

The Analysis of the Cinema Industry in Facing Demand and Capacity Problem During the COVID 19 Pandemic

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ABSTRACT

This study aims at describing the implementation of demand and production capacity in the cinema industry during the COVID-19 pandemic. Recently, Indonesia has been experiencing an economic crisis due to the COVID-19 pandemic, which has caused businesses in Indonesia to weaken and even fall. With uncertainty and increasingly fierce competition, companies in every industry must think of various appropriate steps and strategies to face the competition. One of them is the cinema entertainment industry which has experienced a drastic decline. The challenge that managers must face is adjusting the amount of capacity offered with the number of consumer demands based on daily operations in an unstable environment; thus, the company must think about how to meet the capacity to remain profitable. In this way, this research can describe how cinemas, especially CINEMA XXI, deal with demand and capacity. The type of research method applied was de-scriptive research with a qualitative approach. The source used several opinions from customers to find out the marketing strategy at one of the cinemas. The results showed that Cinema XXI, at the same time, has to face the crisis period and maintain consumer satisfaction in strictly limited conditions due to the social distancing regulation. Not only CINEMA XXI, but companies in other service sectors are also experiencing changes in conditions. In maintaining its daily operations, CINEMA XXI continues to carry out its activities by following the government regulations and implementing strict health protocols. In addition to showing films, the company provides food delivery services available at Café XXI and rents out theater rooms with certain conditions and requirements based on government regulations.

Keywords: *Demand, Production Capacity, Cinema Industry, COVID-19.*

1. INTRODUCTION

The body text starts with a standard first-level in adjusting the amount of capacity offered by the company with the number of consumer demands based on daily operations in an ever-changing environment. After determining the amount of a particular business capacity, the company must consider how to fulfill that capacity to remain profitable (profitable). The content or material is related to the challenges that must be faced in adjusting the amount of capacity offered by the company with the number of consumer demands based on daily operations in an ever-changing environment.

In recent years, Indonesia has experienced an economic crisis due to the COVID-19 pandemic, which

caused the collapse of businesses in Indonesia. With uncertainty and increasingly fierce competition, companies must think of various steps and appropriate strategies to face the competition. One of them is a service company, namely the cinema entertainment industry, which has experienced a drastic decline.

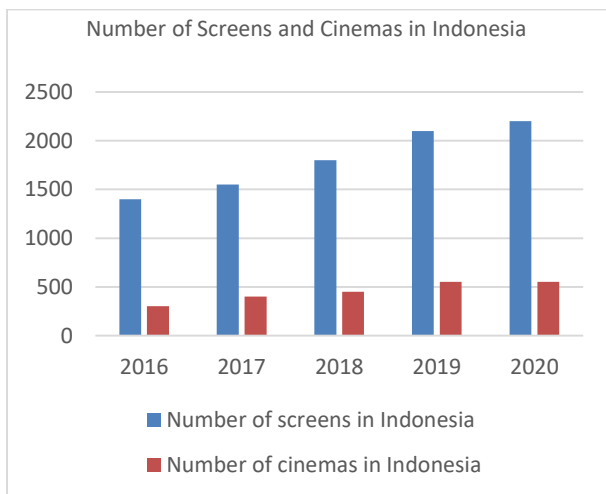
The impact of the crisis has caused many people to experience boredom and high stress levels due to their daily routines that require them to work hard to improve their lives. This makes many people look for entertainment to forget and get rid of boredom from their daily activities, and they hope that the particular type of entertainment can be the way. Many people go through their days feeling empty and that nothing is going right apart from their hard work, but if those feelings persist

for a few days or even weeks, they may have a more significant problem: job burnout (work fatigue).

The progress of the global economy today and many entertainment needs have driven growth in the service sector. Many business opportunities are currently emerging in this sector [1]. With a variety of product choices and price offers provided with good and attractive facilities are the main things that companies must consider to satisfy customer desires. Satisfying customers is a good defense to beat the competition. A successful company will get loyalty from customers who will not be teased by anything as long as the company can provide customer satisfaction and trust. Many companies today count customer satisfaction as a guarantee of future success. However, loyalty is a more precise tool for predicting sales and financial growth [2].

One of the service businesses in entertainment that is currently quite promising is cinema. Cinema is also one of the companies engaged in entertainment services where this place is designed so that the audience can enjoy what is created in that place; therefore, they can forget the hustle and bustle of their daily routines.

Cinema is one of the places consumers visit to gather and enjoy entertainment in the form of films as desired. Figure 1 show number of screens and cinema in Indonesia 2020



Source: [2]

Figure 1. Number of Screens and Cinemas in Indonesia 2020

Based on the data in Figure 1, the national film industry is one of those operating during the Covid-19 pandemic. According to filmindonesia.or.id (FI), the growth rate of screens and reports in 2020 only rose 1.7% to 2,145 screens and cinemas increased by 1.8% to 517 cinemas. Previously, Indonesia's number of screens and cinemas had 1,330 screens and 313 cinemas in 2016. The highest growth in the number of screens and cinemas occurred in 2018. At that time, the film industry was able

to add 17.8% screens and 19.8% cinemas, so there were 1,824 screens and 430 cinemas that year [3].

Recovery of the above problems is significant if the company does not want to stop or die. Service recovery is a significant determinant of customer satisfaction and loyalty. Maintaining relationships with dissatisfied customers by implementing an effective service recovery policy is the main focus of most customer retention. In essence, service recovery is an action taken by service providers to resolve problems arising from service failures to maintain customer good intentions [4].

Today, customers are no longer satisfied with a service that does not respect their rights. Consumers are used to the services provided by other goods and services industry players who place customer satisfaction as a top priority, where the actors in the other goods and service industries have implemented the concept of service excellent or superior service, namely an attitude or way of serving customers satisfactorily [5].

A service will be good if consumers are satisfied with the services provided, but if the service provided is awful, it is possible not to repeat it. Consumer satisfaction is a function of the product or service's performance and consumer expectations. Satisfaction is a function of perceived impressions of performance and expectations. If the performance is below expectations, the consumer is satisfied. If performance exceeds expectations, consumers are very satisfied or happy [6].

Excess demand is the demand for a service at any point that exceeds the company's ability to meet customer needs. Excess capacity is the firm's capacity to create service outputs that are not fully utilized. Maximum capacity is the maximum limit of the company's ability to meet customer demands at a specific time. Optimum capacity is the point at which the company's efforts to serve additional customers will result in the perception of a decline in service quality. Productive capacity is the extent to which facilities, equipment, labor, infrastructure, and other assets are available to certain companies to produce output for customers [5].

The problem that often arises is that the demand and expectations of consumers are not matched, or the demand and capacity of the services provided are not balanced, or the demand is at the maximum customary optimum. Therefore, many things need to be considered in providing services, such as product elements, place and time, promotion and education, price and service costs, process, productivity and quality, people, and physical evidence.

Cinema service users since this pandemic have experienced a very drastic decline; therefore, the entertainment industries, especially cinemas, must face it while still balancing the demand and the company's capacity for the company's sustainability to survive. Therefore, the researcher wants to find out how the

cinema industry company balances fluctuations in demand and capacity during the COVID 19 pandemic with the title "The Analysis of the Cinema Industry facing demand and capacity during the COVID 19 pandemic."

A. Demand

Demand is the number of goods purchased or requested at a certain price and time. In contrast, the supply is a number of goods sold or offered at a certain price and time [4]. Law of Demand: "The lower the price level, the more the quantity of available goods is demanded, and conversely the higher the price level, the less the quantity of goods that are willing to be demanded." Capacity is the level of the optimum production capability of a facility, usually expressed as the amount of output in a certain period [4].

B. Production Capacity

According to [4], it refers to resources or assets that a company can use to create goods and services or support service processes. In the context of services, production capacity can be:

- Physical facilities that are designed to accommodate customers. Example: Hotel (bed, room), Passenger Plane (chair), clinic, campus.
- Physical facilities that are designed to store or process goods that are their property or offered to them for sale. Example: Warehouse (storage of assets), parking lots, freight/luggage cars (trains, planes).
- Physical facilities that are designed to facilitate or support service processes or human service processes, ownership, or information that can cover a variety of goods and in situation-specific. If the demand is insufficient, it will disrupt the service. Examples: Bank ATMs, chairs in offices, chairs in lectures, security detection devices at airports, toll gates, etc.
- Skill-based workforce or professional services personnel create high added value and information-based output. Labor is a critical element of production capacity in all high-contact services and many low-contact services. For example, Chef, restaurant waiter, midwife, call center staff.
- Infrastructure. Many organizations depend on access to adequate capacity, both public and private infrastructure, to deliver quality services to their customers. Examples of capacity problems are congested flight paths, toll congestion, power outages, etc.

C. From Over Demand To Over Capacity

According to [4], the inability to store services when combined with fluctuations in demand causes several combinations in the service sector. At any time, a service

that has fixed capacity may encounter one of the following four conditions:

1. Over Demand

Relative to capacity at any given time (demand far exceeds maximum capacity, not met all, missed opportunities)

2. Demand Exceeds Optimum Capacity

The upper limit of the company's ability to meet demand at a particular time (demand exceeds the optimum capacity, it is fulfilled, but there is a decrease in quality)

3. Balanced supply and demand at an optimum quality level

Decreases when more customers are served (demand is under optimum capacity, fulfilled, and has not decreased in quality)

4. Overcapacity

Excess capacity relative to demand at any given time (capacity far exceeds demand, wasted resources)

D. Difference between Ideal Capacity and Maximum Capacity

According to [4], the difference between ideal capacity and maximum capacity:

- Optimum capacity is when supply and demand are balanced, meaning that the company's facilities and assets are not overloaded, and customers receive good service without any delays.
- Maximum capacity is the maximum capacity of the company to meet customer demand at a particular time. An example where the two are different is the situation of a cafe in a packed condition. Employees are in a hurry to serve, so there is a possibility of making mistakes or orders arriving late.
- Another example is when someone is in a football match. The stadium is full of spectators (maximum capacity), and players feel the supporters' stimulus as encouragement (ideal capacity).

There are two approaches to dealing with fluctuating demand [4] :

1. Set the capacity levels to meet demand variations. The company must understand production capacity and its variations as it increases gradually (understand productive capacity, keep customers at that capacity)
2. Manage demand levels by using marketing strategies to reduce fluctuations resulting in a more consistent flow of service requests. Use a marketing strategy to shift peaks to lows (move excess in peaks to shortfalls in valleys)

Effective use of capacity is one of the keys to success. Not using capacity as much as possible but as productive as possible but not threatening service quality and eroding customer experience.

2. METHODS

This research was descriptive research with a qualitative approach. According to [7] defines descriptive research as a method of examining the status of a human group, an object, a condition, a system of thought, or a class of events in the present that aims to make descriptive, systematic, fluctuating, and accurate descriptions, images or paintings about facts and the relationship between the phenomena under investigation.

The source of data used in this study was secondary data. According to [8], secondary data is data or information obtained indirectly from public research objects. Observation is the selection, modification, recording, and coding of a series of behaviors and conditions that are pleasing to natural situations or under empirical goals [9]. The source uses several opinions from customers to find out the marketing strategy at one of the cinemas, namely CINEMA XXI, and other data sources used such as websites, books, and other printed evidence supporting the research results.

3. RESULTS AND DISCUSSION

Cinema XXI is under the auspices of PT Nusantara Sejahtera Raya or operates as Cineplex. 21 Group is a pioneer of the cineplex network, the largest cinema group in Indonesia, established in 1987. As of January 2021, Cinema XXI has presented 1,195 screens in 221 cinema locations spread across fifty-two cities in Indonesia and will continue to grow to achieve the target of 2,000 screens in the next five years. In dealing with both the pandemic and normal times, CINEMA XXI, in particular, manages demand and production capacity as follows:

Cinema XXI's efforts in dealing with fluctuating consumer (audience) demand

1. Efforts to Use Effective Productive Capacity

- Physical facilities designed to accommodate customers (Cinema Building, Theater Room)
- Physical facilities for storing or processing goods owned by customers or offered to customers for sale, such as ticket sales counters, counters selling food and beverages at Cinema XXI
- Physical equipment is used to process people's property information, such as tickets, computers, chairs, big screens, sound systems.
- Workforce, staff or employees who serve ticket sales for Cinema XXI, officers who serve when

entering the theater room, XXI security officers, employees who sell food and drinks at Cinema XXI.

- Infrastructure, electrical power used for Cinema XXI.

2. CINEMA XXI is in Excess Demand

- Theater Room Capacity Level Adjustment

In the cinema entertainment industry, especially Cinema XXI, when the place to sit is continuously filled, it is advantageous for the company, while the audience needs are fulfilled and show enthusiasm and participation. Results of the end are the experience that is satisfactory for all parties. Conditions that describe the capacity of optimum and maximum capacity are met. For example, Cinema XXI Ciwalk plays one type of film by opening three theater rooms with five showtimes, while Cinema XXI TSM opens two theater rooms with three showtimes. The demand from viewers of Cinema XXI Ciwalk is higher than the audience at Cinema XXI TSM; thus, the availability of main facilities is well considered.

- CINEMA XXI Creating Capacity According to Segments

The demand from the audience to watch the movies is influenced by time in a day (morning, afternoon, evening, or late at night), two periods of the day in a week (weekdays and weekend), three periods of the season (desolate, moderate, holidays). Based on the demand pattern, Cinema XXI can create flexible capacity. In the usual instance for types of films A, XXI open the theater with little hours of running, because, during these days, regular customers tend to be busy with their daily routine, such as school, classes, work, and usually watch it in the afternoon until the evening day. At the end of the weekend, Cinema XXI opened more than two theaters with more hours of view.

3. Demand Exceeds Optimum Capacity (Long Queue / Full)

- If the service is offline, a notification from ticket XXI that the available capacity is not sufficient will reduce the queue at the ticket purchase counter.
- Thus, the ticket purchasing service through the online application will immediately show that the available capacity is full or the tickets are sold out.
- By providing another alternative, watching in theaters located in the company with XII, for example, The Premiere.
- Utilizing adequate capacity but low demand to balance it with excess but inadequate demand or by conducting an inventory with a reservation system so that consumers shift to the off-peak period.

- Perform self-service using online booking facilities and print tickets on a printing machine.
4. Balanced supply and demand - at optimum capacity level (Normal)
 - Provide ticket purchase services through online applications. In addition to making it easier for consumers, it also prevents long queues that threaten service quality.
 - Consumers receive appropriate service. Employee productivity is also effective. For example, when the condition of the premiere of a Hollywood film or a local film is launched.
 - Overcapacity- demand is below optimum capacity, and productive resources are not fully utilized.
 5. Overcapacity- demand is below optimum capacity, and productive resources are not fully utilized.
 - The COVID-19 pandemic period is one of the conditions for low productivity for CINEMA XXI.
 - The XXI party carries out a ticket purchase discount promo to keep resources productive and comply with health protocols.
 - Cinema XXI opens service innovations when cinemas cannot get permission to show due to regulations during COVID-19.
 - "Dapur XXI" is the latest service from Cinema XXI to provide food and beverage services to Cinema XXI loyal consumers.
 - "Dapur XXI" prioritizes food delivery service (delivery order) for consumers. So consumers do not have to bother coming to the cinema.

4. CONCLUSIONS

In recent years, Indonesia has experienced an economic crisis because it was faced with the COVID-19 pandemic, which caused businesses in Indonesia to

weaken and even fall. Cinema XXI also has to face this crisis period and maintain customer satisfaction in conditions that require physical distancing due to government regulations. Whether in normal conditions or during the pandemic, CINEMA XXI has a way to balance demand and production capacity to maintain its company. This way is through the existing physical facilities, demand, and a balanced production capacity.

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