IMAX EXPANSION PRESENTATION

HOW SHOULD IMAX ADJUST ITS BUSINESS MODEL IN BRIC COUNTRIES TO **NAVIGATE INSTITUTIONAL VOIDS** (E.G., UNDERDEVELOPED LEGAL SYSTEMS, CULTURAL BARRIERS, PROTECTIONISM) WHILE **MAINTAINING SCALABILITY AND PROFITABILITY**?

IMAX’s expansion into BRIC economies reveals how institutional voids like

WEAK LEGAL SYSTEMS, PROTECTIONISM, AND CULTURAL BARRIERS CHALLENGE FOREIGN COMPANIES. Navigating institutional voids doesn't mean abandoning global identity — it means **retooling the business model for local legitimacy while keeping core capabilities centralized**. But rather than applying a uniform global model, IMAX has used a **transnational strategy**.

In **Brazil**, IMAX **tackled the complex regulatory environment, cultural and linguistic barriers by entering through a joint venture with UCI, a leading local exhibitor.** The market is Hollywood-dominant—83% of box office revenues—making it naturally receptive to IMAX’s global content. Pricing was adjusted for the **growing middle class**, with 2,650 screens and strong growth potential.

In Russia, INSTITUTIONAL VOIDS INCLUDED NOT ONLY LEGAL UNCERTAINTY BUT ALSO POLITICAL RISK AND PROTECTIONIST SENTIMENT. THE CULTURE MINISTER HAD EVEN PROPOSED QUOTAS ON FOREIGN FILMS. IMAX localized by releasing Russian-language blockbusters like *Stalingrad* and **forming ties with key local exhibitors like Cinema Park and Karo film**. Russian customers were willing to pay premium prices—up to $80—showing high value perception.

India was more complex. Despite a massive cinema-going population, only 10% of revenue comes from Hollywood. IMAX localized content by adapting Bollywood hits like *Dhoom 3* and used **RETROFITTING AND PARTNERSHIPS TO SCALE WITHOUT HEAVY INFRASTRUCTURE INVESTMENT**. Here, pricing and content must fit a more price-sensitive audience.

China, with $3.6 billion box office revenue in 2013 and 10–12 new screens per day, is IMAX’s biggest opportunity. **But quotas (foreign films to 34 per year) and government oversight were**
28 **barriers. IMAX OVERCAME THEM BY CO-PRODUCING CHINESE BLOCKBUSTERS** like *Aftershock*, **AND PARTNERING WITH WANDA GROUP TO GAIN MARKET ACCESS AND LEGITIMACY**. IMAX marketed its offering as "**affordable luxury**" to China's rising middle class—aligning brand messaging with socio-economic trends.

So, what’s the takeaway?

IMAX adjusted its model through **local partnerships**, **content adaptation**, **tiered pricing**, **revenue-sharing agreements** and **capital-light retrofitting**, while preserving its tech advantage. This flexible approach allows scalability without sacrificing profitability—showing how a firm can thrive in uncertain institutional environments by balancing global consistency with local adaptation.

A few key **adjustments emerge as critical for scalability and profitability**:

1. **Local partnerships** are essential. Whether for navigating bureaucracy (Brazil), managing political risk (Russia), bridging infrastructure gaps (India), or gaining regulatory favor (China), strong local partners provide the institutional embeddedness that foreign firms often lack.

2. **Local content adaptation** builds cultural legitimacy. IMAX's co-production of domestic films in Russia, India, and China transformed it from a foreign distributor into a co-creator of national cinema, reducing resistance and boosting local box office performance.

3. **Tiered pricing strategies** are needed to match consumer purchasing power. While audiences in Russia may pay $80 for a ticket, Indian audiences are more price-sensitive, demanding a different pricing model for profitability.

4. **Capital-light growth via retrofitting** existing screens and revenue-sharing agreements helps limit exposure in risky or underdeveloped markets while maintaining operational flexibility.

Navigating institutional voids doesn't mean abandoning global identity — it means **retooling the business model** for local legitimacy while keeping core capabilities centralized.