experience as long as the price is within industry standards. Therefore, the cinema lounge aims to provide high-quality services with a reasonable price level. All the diverse economic offerings provide added value to the experience of the customers. Also, the business can select different strategies to attract non-customers to attend cinemas. Beyond individual customers, the business provides services for other organizations for team-building events. This way there are overall more customers, and the high operating expenses of the cinema lounge can be covered with a reasonable price of the tickets.

Furthermore, cost-effective measures are implemented in various ways in the cinema lounge. Firstly, the number of staff is reduced during quiet hours. This is possible as some of the operations are automated via website. Customers can purchase tickets and concessions right to their seats, which is both cost-effective and timelier for the business. Secondly, the location of the firm is more unconventional, which allows saving money in rent. Thirdly, the typical grocery snacks are eliminated from the selection and more high-quality concessions are served. As a result, the selection is more limited, which helps to keep the cost down. Additionally, the branding and marketing is carried out by the owner, which lowers the related costs. Lastly, some of the start-up purchases are bought from second hand if possible. Purchasing used interior décor and funding helps to save money when establishing the business.

It is crucial to note that this research was a preliminary study and a more detailed financial analysis, and legislative issues must be added before the launch of the business. Also, it is vital to consider the economic recession, and other potential risks need to be updated as the business plan is rewritten and adjusted with time. This research produced conceptually a unique concept that is quintessential in the establishment of the business in the future.

## 4.2 Strengths and Limitations

One of the strengths of the thesis is its thorough theoretical framework. The thesis comprehensively presents key concepts and theories required to prepare a business plan. With the theoretical frameworks, the study was able to develop the unique and versatile concept of the business. For instance, with the Blue Ocean Strategy frameworks, the competitive landscape has been analyzed and new market opportunities searched for. Conversely, the Four Realms of Experience - and the Experience Triangle framework guided the research on enhancing the customer experience even further.

Another strength of the thesis is the use of market research. The thesis gathered perspectives on the current movie theatre industry, and the needs and preferences of the target

audience and non-customers. The market research investigated whether they would be interested in the concept of the cinema lounge and if yes, what activities, themes, characteristics would be important. The results of the market research show that customers are interested in attending an immersive and distinct cinema experience and are willing to pay a little more for the entire experience. The participants emphasized that pricing should be aligned with the prices currently offered in the industry.

A weakness in the thesis is that the research focuses strongly on creating the concept. Although the work is intended to emphasize concept creation, the study would still benefit from more detailed practical issues. The details of the business plan, such as financial analysis remain rather one-dimensional and vague.

Another weakness that the study is the limited consideration of the threat that streaming services pose. The research takes into consideration various movie theatres, but it falls short on changes in the popularity of streaming services. Thesis could improve strategies against streaming services.

Generally, the concept of cinema lounge is promising and has potential to succeed. In particular, its investment in customer experience and experientiality has been prosperous. However, further research should focus on the details of practical issues.

#### 4.3 Recommendation for Future Research

Firstly, a business of this size needs multiple stakeholders. Before launching the firm, other stakeholders must be identified. The researcher has a one business partner in mind that could be suitable for the company, but they have not yet communicated this further. If the person in mind would not want to be part of the business, other stakeholders could be searched through networking and participating in events. For instance, participating in Idearace could help the researcher to find interested fellow business-minded individuals to join.

Secondly, the legislative issues must be addressed in future research. It is important to ensure that the business model is legal, and all the necessary permits and registrations have been obtained. For instance, as the cinema lounge plans to sell alcoholic beverages, the business and all its staff must have liquor licenses. Similarly, the business must consider regulations and licenses when the business prepares the food. Additionally, taxation issues must be further elaborated on.

Thirdly, more comprehensive financial analysis must be carried out to get funding for the business. It is necessary to prepare more detailed budget and profitability calculations that

take into account all expenses and income. After the final budget and financial projections are set, the sequence of creating a blue ocean strategy can be carried out to see whether the business venture creates a viable blue ocean opportunity.

Before launching the business, another market research would be beneficial to pretest the final products, services, and experiences. The final products, services, and experiences should be pretested with a bigger sample size of target demographic and non-customers. The future market research could be a combination of questionnaires, interviews and focus group interviews. This would ensure that the launch would go smoothly, and that there would be definite demand for the business and its economic offerings.

The company should consider whether any of the internal operations should be outsourced. Projectors and screens need maintenance so that they will not malfunction. There should be discussions about outsourcing a theatre technician, or will one be hired specifically for the cinema business. Another possibility is that the owner gets education regarding these issues. These considerations must be covered in the financial plan since theatre technicians are very costly for the business as well.

Moreover, the company must be prepared for the worst-case scenario. As a precaution, a risk management plan must be added to the rewritten business plan. The contingency plan aims to foresee all the possible worst-case scenarios and strategies to overcome them. The risk management plan is fundamental if the business is looking for funding. Without one, the cinema lounge most probably will not get funding. The risk management should be carried out after the final financial analysis is prepared.

Lastly, if the business becomes a soaring success, the future research could investigate potential expansion plans. In the best case and in the far-fetched future, the cinema lounge business could be made into a franchise. However, it is too early to predict whether such success would even occur.

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