How Will Cable and Home Video Impact the Motion Picture Industry in Jamaica?

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How will cable and home video impact the Motion Picture Industry in Jamaica?

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Submitted To: Dean Arthur E. Snyder Jr.
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A Graduate Project Submitted to the Graduate School of Lynn University In
Partial Fulfillment of the Requirements for the Degree of Master of
Professional Studies.
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Mom and Dad thank you for believing in my ability when I lacked the faith, and for giving me this opportunity to not only further my education, but to also gain the necessary confidence in myself to be competitive in the workplace. Thank you also for your patience during the six years I have been away from home while help was needed and work had to be done. I love you both.

For everyone not mentioned above who has contributed either directly or indirectly to this project I extend a warm-hearted thank you.

To my two best friends, Grandpa Robinson and my brother Russell who passed away at different times during my course of study, thank you both for being a constant source of inspiration and for making your presence known at my weakest moment. I miss you both.

Russell I made it!

This is dedicated to you...

All My Love,

Steven.
Abstract

Objective

How will cable and home video impact the Motion Picture Industry in Jamaica?

This study examines the Motion Picture Industry in Jamaica and the impact that video rentals have had on the industry, as well as to predict the impact it may have on it in the future. The new emergence of cable operators may be in full operation in 1996. The impact that this new medium will have on the movie industry in the future will also be examined.

Methodology

* Interviews were conducted with the Managing Director of Palace Amusement Co. (1921) Ltd., a video store owner, as well as cable a operator, and a government official between December 20th 1995 and January 3rd 1996.

* A random sample of 100 consumers were asked to fill out 100 questionnaires in the City of Kingston between December 12th and 20th 1995, where persons of all income levels are represented.

Results

This researcher was successful in obtaining a response of 100% to the questionnaires issued in Jamaica. After tallying the answers to each question, the following results were determined and are listed below in order of appearance in the questionnaire. Described below are the categories that had the most responses. One hundred people were selected randomly to fill out a questionnaire. This researcher obtained responses to one hundred questionnaires from one hundred people.

1. 49% were between the ages of 21 and 30, and 29% between 31 and 40.

2. 60% of the respondents were male.

3. 59% of the sample were single and 32% were married.

4. 48% of the sample had children.

5. 74% has a VCR.

6. 88% go to the cinema.

7. 53% of the movie-goers attend at least once every month.

8. 78% of the sample are aware of coming attractions.

9. 57% have cable.
10. 48% rent videos.

11. 28% of those that rent videos reported renting once per month or less frequently.

12. The majority of those that rent videos will rent two on each visit.

13. 61% of the sample have a viewing preference of cinema while 27% prefer cable.

14. 53% of the sample think that the price of a ticket is dependent on the movie.

15. 77% of the sample enjoy watching movies in the evening.

The interviews revealed the distinction between in-home and out-of-home entertainment. The behavioral patterns of both markets are different however, many of the targeted audience remains the same. There are separations in viewing preferences but it is linked with the affordability of and the proximity to the cinema. Both cinema and home entertainment are attempting to increase the value of entertainment and compete with each other.

The literature reviewed revealed the increase in technology and availability of foreign programs, and the great demand for these goods not only in Jamaica, but also in other countries. Many of the sound and visual effects that are created in film, are capable of accurate reproduction only in cinema. Cinema is more than merely watching a movie. It is a way to bring culturally diverse people together to share a common emotion.
Conclusions

Throughout the course of this research, the temptation to assume a conclusion passed across my mind many times because it seemed so obvious - there will be no effect. As the research progressed, this conclusion changed as each page was typed. There needs to be some clarification in the conclusion because there is no black or white, or an answer of yes or no, but a series of possibilities and assumptions based on the findings in the questionnaire, the articles, the interviews, and the analysis of company information.

The VCR, despite the desires of many to own one in Jamaica, is no longer a novelty. The rental of VCR cassettes is illegal and is a violation of copyright law under Title 17 of the US Code. This has forced the business owners to operate in a somewhat underground manner. The less visible they are is the more likely their business will continue. As a result of its illegality, not only does it keep the morally consummate individuals from patronizing the business, but it also permits the rental prices to be much lower because royalty payments are not made. Also resulting from the piracy is poor quality sound and picture which despite the convenience of tape rental, have those accustomed to quality looking elsewhere to see a movie.
The satellite dish has been in many Jamaican homes since the mid 1980's. It was expensive then, and today still out-prices many of the Jamaican households.

Cable which was introduced in July 1995, has allowed those that could not afford the dish to access the same programs and a variety of channels for a monthly subscription fee similar to the ticket price of an uptown cinema, i.e. US $5.00. For the Jamaican consumer this is a novelty. The low income earners who for decades were limited to only two local television stations and their local video club, could now afford what has been out of reach, and the dish owners could now change to all the channels without having to change satellites. Not surprisingly, the video clubs have lost revenue since the inception of cable. Unless the video clubs in Jamaica move from the underground to a "Blockbuster" type of operation to improve quality, they will pose no threat to the success or continued patronage of the cinemas.

Palace Amusement has also seen a downturn in attendance at the cinemas, most noticeably after July 1995. Hardly a coincidence, this researcher concludes that cable has had a negative impact on the cinema between its inception in July of 1995 and December 1995. This researcher is of the opinion however, that the loss of patronage is only due to the curiosity of the novelty and the inexpensive service rather than a change in preference.
This will change as the Government of Jamaica is going to regulate the newly formed industry and legislate their conformity to the copyright law. These payments to the program providers that will become necessary, will increase the cost of subscription substantially.

From the analysis of the company records, despite the decline, all cinemas reported an increase at the end of December 1995. Although the attendance has not fully recovered, this researcher has further concluded that the attendance will revive, based on the increase in December 1995, and the majority of the preference still being for the cinema, and the cinemas in Jamaica will once again sustain because television is different to cinema.
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Chapter 1: The Problem and its Settings
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Statement of the Problem

How will cable and home video impact the Motion Picture Industry in Jamaica?

Sub-Problem

The first subproblem. Why do people in Jamaica go to the movies or rent videos?

Introduction to the Problem

Palace Amusement Co. (1921) Ltd., a dominant motion picture distributor and cinema operator, faced many challenges in the past and many are yet to be overcome. Like any business, one always fears being substituted and as a result, precautions must be taken to avoid such unpleasantness. In the face of this new technological era, Palace Amusement is no exception. It has always lingered in the minds of the company directors, that the possibility does exist that cinema could be replaced by another form of getting motion pictures to the public, or perhaps a different form of entertainment entirely.
To date, the likely candidates to threaten the industry are the video rentals for home use and the cable television services. These threats may not be the flagships to overthrow the movie empire but the fulminating subtleties of today, may be replaced by the harsh realities of tomorrow.

**General Background to the Problem**

In 1921, the first cinema company by the name of Palace Amusement Co. was established in Jamaica. It was bought by Lord Rank in 1946 and then by Mr. A. Russell Graham’s organization - Russgram Investments - in 1961. Soon after, Palace Amusement Co. (1921) Ltd. faced the beginning of many changes and hardships which today is the driving force behind the company’s success. The Jamaican Government gave tax incentives to organizations that offered stock on the exchange, and as a result of this, Palace Amusement Co. (1921) Ltd. became a public company with 55% of the stock being owned by Mr. Graham. The sale of both common and preferred stock facilitated the necessary financing for expansion to keep abreast with the rapid technological advancement.

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1 All historical data acquired from Palace Amusement.
These advances in the industry came in the form of optical (the quality of the picture) and audio improvements (the sound system used). In the mid 1950’s, movies were shown with Cinemascope technology that used a wide angled lens to deliver the picture on a curved screen. It offered good quality sound with either a black and white or color picture. Magnetic Four Track Stereo was developed by the end of the 1950’s that revolutionized the sound in all cinemas. For the first time, the audio could be reliably heard in stereo, that added clarity to dialogue and enhanced sound effects. A major setback suffered by this system was that there was no way of controlling the sound. Voices and sound effects could be heard coming from behind the audience instead of from the actors, giving the impression that there was an echo.

In the 60’s Todd American Optical (Todd A. O.) was introduced to the Jamaican cinema, giving the benefit of American technology, which included the use of 70mm film instead of the standard 35mm film. The 70mm film delivered a brighter and sharper picture on the screen, but the necessary equipment was expensive, and few films were being recorded on it. This limited the movies shown in the cinema as all other films were still being recorded on 35mm. Todd A. O. did not last, and CinemaScope technology with 35mm film returned to the cinemas, and is still being used today.
Dolby Surround Sound Stereo came in the 1980's which made motion picture sound a new experience. Speakers were now surrounding the audience which greatly enhanced the sound effects from all angles pulling them closer to the action on the screen. Dolby's noise reduction system eliminated the hissing and crackling in the sound that plagued the previous systems.

Today, in 1995, Digital Sound is used along-side Dolby. This new equipment uses computerized technology to not only enhance what Dolby provides, but also allows the audience to hear every spoken word and every sound effect with absolute clarity, making the experience as close to reality as possible.

There were formalities that were recognized in theaters in the earlier years, the most noticeable being the individual attire. Three piece suits were the norm, and while this may seem as a high society fashion, those less fortunate would have theirs made in sacrifice of the "name brand." It was considered a night out on the town.

The Jamaica Broadcasting Corporation (J.B.C.), was established in the early 60's, and was modeled after the British Broadcasting Corporation, namely, without programming or sponsors. Being government owned, companies had no influence on what was aired and as a result, television programming was monotonous and lacked the entertainment luster that was possible.
The movie phenomenon sustained, as friends and families met weekly, sometimes twice weekly, to relax, and to lose themselves in the fantasy of movie magic.

Like after every movie, people must again face reality, and for Palace Amusement this reality was the introduction of the Video Cassette Recorder (VCR) to the consumer market in the late 1970's. Initially, the cost of the VCR's out-priced the majority of the Jamaican consumers but as these prices fell, more households not only became aware of the product but also found it affordable. To the consumer, the tentacles of entertainment had stretched even farther, and now they could not only see a movie, but now they had a choice of movies from which they could select, and watch it at a time convenient to them. Added to this, the weekly, or for some the bi-weekly expense was greatly reduced as cassette rental was low because home video was, and is, operated by pirates who pay no royalty to the film producers. The friends or family members could now meet at their house instead of the theater, and the number invited was only circumscribed to the size of their living room. For the consumer, this was a good investment.

The ten years between 1975 and 1985, saw a tremendous boom in communications development. In the early 1980’s, the first satellite receiver was installed in a Jamaican home. This satellite dish had the capacity to bring into the receiving home, programs and movies shown in the US.
The investment needed for this installation however was tremendous and was reserved only for the pockets of the elite. Some systems costed as much as JA $50,000 which for Jamaicans amount to their annual salary. The transmitters in the US became aware of the program piracy in Jamaica and other parts of the world and soon after began scrambling their signal. In order for the owners of the satellites to get their signal unscrambled, they were required to pay an annual subscription fee to the US transmitter. This payment was required in US dollars that had to be purchased in Jamaica, and due to a sever currency shortage, this purchase was difficult. Owning a satellite receiver quickly became a liability for some.

Today in 1995, another introduction is looming. Individuals in the private sector have setup the framework to supply each subscribing home with cable service. The license granting them permission, from the Jamaican government, is pending. The resources needed to police and reinforce economic laws are scarce, and in anticipation of the necessary licensing approval, the private sector has considered it advantageous to promulgate the service prior to approval. This serves to act as a leverage and make it difficult for the government to deny approval if they decided to do this. Today, selected homes are now receiving cable reception.
Purpose of this Study

Since the 1970’s, the Jamaican market has been no stranger to the technological boom. Palace Amusement Company (1921) Ltd., has tried to keep abreast of all aspects of modernization within the theaters. Despite the latest optical equipment and state-of-the-art sound systems, the possibility does exist that VCR’s and cable television, indeed home entertainment systems, being inexpensive and accessible, may substitute the movie-going habit. The purpose of this study therefore, is to determine the impact that home video and cable television will have on the Motion Picture Industry in Jamaica.

Definition of Terms

1. VCR - Video Cassette Recorder

2. Box Office - The booth where the tickets are issued.

3. Net Box Office Returns - The money turned in by the Box Office at the end of the night, less 1\11th for entertainment tax.

4. Concessions - The food and beverage area within the theater.

5. Motion Picture Industry - This describes the industry in Jamaica which includes only film distribution and cinema operation.
6. **Pirates** - Home video operators who rent cassettes to consumers without paying royalties to the film producers, which is required by International Law.

7. **Piracy** - The act of taking protected material or service from the intellectual property owner without permission or payment.

8. **Secondary Data** - Information acquired from someone else’s research.

9. **Transmitter** - The company or station where the transmission originates.

10. **Royalty** - Payment made to the intellectual property owner for the use of their work. For example, paying movie producers to show their film.

11. **Environbranding** - This is the process in which store owners find out what movie stars and films make people buy which products, and arrange their stores accordingly.

12. **Target marketing** - This is a marketing strategy that focuses on a selected group of consumers with something in common.

13. **Acquired habit** - For the purpose of this research, an acquired habit is considered as a consistency in a certain pattern of behavior. Movie-going does not come naturally to people but their interest is developed over time. Those that patronize the cinemas once or more per month are considered to have acquired the habit of movie-going.

15. **BBC** - Acronym for British Broadcasting Corporation

16. **JBC** - Acronym for Jamaica Broadcasting Television

17. **CVM** - Acronym for Community television, Videomax, and Mediamix. Three major investing companies in the television station.

18. **Digital Videodisk** - 1996 enhanced VCR technology. Allows users with the equipment to see movies stored on compact disks. It has the option of different languages as well as the ability to filter violence.

19. **Direct TV** - The latest technology in satellite access to television stations. Unlike the dish, the Direct TV satellite allows the reception of nearly two hundred channels without having to switch to another satellite.

20. **NKDI** - New Kingston Drive-Inn

21. **HVDI** - Harbour View Drive-Inn
Assumptions

1. The first assumption is that movie-going is an acquired habit.

2. The second assumption is that cable and video rentals are used as a corollary (parallel) to the movie-going experience and will have no future impact on ticket sales. Within the past two decades, it has been understood that avid movie going in Jamaica is an acquired habit and ticket sales have sustained despite the introduction of other entertainment medium.

3. The third assumption is that the preferences of the Jamaican people are similar but not necessarily identical to that of the US and as a result will act in a similar manner most of the time.

4. The fourth assumption is that the income level in one area will respond similarly to the same income level in a different area.

Delimitations

1. This study focuses solely on the City of Kingston where the demographics represent all other thirteen parishes in Jamaica.

2. This study does not take into account households without televisions or those that are not movie-goers as a result of inaccessibility. There are areas in Jamaica where public transportation is not available and families can not afford the luxury of a car.
Chapter 2: Literature Review
Chapter 2: Literature Review

How will cable and home video impact the Motion Picture Industry in Jamaica?

Relevance of the Literature Review to the Problem

The nation of Jamaica is small. The land spans 144 square miles and has a population of an estimated 2.6 million. Kingston, the capital City of Jamaica, occupies one-third of the population and is also central to most businesses in the island. People of all income levels are present, ranging from the very poor to the very rich, and can be seen interacting in their daily lives. The three newspapers that circulate daily are in touch with, and for the most part, well informed with what is happening in Jamaica and overseas. The three newspapers are, *The Daily Gleaner*, *The Observer*, and *The Jamaica Herald*. These newspapers are indigenous to Kingston and are published daily. The circulation is island-wide and readily available at most stores. Annual subscriptions to these newspapers are also available which facilitates delivery to your home.

Almost everyone in Jamaica is aware of everyone else's business. The introduction of something new into the mainstream of the Jamaican lifestyle warrants attention not only from the people, but the media as well. That which is reported on, contains many of the panoramas and opinions held by the public.
The literature review therefore, allows this researcher to harness secondary data that gives a hint towards the attitudes of movie-goers and television watchers alike. This review emphasizes the attitudes towards the film industry and theaters in Jamaica. This review also reveals the relatedness of the literature not only to the problem in Jamaica, but also, the similarity in attitudes and behavioral patterns in the global marketplace.

General Review of the Literature


This article in the Daily Gleaner at first glimpse seemed to overview only the newly released film “Mortal Kombat.” It also emphasized that the picture was filled with state-of-the-art special effects including both sound and visual. These special effects are recorded using the latest digital technology and requires digital, and special optical equipment to reproduce these effects on a screen. It is these special effects that transport the viewer into another world. A video cassette being viewed through a television is incapable of reproducing these effects.

This stated the sentiments of a few celebrities on what they thought of television. Jane Hunt Clark states that television was “where all the little movies go when they are bad.” This researcher believes that television, outside of cable or VCR rentals, has come to acquire a social aversion and as a result, going to the cinema has been preferred. Now that cable is in the mainstream, preferences may change because of the increase in program variety and the ability to view fairly recent movie releases.


The Jamaican consumer has been known to respond similarly to most in the international market. If the Chinese are being lured by cable television, the possibility exists that the Jamaican consumer will follow suit after the government gives approval.
4. **The Daily Gleaner, October 11, 1995.**

Television is now trying to move towards digital technology for the benefit of the home viewers. The British Broadcasting Corporation, which is the model for the Jamaica Broadcasting Corporation, is hoping that they will be allocated the channels necessary to implement the new technology by the British government. Digital technology is seen as the future of broadcasting and will most likely be introduced to the Jamaican market in the future. It is a high risk venture and will require an enormous amount of investment. The switch from analogue will neither be simple nor cheap and, like the satellite dish, most of the Jamaican consumers will not be able to afford this luxury.

5. **The Daily Gleaner, October 14, 1995.**

Movies shown in cinemas are known to increase the sale of certain products. This has prompted marketers to recognize the importance of cinema and have adopted a strategy called environbranding. This strategy calls on the store owner to arrange the store according to what is playing in the cinema and the stars casted. In the US, video stores do not get the film until it is off the screen. This is intentionally done by the film producers, to maximize their box office earnings before offering it on cassette.

This article shows that cinema attendance was severely affected in London in the 1950's with the arrival of the television. Although the attendance is on the rise at the box office, it still has not recovered and is only 10% of its box office record. The cinemas in Jamaica also saw a decline in attendance with the birth of The Jamaica Broadcasting Corporation. Cinema and its technology have advanced but so too have television services with the advent of cable. Another decline in box office ticket sales may result.


This article emphasized the importance of soundtracks that have played a vital role in the movies' success. It is the researcher's assumption that soundtracks heard through a VCR recorder does not have an impact on the viewer, as it does when it is heard through surround sound speakers, digital technology, and the acoustics provided by the cinema.
8. **The Jamaica Herald, October 20, 1995.**

The premier of a film festival unites people of all ethnic backgrounds in celebration of cultural diversity. "Festival coming to the Cineplex," gives light to the importance of film, and its cinemas for its ability to bring people together. VCR’s and cable television are incapable of this diversity with as many dedicated viewers. It is possible, however, for people to rent the movie when the video stores release them. It will support the project if the attendance for the festival was high, demonstrating that avid movie-goers will use other mediums only to see those that they missed on the "Silver Screen."

9. **The Observer, October 20, 1995.**

Palace Amusement Co. (9121) Ltd. is opening a new cinema called Island Cinemax. The Palace Cineplex, which is currently in operation is one of the higher priced cinemas in Jamaica and is known to have capacity houses on the weekends. The people who are unable to get tickets have been so determined that they drive to another Palace cinema to see the same movie at the expense of Cineplex’s luxury and comfort. Island Cinemax will be opened to capture not only the overflow at Cineplex but also to attract new patrons. Cinemax will have similar ticket prices, ambiance and state-of-the-art sound equipment to that of The Cineplex. The success of this cinema will help reveal that cinema attendance is unaffected by cable service or video rentals.

This article on the International film industry conference states that US investors are discussing ways with the Chinese to enter their market. The senior vice president states that it will happen because the Chinese government is going to combat the piracy of the films in order to develop the industry. The article demonstrates that it is not the video cassettes, but the piracy of them that affect the industry’s potential. Jamaica suffers from similar piracy. This researcher will determine if the Jamaican market suffers from similar problems.


President Nelson Mandela attends a film premiere to help kids entitled “Cry, The Beloved Country.” This article demonstrates the difference in mentality between those that rent video cassettes instead of going to the cinema, and those that do go to the cinema. Patrons to this premiere paid US $25,000 and more for a dinner and screening of the film. This reveals that the two mediums are different in consumers perceptions.

Scottish nationalism has been renewed since the opening of “Braveheart” two months ago. Tourism has increased by 132 percent and the Scottish Political Party has been distributing leaflets outside the cinemas showing the film. This article demonstrates the power of film on the audience that watches as a result of the optical and audio technology, that transports the audience into the scenes with the actors. This is one of the habit forming aspects of the cinema, that other mediums have been unable to create.


There is a concern from the viewing public regarding the handling of XXX rated movies. Five years ago American Exxxtasy, the hard core adult movie channel on Spacenet One on satellite stopped transmission because a number of people in the organization were indicted for distributing obscene materials. The problem originated from high school students who were caught selling and trading tapes recorded off the service. Now that the signals of other broadcasters are scrambled, the control of the service is in the hands of the parents and the lockout feature built in the receiver.
The concern is now that the cable operators will be providing a wide array of services to their subscribers, the question of how will they scramble their signal to the pornographic channels, if they intend to. If they do not, the author of this article believes that there will be a great public debate calling for legislation to stop the service. Cable operators intending to carry this service will need to ensure that the signal is properly scrambled and that there is no bleed over into other channels.


In this article, the author, Carrie Rickey reminisces on the days when she was nine years old and saw her first film. It was the first time she had ever shared so much emotion with a culturally diverse audience. The spirit created in the cinema, according to the author, was as uplifting as a World Series game. Today, theaters facilitate the breaking up of American households with the emergence of multiplexes. Families now splinter off into different auditoriums because the film of today, rarely attract a multicultural or multigenerational audience. Instead, filmmakers are slicing the once large American pie, into small slivers. Market segmenting reinforces the fact that people live in separate worlds.
After World War II, in the US, people moved to suburban areas, television was introduced, and anti-trust laws forced the studios to divest their cinemas. People could now watch pictures from their homes and as a result, attendance declined dramatically. According to Art Murphy, "...multiplexes is the single most important factor.... it wouldn’t be possible if the theater industry were single screen structures.” Murphy continues by stating that because the industry has been static for the past decade, target marketing may be a way to expand it.

Movies, and the theaters of today, only encourage certain people to see certain movies. A result of this, people are turning to video rentals in an attempt to get a movie that everyone in the family can watch. According to this article, the worst-case scenario would result in people retreating from parts of the world they are afraid of. They will group themselves with like-minded individuals and separate themselves physically from the real world.

This article reveals the similarity between the United States and the Jamaican market. Both fell victims to the introduction of television, and both have frustrated patrons who wish to see one movie with the entire family. The fact that video rentals and cable service offer a wider selection from which to choose from, lends support to the possibility that video cassettes and cable, will have an impact on cinemas in Jamaica.

The Prime Minister of Jamaica, Mr. P. J. Patterson stated that he was committed to terminating the "illegal and untidy activities carried out by cable television operators," and fulfilling his obligations under agreements which protects intellectual property rights. The draft policy will be presented before the Cabinet in January 1996.


This article summarized the history of film in the United States dating back to the 1890's. During the postwar decline between 1946 and 1953, the article describes the many attacks the film industry in Hollywood underwent from Congress prior to its collapse. In 1948 the United States Supreme Court, ruling in United States v. Paramount that the vertical integration of the movie industry was monopolistic, required the movie studios to divest themselves of the theaters that showed their pictures and thereafter to cease all unfair or discriminatory distribution practices. At the same time, movie attendance started a steady decline; the film industry's gross revenues fell every year from 1947 to 1963. The most obvious cause was the rise of television, as more and more Americans each year stayed home to watch the entertainment they could get most comfortably and inexpensively.

According to the author, the relationship between the cable and the satellite industries is a symbiotic one. The recent popularity of cable is a result of the availability of several channels provided by the dish at a much lower cost to the public. This relationship has evolved into one with both competing and complementary agendas. With the introduction of Direct TV just months away, more channels will be available not only through satellite but also cable. This increase in home entertainment may reduce the patronage to the cinema.


According to Minister Bertram, the anarchy within the mushrooming cable industry cannot be allowed to continue and as a result, there is an urgent need for legislation to be enacted. Regulation is expected next month which seeks to ensure the quality of service to the consumer, in an environment favorable to the development of the industry. Another objective of the regulation is to facilitate the expansion of information and entertainment into the homes of Jamaica. The increased home entertainment may have an effect at the box office in the local cinema.

This article lends support to the fact that ticket sales are declining. In 1995 the US box office rose 2% over the previous year. This increase however is not a result of increased patronage but rather an increase in the ticket price. The article states that ticket sales in the US actually fell.


Competition has intensified between the two local television stations, even more so now that cable has been introduced and all three are vying for viewership. The article states that the full impact of cable is yet to be determined. Now that 1500 cable operators have been illegally managing their business offering a low price, customers are anticipating a higher cost when the legislation is passed. If the cost increases to the customers, many of the current subscribers who are considered low-income, will predictably cancel their subscription due to more important considerations such as food.
21. **The Jamaica Herald, January 14, 1996.**

The consumer technology breakthrough of 1996 will be the digital videodisk. This will eventually replace the VCR allowing an entire movie to hold on something that looks like the compact disk. The picture quality and sound will be far superior to that of the videocassettes. Multiple sound tracks will be provided in eight foreign languages in addition to subtitles in thirty-two languages. With this new technology, parents will be able to select the version that is suited for their children, eliminating the parts deemed fit for only adult audiences. With this new technology, the article states that there will be an increase in the sales of home entertainment systems.

22. **The Daily Gleaner, January 29, 1996.**

This article stated that the demand for English language films independent of the US was increasing because of its low cost and theater expansion in the US. Most importantly, it continued stating that foreign revenues for the US industry in 1995 had set a new record. This would indicate that ticket sales outside the United States have not been affected.

The article reveals that the entertainment industry in the US is preparing for a big merger. Vertical integration seems to be the objective with the same group owning the cable, TV networks, telephone, the entertainment which is broadcast, and the manufacturers of the sets and their parts, including film. For example, Time Warner Inc. is the world's leading media and entertainment company, with interests in magazine and book publishing, recorded music and music publishing, filmed entertainment, broadcasting and theme parks and cable television and cable television programming.

It is the opinion of this researcher that integration retains the loss of revenue to another medium within the same organization and at the same time, being able to satisfy the demand for alternative forms of media entertainment. At present, the movie theaters in Jamaica owned and operated by Palace Amusement Co. (1921) Ltd. have no interest in television stations, cabled entertainment or any other form of vertical alliance as being demonstrated in the US. As a result, cinema in Jamaica competes with all other forms of home entertainment.
Chapter 3: Procedures and Research Methodology
Chapter 3: Procedures and Research Methodology

How will cable and home video impact the Motion Picture Industry in Jamaica?

1. Literary Reviews

   Articles

   The following articles from the three Jamaican newspapers and various related articles in the US. were examined between September 12, 1995 and February 21, 1996.

2. Questionnaires

One hundred questionnaires devised by the researcher was used to sample the population. There was a 100 percent response to these questionnaires as this researcher approached individuals and had them answer the questions asked as opposed to using mail. This method is not uncommon in Jamaica and the informality is an accepted way of life.
Data collection

The data collected was tabulated based on each response to each question in the questionnaire. Each question was tabulated individually in a spreadsheet, and the responses were assigned a numerical value expressed in a percentage. For example, responses to question one of the questionnaire was tabulated to determine the percentage of responses that are in a particular age group. A yes or no question was tabulated to determine the percentage of yes responses as opposed to the percentage of no responses.

3. Interviews

Permission was granted by a selected video store owner, the CEO of Palace Amusement Co. (1921) Ltd. (Motion Picture Co.), a private individual applying for a cable license, and the Minister of Government responsible for broadcasting. The questions asked in each interview was designed to center around the problem and focus on facts and opinions offered by each person interviewed.
Places of the interviews

The interviews were conducted at their place of business in Kingston, Jamaica, and each interview took approximately thirty minutes.

The names and addresses of people interviewed

Below are the names and addresses of each interviewee.

1. Leon Mitchell,
   Managing Director,
   Television,
   Constant Spring Rd., Kingston 10, Jamaica.

2. Ricky Vaz
   Managing Director
   Audio Video Interior Ltd.
   102 Old Hope Rd., Kingston 6, Jamaica.

3. Unnamed
   Managing Director
   Video Store Owner
   Kingston, Jamaica.

4. Mr. Claude Robinson
   Director General
   Jamaica Broadcasting Corporation
   South Odeon Ave., Kingston, Jamaica.

5. Mr. David Darby
   Managing Director
   Telstar Cable Ltd.
6. Mr. Douglas Graham  
Managing Director  
The Palace Amusement Co. (1921) Ltd.  
1a South Camp Rd.  
CSO Kingston, Jamaica.

7. Minister Arnold “Scree” Bertram  
Office Of The Prime Minister  
Jamaica House  
Kingston, Jamaica.

Dates of the interviews

Below are the dates and times the interviews were conducted.

1. Mr. Leon Mitchell - December 20, 1996 at 1:00PM
2. Mr. Ricky Vaz - December 28, 1996 at 1:30PM
3. Unnamed - December 30, 1996 at 7:30PM
4. Mr. Claude Robinson - January 3, 1996 at 11:30AM
5. Mr. David Darby - January 3, 1996 at 3:00PM
6. Mr. Douglas Graham - January 3, 1996 at 10:00PM
7. Minister Arnold “Scree” Bertram - Reply to questions faxed on March 10, 1996.
Chapter 4: Results of Research
Chapter 4: Results of Research

How will cable and home video impact the Motion Picture Industry in Jamaica?

Population of Study

The study was circumscribed to the City of Kingston where the demographics, attitudes, and beliefs of the Jamaican population are represented. The procedure used is the simple random sampling technique. One assumption is that movie-going is an acquired habit and is not affected by strata. As a result, this researcher considers the population to be homogeneous and the sample technique appropriate.

Questionnaires

One hundred questionnaires were issued by hand. These questionnaires were answered in the presence of the researcher and collected immediately upon completion. This was done to guarantee 100% response. Respondents were instructed to skip a question if it was not applicable to them.
Results of the questionnaires

After tabulating the responses from the one hundred questionnaires, the random sample of the population was one hundred and the following percentages resulted:

1. 49% were between the ages of 21 and 30, and 29% between 31 and 40.

2. 60% of the respondents were male.

3. 59% of the sample were single and 32% were married.

4. 48% of the sample had children.

5. 74% has a VCR.

6. 88% go to the cinema.

7. 53% of the movie-goers attend at least once every month.

8. 78% of the sample are aware of coming attractions.

9. 57% have cable.

10. 48% rent videos.

11. 28% of those that rent videos reported renting once per month or less frequently.

12. The majority of those that rent videos will rent two on each visit.
13. 61% of the sample has a viewing preference of cinema while 27% prefer cable.

14. 53% of the sample think that the price of a ticket is dependent on the movie.

15. 77% of the sample enjoys watching movies in the evening.

16. 59.5% of those that have VCR’s rent videos.

17. 58.1% of those that have VCR’s also have cable television.

18. 58.3% of the people that rent videos prefer the cinema.

19. 67.9% of the people that have cable prefer cinema.

20. 50.8% of those that prefer the cinema also feel that the worth of the ticket price at the box office is dependent on the movie showing.

21. 25% of the non movie-goers rent videos.

22. 16.6% of the non movie-goers prefer the VCR.

23. 33.3% of the non movie-goers have cable.

24. 83.3% of the non movie-goers prefer cable.

25. 91.7% of the male respondents go to the cinema.

26. 82.5% of the female respondents go to the cinema.
27. Of those respondents that go to the cinema 5.7% were between 15-20, 51.2% were between 21-30, 29.56% were between 31-40, 9.1% were between 41-50, and 4.5% were between 51-60.

28. 83.3% of those that had children patronized the cinema.

29. 69.3% of all movie-goers had a preference of the cinema.

30. 9.1% of all movie-goers preferred watching movies on the VCR.

31. 19.3% of all movie-goers preferred watching movies on cable.

32. 52% of those that had children preferred going to the cinema.

33. 37.5% of those that had children preferred cable.

34. 8.3% of those that had children preferred the VCR.

35. 40% of those that reported the price of the ticket was not worth patronizing the cinema, had a preference for the cinema.

36. 60% of those that reported the price of the ticket was not worth patronizing the cinema still attended.

37. 60.2% of those that went to the cinema attended at least once per month.

38. 26.6% of those that reported the price of the ticket was not worth patronizing the cinema attended at least once per month.
39. Of the respondents that go to the cinema but not regularly, 20% were between 15-20, 35.6% were between 21-30, 50% were between 31-40, 37.5% were between 41-50, and 50% were between 51-60 years of age.

40. In attempting to find out why those in the majority group of 21-30 do not go to the cinema regularly, this researcher found the following:

- 37.5% had children.
- 18.75% preferred cable.
- 18.75% rented videos.
- 12.5% reported that the value was dependent on the movie showing.
- 6.25% preferred to watch movies at midnight.

**Interviews**

A total of seven people were interviewed between December 20, 1995, and January 3, 1996. Each interview was conducted at their place of business with the exception of the Minister who faxed his responses to the interviewer, and Mr. Graham who allowed the interview to be conducted at his home.
Results of the interviews

In the interview with Mr. Leon Mitchell of C.V.M. Television, he stated that C.V.M. was applying for a cable operators license. At present there are an approximate 7,500 subscribers in and around the Kingston and corporate area with the likelihood of it increasing to 25,000 homes.

Mr. Mitchell stated that the current and potential problems include:

1. The foreign advertisers in the local market. Cable now gives them access to the local market free of cost without going through the local firms.

2. The illegality of the operations. The lack of royalty payments to the program providers and other associated costs have allowed them to deliver the service very inexpensively.

3. The expense of legalization especially with the quality equipment that will be required and the initial capital needed to start.

4. The continuous and effective payment for the programming.

According to Mr. Mitchell, the major cost associated this cable venture is the setting up and wiring the homes. As a result of this, many cable operators will either merge or fold because of this expense.

Please refer to the Appendices for each interviewee.
Also, the current subscription charge of US $5 or JA $200 will see an immediate increase of 500% and less than half the channels that are now available, as soon as the legislation is passed. This is mainly a result of the expense involved in a legal operation.

When this subscription increases, there is going to be a massive fallout in the lower income homes that have more important expenses to consider such as food and school fees. As a result, Mr. Mitchell believes that the illegal operations will continue after a while. Another important factor is that many people enjoy turning to a movie at any given time of the day. What they do not realize, according to Mitchell, is the fact that the movies are repeated several times each day which will be an eventual turnover, and Jamaica is a movie-loving country.

Mr. Mitchell claims that the cinema owners, i.e., Douglas Graham, select the movies according to the type of audience and cable operators are incapable of doing this. He is also of the opinion that the Broadcast Commission will try to ensure the payments of the cable operators but that Jamaica does not have the personnel to sustain the policing for any length of time.
In the interview with the competing television station, The Jamaica Broadcasting Corporation, the Director General Mr. Claude Robinson is also applying for a cable license and expects a market penetration of 60% within the next five years.

He sees the current and potential problems as:

1. That the industry has developed in an illegal and informal way.

2. Setting up and maintaining a legal framework within that environment.

3. The introduction of Direct TV within one year, which will allow the subscriber more channels at a lower cost.

4. The costs associated with the importation of the high quality equipment.

5. Jamaica has many mountains so the cost of getting the service to some subscribers will be more costly. Their willingness and ability to pay for the service will be less than in other lowland areas.

Mr. Robinson plans on offering subscriber packages as one method of separating the costs. There will a basic and a premium package. He also stated that as a measure of fair competition, it will be in the best interest of all stakeholders to ensure the competition is maintaining their status of legality and unfair or illegal practices reported.
Mr. David Darby who is currently an illegal cable operator in the Kingston area foresee a potential of 30,000 homes for his business. He said that some of what is currently being offered illegally, will not be able to be offered after legislation has been passed. For Example, Showtime and the Movie Channel in the past have not given rights to rebroadcast their signal outside the US. With the exception of Europe and Canada.

When Mr. Darby’s operation becomes legal he will be offering a basic package for JA $600 and the premium package will be considerably more. Direct TV according to Darby, will not affect the cable industry because it operates much like the dish and one of cables' attraction is that you can watch different things in different rooms, a feature that the dish is incapable of.

Darby also stated that cable has affected the small video clubs dramatically in their revenue from rentals and expects this to continue. Finally he said that feed from the foreign transmitter will be continuous meaning that both programs and advertisements will be uninterrupted.

*Mr. David Darby was shot and killed by two armed men on February 29th 1996. The police suspect that this is a result of the increased competition as the time for legislation draws nearer. May God rest his soul....*
Mr. Ricky Vaz who is one of the few suppliers of home theater equipment expects market growth and development of his systems. According to Mr. Vaz, home theaters will add to the home entertainment experience in much the same way as the VCR and the satellite dish.

His main selling point is the quality of the sound which brings life to any program viewed on television. The experience which was once reserved for the cinema can now be enjoyed at home. Mr. Vaz stated that his customers were movie-goers and lovers alike.

In keeping with the video store owner’s request, I have agreed to keep both him and his company anonymous. This researcher will therefore refer to the owner and operator of this video store as “VSO.”

In the interview with VSO, he admits that his biggest competitor now is the cable service. This impact became evident in August of 1995. He indicated that a partial reason for this was a result of the rush to install cable before the regulations came into effect, and now there are a lot of inroads into the area that he services with tape rentals. VSO admitted that his income has fallen by 35% in the areas that are serviced by cable.
VSO has an active base membership of 1800 people. He considers active to be anyone who has rented within six months. The average number of tapes rented per individual are two or three and they will usually rent at least once per week. VSO states that his business during the week is what has suffered the most, which according to him, has been lost to cable. He has approximately 7000 people on file that has been accumulated over the years of operation.

The majority of those that are inactive resulted from people purchasing satellite dishes and seeing the movies from that medium.

VSO stated that he sometimes releases the movies before the cinema so he does not consider them to be a threat. He also added, that the cinema is limited to the quantity of movies they can release in any one year.

VSO can average twenty releases in one week where the cinemas will only release a maximum of four. He also stressed that there are entire categories that will seldom be seen on the “big screen” in Jamaica. Examples given were foreign language films, westerns, pornography, as well as other classics.
VSO is limited to what he can do to market his business because of its illegality. From his experience in the business, video rental in Jamaica is considered as a second class citizen to every other movie medium. He has also found from his experience that there are two types of people - those that go out, and those that stay at home. His competition comes from the other avenues of home entertainment that vie for the same viewership. There is overlap, but VSO is of the opinion that the patronage of the two types of people are different.

As a result of the illegality of the video stores and their inability to obtain high quality originals, the increase in the sale of home theaters will have no impact on his level of business and would be more of a compliment to the dish. The tapes currently rented are copies and are usually of poor quality and inferior sound reproduction. VSO does not feel however that the VCR is on the way out because Jamaica is a poor country and many lower class citizens are still aspiring to own one. He states that as long as video stores are allowed to operate they will still be popular.

VSO feels that there will be an eventual crackdown on the video piracy in Jamaica and the only way to continue operation will be to go legal. This will increase the rental rate from JA $20 per night to approximately JA $150 per night. He is currently performing a feasibility study in a proactive attempt to fix the problem with the law.
He anticipates even greater competition with the introduction of Direct TV which will give the home viewers even a greater variety from which to choose than present cable or the dish. VSO says that he will still be at a slight advantage even if he was to go legal because the distribution hierarchy of movies first go to the cinemas, then to video stores, then pay-per-view, followed by cable and finally networks.

Mr. Douglas Graham, CEO of Palace Amusement Co. (1921) Ltd. admits that the company has faced many challenges in the past. The first was the advent of television in the 1960's and then the home video in the 1980's. According to Mr. Graham, there was an overall slump in the industry, ticket sales were affected but no one knows if it was a change in the audience or plain competition. The sales have never recovered since then but cinemas have adjusted to the lower levels of ticket sales by moving up-market and charging a higher price.

He believes that the video piracy in Jamaica enriches the home entertainment sector which competes with the out-of-home entertainment, but the target market for cinema is somewhat different. His company targets the employed, lower-middle, middle and also upper income professionals, unlike the video market which today is mainly patronized school-goers and lower income individuals.
Of the population in Kingston, Mr. Graham feels that not more than 20% of them are avid movie goers. This is because Kingston is very spread out and some areas are quite remote to cinema. Also, because of poor public transportation, the market which is given consideration are those within easy reach of the cinema.

The CEO is not of the opinion that the home video poses a threat to the cinema today which has successfully separated itself distinctly from other types of motion picture medium. Their main selling point is that it is out of the home and away from many problems. Also, they trade on human needs by not only allowing one to get out of the house but to also get together with friends in a clean, high quality atmosphere. The problem in the past was that many of the theaters were open air, uncomfortable seats, and poor sound and visual quality - all of which do exist in the state-of-the-art uptown cinemas in Jamaica today. Palace targets people between the ages of fifteen and thirty. This is important according to Mr. Graham, because Jamaica is about to become one of the youngest nations in the world.

The final interview was conducted with the Minister of Government in charge of broadcasting. He claims that the government of Jamaica is not responsible for the payment of royalties to the program providers, but rather to ensure that the operators have a valid contract with the suppliers authorizing them to commercially distribute the programming, before a license is granted.
The providers will be responsible for the collection of their own fees. If the contract becomes invalid and transmission continues, then it will a breach of the license and actions will then be taken. Noncompliance with the terms of the license is grounds for suspension or revocation.

The Government of Jamaica is confident that the measures that are being put in place will be able to track breaches and appropriate actions taken. They also believe that it is in the vested interest of all stakeholders to ensure that their competitor comply with the Act and the Regulation.

The Government is of the belief that video piracy and the payment to intellectual property right holders is solely the responsibility of the holders themselves. The cable operators will not be required to edit the feed but will be able to provide the service with a continuous feed. This will obviously have an adverse effect on the advertising industry in Jamaica.
Related Articles

The Daily Gleaner, September 12, 1995, emphasized the use of special effects, both audio and visual experienced in the release of Mortal Kombat. These effects would not have been able to be fully appreciated viewing it through a television. Mr. Vaz is trying to enter this market to improve the sound quality but the picture quality will still remain the same.

Cable was informally introduced to Kingston in July 1995. In December 1995, when the survey was conducted, more than half the population sample already had the cable service. In the Daily Gleaner, October 9, 1995, the Chinese have accepted cable with open arms and the subscriptions will continue to increase each year. This researcher is only showing the similarity in the demand pattern for the cable service and not in any way attempting to socially or economically link the two countries.

The current home theater system offered by Mr. Vaz only adds quality to the sound. The British Broadcasting Corporation is trying to move towards digital technology for the television. This new technology will eventually reach Jamaica and those who can afford the price of a dish, Direct TV satellite or home entertainment system, will also be able to afford the digital television. With the exception of the enormous screen, the few that can afford it will then be able to reproduce the quality of the cinema in the comfort of their home.
Mr. Douglas Graham articulated that the cinemas worldwide suffered at the box office with the introduction of television. An article in The Observer, October 14, 1995, lent support to his statement saying that in the 1950's cinema attendance was severely affected with the arrival of television. Mr. Graham stated that his cinema attendance has not recovered but merely adjusted to a new level of attendance and moved uptown. In comparison, the cinemas in London have also lacked recovery and is presently at only 10% of its box office record.

Also in support of Mr. Graham’s belief was the article downloaded from Grolier Electronic Publishing, Inc. 1992. The Daily Gleaner, December 29, 1995, states that despite a 2% increase in the US box office returns over the previous year, this was a result of increased prices. Attendance actually fell in the US over the previous year.

The Daily Gleaner, October 15, 1995, maintained that the success of many movies is dependent on the soundtrack. As stated by VSO, the quality of both sound and picture on his and other illegal tapes have much to be desired and in Jamaica it is only the video stores that will often release a movie before the cinema.

In the interview with Mr. Graham he stated that cinema is different to television. The Jamaica Herald, October 20, 1995, supports his statement with an article on the premier of a film festival in one of the cinemas.
Not only would it be improbable to show conduct this festival with the use of a VCR and a television, but equipment designed for the enrichment in the entertainment of the home, is incapable of bringing together such a diverse people under one roof. The Daily Gleaner, November 1, 1995, also supports Mr. Graham. In the US individuals paid $25,000 for a dinner and a screening of the film “Cry, The Beloved Country.” There are two different mentalities at work. Those that are movie-goers and those that are not.

The Observer, October 20, 1995, stated that Palace Amusement Co. is opening a new uptown cinema. This was done to accommodate the overflow of the other uptown cinemas as well as attract others within that area.

This researcher has obtained the attendance figures for the cinemas for the years 1994 and 1995. These figures will be analyzed and conclusion discussed.

Mr. Graham was unaware of the effects of video piracy to the cinemas in Jamaica. The Daily Gleaner, November 1, 1995, states that the Chinese film industry is suffering as a result of video piracy. Jamaica suffers from similar piracy and it is belief of this researcher that it is not the rental of the video cassettes that affect the cinema, but the illegal piracy of them which allow the video stores to release a movie before the cinema.
The Philadelphia Inquirer, November 19, 1995, reveals the marketing truth behind the competition between home entertainment and cinema in the US. Families need to watch something the entire family can see. This is easily accomplished with the VCR. To satisfy this demand and the diverse tastes within a population, cinema has turned to multiplexes which have many screens and a wide variety to choose from. This is the single most important factor in the success of cinemas in the US. To date, Jamaica does not have multiplexes only one cineplex (two screens). The Jamaican family has similar needs without the choice of multiplexes. Their only remedy is to now turn to a suitable channel on the cable, dish, or rent a suitable movie. It is the opinion of this researcher that there is an effect on the cinemas in Jamaica with respect to the families remedy as described above.

The Daily Gleaner, November 21, 1995, describes the commitment of the Jamaican Prime Minister to fulfill his obligations under agreements which protect intellectual property rights. This obligation which was profiled in the interview with Minister Bertram, assures the consumer quality and legal service under the license agreement. This sentiment is also shared by Minister Bertram in an article in The Daily Gleaner, December 18, 1995, stating that regulation was expected by the end of January 1996. This will inevitably increase the cost to the subscriber and exclude many of the lower income households in affording the service.
Both interviews with Mr. Robinson of J.B.C. and VSO fear of the introduction of Direct TV in Jamaica is supported by the article in The Jamaica Herald, November 29, 1995. The article states that the introduction is months away. This will replace the satellite dish giving more channels and a wider variety of programming without having to move the dish from one satellite to another. Individuals who opt to purchase the new equipment can do away with the cable services, and those providing the cable service may be able to provide more channels to those who can ill-afford the new technology. According to the article, the relationship between cable and the satellite industries is a symbiotic one.

This article in The Jamaica Observer, January 2, 1996, support the statements given by Mr. Darby and Mr. Mitchell regarding the increased cost to the subscriber after legislation. Worth noting again is the fact that an increase in the subscription fee will result in the cancellation of lower income subscribers, due to more important considerations such as food, clothes and schooling.

The Jamaica Herald, January 4, 1996, reports that the technological breakthrough of this year is the digital videodisk. In the US, market analysts expect this product to eventually replace the VCR as well as increase the sale of home theaters. With this new technology, parents can choose the version of the movie that is appropriate to the audience watching it. In Jamaica however, according to VSO, there are still a great many in the population aspiring to own the unsophisticated VCR.
This new technology will not only out price many of the current and aspiring VCR users, but the supply of the disks will be limited due to the current illegal operations in Jamaica. This researcher sees no possibility to date for the piracy of the videodisk.

The Daily Gleaner, January 29, 1996, articulated that the foreign revenues for the US in the year 1995 had set a new record in ticket sales. With the advent of cable television in Jamaica, this researcher will examine the attendance of the theaters in 1995 in comparison with the previous year to determine whether Jamaica saw an increase at the box office which would contribute to the record.

The Daily Gleaner, February 21, 1996, describes the vertical and horizontal alliance between the communication and entertainment industries. Any impact of one on the other will not necessarily result in a loss of revenue for the company because they own both in-home and the out-of-home entertainment. They will get a piece of the pie. In Jamaica, the cinemas compete with all other forms of entertainment with no immediate indications of forming any alliances.
Analysis

The monthly attendance figures were analyzed for the years 1993 to 1995. The first six months of 1993 were unavailable so only July through December were included in the analysis. The monthly attendance for each of the cinemas were added to obtain a total monthly attendance for all Palace cinemas. Each month in the year was plotted on a graph using a linear chart to observe trends, patterns, or variances over the three year period.

The most obvious trend over the three year period is the steady decline in attendance (see Figure 1). The weave pattern seen on the chart is a result of the attendance being affected by the type of movie shown rather than other external factors.

The pattern breaks in July 1995 where instead of rising to and continuing the pattern with 1994, there is a sudden and drastic falloff in attendance until September of the same year. No significant increase occurs until the month of November where the attendance level rises substantially over the same period of the previous year.
All Island Media Survey

The following results are from the 1995 All-Island Media Survey compliments of Lindo F.C.B. Company.

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<tr>
<th>Comparative Set Count</th>
<th>1993</th>
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<th>1995</th>
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<tr>
<td>Radio</td>
<td>1,856,000</td>
<td>1,873,000</td>
<td>1,914,000</td>
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<tr>
<td>TV</td>
<td>699,000</td>
<td>719,000</td>
<td>744,000</td>
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<tr>
<td>Satellite Dish</td>
<td>34,000</td>
<td>42,000</td>
<td>44,000</td>
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<tr>
<td>Cable</td>
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<td>115,000</td>
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<tr>
<td>VCR</td>
<td>294,000</td>
<td>303,000</td>
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<table>
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<th>Potential Audience</th>
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<td>195,000</td>
<td>839,000</td>
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<tr>
<td>VCR</td>
<td>351,000</td>
<td>350,000</td>
<td>294,000</td>
</tr>
</tbody>
</table>

N/A = Not available.

Figures 13 and 14 show a graphical representation of the above table.
Cable has been in Jamaica since 1994. This however was not in Kingston and was supplied to the neighborhood by the one who had the dish as a way to supplement income and to help pay for the cost of owning the system. The cable was run from home to home via cable in a series.

From the above table, it can be seen that cable has gone from a set count of 62,000 in 1994 which was mainly outside of Kingston, to a 1995 set count of 115,000 before legislation throughout the Island. This increase is due to the widespread penetration in Kingston. The satellite dish still enjoys mild success but in a population of 2.5 million the increase is negligible. The survey also indicates that despite the fact that more people now have VCR’s in 1995 over the previous year, the potential audience has actually declined over the same period. This indicates that less people are using the VCR as an entertainment medium. Cable on the other hand, between 1994 and 1995 has increased its audience potential from 195,000 to 839,000 - an increase of 430%.
Chapter 5: Discussion
Chapter 5: Discussion

How will cable and home video impact the Motion Picture Industry in Jamaica?

The Researcher's Perspective and Critique

Jamaicans enjoy the best of everything that they can afford, but like everywhere else in the world, one must first acquire the appreciation of the best so that a distinction can be made. With 88% of the random sample being movie-goers, and 53% of these avid movie-goers, 98% of the sample watched movies regardless of the medium. This researcher sustains the comments both by Mr. Mitchell in the interview stating that “Jamaica is a movie loving country,” and Mr. Graham, stating that there are two different markets which are enriched in different ways.

74% of the sample owns a VCR, however less than half of those that owns VCR's rent videos and 58.3% of those that rent videos prefer going to the cinema. Only 10% of the sample chose the VCR as their choice for watching movies, which indicates that at this present time, the VCR has no influence on cinema attendance as it did two decades ago.
After a careful analysis of the attendance charts, relationships could be seen between the cinemas that are priced to cater to the lower income earners, and those that are higher priced. The two lower priced cinemas are the Odeon and Gaiety. The charts reveal that from the years 1993 - 1995, there has been an overall decline in the attendance but nothing indicating that the introduction of cable or the acquisition of a VCR was a contributing factor. The higher priced cinemas such as The Carib, New Kingston Drive-Inn, Harbour View Drive-Inn, Cineplex, and Cinemax over the three years, followed the same pattern (some with slight variation) but had a lower attendance than the previous year (see Figures 4, 6, 7, 8, 10, 11 and 12). In all of these cinemas, the most noticeable pattern reflected by all the higher priced cinemas, was the dramatic falloff of attendance that began in July and August 1995. The lower priced cinemas, while having lower attendance, did not show any sustainable signs of this pattern (see Figures 5 and 9).

From the introduction of cable to Jamaica in July 1995 to December 1995 when the surveys were completed, 57% of the sample already had cable service, albeit illegal. As a result of the present inexpensive service, the thrill of new technology, and the joy of being able to watch more than two channels, it is the opinion of this researcher that the decline in cinema attendance in 1995 is a result of curiosity rather than an exercise in the economic theory of substitution (see Figure 1). Figure 1 shows the overall attendance of the Palace cinemas in Kingston for the years 1993-1995.
This opinion is also upheld by the fact that even though 57% of the sample have the cable service, only 19.3% preferred watching movies on cable and 60% of those that reported the ticket price not being worth the movie still attended.

There were several limiting factors while attempting to obtain a random sample. Firstly, those in the age group of 15-20, 61-70, and above 70 were hardly present during the times the questionnaires were being asked to be filled out. There was also a lack of willingness of those in these age groups. This activity was done during lunch hours at various malls, all levels of employees in a few businesses, and at many social events in the evening. The latter, making up almost 50% of the total, excludes those that are not socially active and more apt to stay at home during the evening and watch television, also those that are either too young to be out during the weekday, or just old enough to enter the night clubs. As a result of many of the questionnaires being completed in a social setting, the probability of those individuals choosing out-of-home entertainment as opposed to home entertainment is higher. The All Island Media Survey indicates that only 12.5% of the total population owns a VCR. This however is not indicative of the percentage in Kingston that do own a VCR and to which this study is limited.
The interviews, while valuable, contained contradicting opinions from the interviewees. Acknowledging the fact that the Jamaican Government would not either incriminate itself nor would it admit to resource shortages, this researcher believes that the information given in the interview with Mr. Bertram had more political undertones than fact. This researcher doubts the sincerity and quality of the information obtained from the interview.

If the Government is not going to play an active role in ensuring the payment of royalties to the program providers\(^3\), will competition create another illegal market for the product in areas that can ill-afford the new fee? In the past, individuals in Jamaica were able to get around paying the subscription fee for programs via satellite dish. It is this very same dish that now supplies many homes with cable. Despite the cable industries legislation, will there still be illegal service in the poorer parts of the Island? This researcher believes that Jamaica does not have the resources to police and reinforce the legislation on a macro level.

\(^3\) Interview with the Minister of Government.
Key Variables and Correlation’s

Jamaica seems to be on the brink of another technological boom with the only limitation being the affordability to the consumer. In the past eighteen months, Jamaica has several home pages on the Internet as well as personal access. Direct TV satellites have been acquired by private homes - although not very popular at the present time - and the cable service. The more up-to-date the technology becomes, is the more segmented the market becomes. The majority of Jamaicans are low income earners who are unable to afford a VCR much less a personal computer, a home entertainment system, or a satellite dish. These luxuries are enjoyed by less than 25% of the total population.

The research indicates that cable has been quickly accepted by the Jamaican consumer. When the cable industry becomes regulated and the prices for subscription increase many of the current operators who supply low income homes may have difficulty covering their cost if they abide by the law. If the program providers in the US are lackadaisical in the enforcement of their copyright law, or find it difficult to find and penalize those who are illegally distributing the programs, the illegality will continue. If the concerns of VSO become a reality regarding copyright enforcement with video rentals, this market will also be forced uptown in the reality of higher prices. Nicer appointed stores will be necessary and the capital outlay enormous.
The average store being family run and relatively small, many will be forced to close in lieu of possible enforcement. Those that adhere will charge a much higher price. This will out-price many of the current patrons to the video stores leaving the owners to find a new market niche and the low income patrons, a new form of entertainment. Again those in the low income group will be denied entertainment because of affordability.

The fate of both the cable industry and the video stores in Jamaica lie in the hands of the Jamaican Government. The demand for foreign programs in low income housing will not change. The Government will have to continuously and effectively enforce the contractual commitments by all distributors of foreign programs in order to eliminate illegal distribution. The Minister stated that the Government will not be responsible for the enforcing of the law but will require operators to provide proof of a contractual agreement with transmitters in the US before granting permission for them to operate and distribute locally\(^4\). Is this sufficient in eliminating illegal cable operation? Now that legislation is inevitable, Showtime and the Movie Channel will not be available legally. This will reduce the amount of movies available through cable per month. Will cable continue to be a novelty or will it eventually blend into simply an additional service?

\(^4\) Interview with the Minister of Government.
Direct TV will be formally introduced by December 1996. This system was created in the US as a replacement for cable. With the higher cost of the cable service as an inevitable end, the market which can afford the service would be those of the middle to upper income brackets. If Direct TV has the capacity of bringing 175 channels into the home without having to switch satellites, why would those individuals opt for cable when they could afford the new satellite system themselves? This income bracket, which will become the primary subscribers to the cable service due to the eventual increase in subscription price, will now make a choice of either 175 channels or 40 channels.

The cable operators must be aware of this eventual threat to the industry. The legislation requires the service providers to supply quality reception which entails the importation of new equipment. This is going to be a major investment by all operators. Will the novelty of 175 channels with DTV over-ride the convenience of being able to watch different programs in different rooms with cable? Or does the cable industry have nothing to fear from this revolutionary communications device as expressed by Mr. David Darby? If Mr. Darby is wrong, and the industry finds itself aggressively competing, will it have the capital to revamp the entire system again? If not will it become illegal again?

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5 Interview with Mr. David Darby, Cable Operator.
When asked if the Government had any intention of cleaning up video piracy in Jamaica, the Minister’s reply by fax completely side-stepped the entire question stating that it was the responsibility of the copyright holder to enforce such laws. This researcher found this answer irrelevant and at best vague. If the Jamaican Government is so concerned with the illegality of cable in its present form, and are putting in place arrangements to ensure copyright protection, why then would they be so apathetic with the blatant disregard for copyright law in video piracy?

If this researcher was intentionally mislead and video piracy will be addressed, better appointed stores with higher prices will emerge. The target market will probably be between 15-30, and middle income earners and above. This will be the same target audience as the cinema, and the same people who can afford legal cable service, home entertainment systems, and satellite dishes. If this became a reality, would the popularity of the VCR be renewed? Would it compete successfully with cable for home entertainment? Or cinema? Or both?

Would the VCR have a greater impact on the Motion Picture Industry then?

Another important area that will be affected by the widespread of cable is the local advertising industry. If the cable operators are not required to edit the feed into the Jamaican homes, then foreign ads will also be seen. In the past, foreign companies have used local advertising companies to advertise their product in Jamaica.
Now that their domestic (US) ads will be seen by all who have cable in Jamaica with no additional expense, why should they renew contractual agreements with the local advertising companies? How will the introduction of cable affect foreign revenue and the local advertising companies in Jamaica?

Only three years ago, the second television station began operation in Jamaica. Now, both J.B.C. and C.V.M. are applying for cable licenses but will now not only compete against each other but also face competition from other cable suppliers. With a projected cable penetration of 90% in most areas, local television stations stand at a disadvantage. How do they intend to compete effectively for viewership without sacrificing local programming for cultural imperialism? Will this competition increase with the introduction of Direct TV? How can the Government protect the Jamaican culture and heritage which we have enjoyed for so long? Or will there be any effect at all?
Chapter 6: Summary, Conclusion, and Recommendations
Chapter 6: Summary, Conclusion, and Recommendations

How will cable and home video impact the Motion Picture Industry in Jamaica?

Summary

Video

The term video originally was used in television as a form of shorthand to denote the portion of the electrical signal representing the picture, as opposed to the sound. It was not until the 1970s, with the growth of the new visual electronic media, that it moved into the popular vocabulary, and today it is used to refer broadly to virtually all systems involving the electronic creation or re-creation of images.

Television, which gave birth to video, is now one of its branches.

Video has become a dominant force in the lives of Americans as did the Jamaicans in the 1980's. They watch television an average of more than six hours a day. As of the late 1980s, nearly 45 million households, or half the total, owned videocassette recorders. The same number (although not necessarily the same households) were connected to cable TV, and almost half of those were equipped to receive special “premium,” or pay-TV, channels such as Home Box Office (HBO).
Nearly 2 million families in the US have backyard dishes to receive programs directly from communication satellites 36,200 km (22,500 mi.) above the Earth. Americans make their own videos from cameras and camcorders, or store up TV programs for later viewing, buying some 350 million blank videocassettes per year and they buy or rent movies or other programs on tape almost 1 billion times a year. Additional millions of Americans use office or home computers with video display terminals. Even such older media as motion pictures increasingly depend on video technology.

In Jamaica, assuming an average of four people per household, 50% of all households have a VCR and 18.4% of the population have cable. There is no comparison in the volume but the percentages reflect a similarity in the two taking into consideration that cable blossomed only in July 1995.

Video Today

Most of the major home video media originated as adjuncts to television broadcasting. These include videotape recording, cable television, and satellite reception, all of which have become, in one way or another, competitors of, or alternatives to, broadcast television.

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It appears to be axiomatic that electronic devices and systems developed for industrial use, no matter how expensive at the start, eventually lead to versions priced low enough for the consumer market.

With the rapid growth of the VCR population in the US, sales and rental of recorded videocassettes—particularly motion pictures—became a huge business, giving rise to the new phenomenon of the video store, of which 25,000 now exist, slightly more than the total number of movie theater screens in the United States. Including all outlets that sell or rent videocassette programs, from convenience stores to filling stations, there are about 100,000 retail sources for such programs today. Although in the beginning the movie studios fought the VCR because of its ability to violate copyrights, films on videocassette have become a major source of income for them, and some feature films already realize more money from cassette sales than from theatrical exhibition.

This is not recognized in Jamaica however, because video cassettes and the rental thereof, is not apart of the Motion Picture Industry in Jamaica nor affiliated with distributors in the US, but rather, an almost underground consortium between the video store owner and the neighboring members with the only benefit going to the owner of the store.

The illegal copies have enabled the rental rates to be notably lower than its original counterpart in the US lending its affordability to all income groups in Jamaica. Also resulting from the piracy is the lack of quality sound and picture which is essential for the uptown market. This has moved the VCR phenomenon from its demand in every household as a substitute for cinema, to a means for recording a program for viewing at a later date. The majority of business for the video clubs today are those in the lower income group and those who missed the film in the cinema or those films not shown in the cinema. The Government has given no indication of regulating the video rentals in Jamaica. If the Government does legislate conformity to the copyright protection laws similar to that of cable, video stores will be forced to move up-market, charge higher prices to cover the cost of royalty payments, and will have to compete with more advanced forms of home entertainment such as the dish and other digital equipment.

Cable has quickly caught on in Jamaica. In the six months of operation in Kingston, 57% of the random sample done by the researcher had cable. The All Island Survey reported through Lindo F.C.B. Company indicated that from an estimated population of 2.5 million, approximately 18.4% have cable reception. It has noticeably affected the higher priced cinemas from its inception in Kingston in July 1995 through to December 1995 where the attendance began to once again increase.
The lower priced cinemas i.e. Gaiety and The Odeon, while showing progressively lower attendance each year, did not indicate that it was affected by the new cable service (see Figures 5 and 9). One reasonable assumption is that the suppliers have not yet or have no intentions of cabling that area of Kingston due to its high propensity for violence. All other cinemas with a higher Box Office show a substantial reduction in the level of attendance (see Figures 4, 6, 7, 8, 10, 11 and 12).

Other low income homes will suffer after legislation because of the necessary price increase in the subscription to cover costs. This will however increase the quality of the picture and the overall service provided to the customer. Despite claims made by the Government of Jamaica, this researcher believes that the Island does not have the necessary resources to ensure 100% compliance from all program distributors. Cable began as a means of allowing the homes that could not afford the backyard dish access to foreign programs. Regulating the industry will force these individuals out of the mix because it will no longer be affordable to them. This researcher is of the opinion that the demand will still be there and in some areas, the illegal operation and distribution will continue.
The Digital Future

In 1986 the first digital videotape recorders were introduced for broadcast use. These have made possible a degree of excellence never before obtained in professional video recording, particularly when editing requires the copying of one tape on another. Instead of the gradual deterioration that occurs with standard analog recordings as multiple generations of copies are made, with digital recordings the 500th generation is indistinguishable from the first.

Digital devices are already standard in the broadcast industry for such processes as editing, special effects, and titling. Many of these digital effects are now available for consumers in advanced video recorders (known generically as Super-VHS) and camcorders. Both incorporate digital circuitry capable of producing elaborate effects--zoom, picture-in-picture, digital art simulations, and many others--along with a sharper TV image.
Conclusions

Besides the VCR today, cinema is the only other medium that provides a means to see movies inexpensively with the addition of superior high quality sound and picture when the movie is topical and as a new release from Hollywood.

Today, video cassette rentals are illegal and the quality of both the sound and picture are poor. Video rentals in Jamaica today seem to be reserved for those that choose not to be avid movie-goers and those that can ill-afford the movie-going habit.

Generally, individuals aspire to enrich all aspects of their lives both in the home and out of the home. It is the opinion of this researcher, that entertainment both in and out the home while similar in content, is quite different in nature. An example could be dancing with your spouse in the living room to music coming from a high quality stereo, as opposed to going to a dance club or a ball room on a Friday night. The ambiance is completely different. While at home, and watching television or even a movie, one would appreciate good equipment, and a wide variety from which to choose. This however, does not influence an individual to stay home instead of going out for a sustainable length of time as it did decades ago.
It is in this researcher's opinion, that cinema does compete with cable and the VCR as a means of enriching personal entertainment, but effectively separates itself in Jamaica by the methods described by Douglas Graham in the interview, and also by being out the home. Cinema competes more with other entertainment facilities outside the home than those within. Cable and VCR's as upheld by both Mr. Darby and VSO are competing for loyalty within the home. The home entertainment systems as described by Mr. Vaz, will add value and enrichment to the entire home entertainment experience.

While Jamaicans have similar tastes to the US in many things, the tastes in movie preference are quite different. Forrest Gump for example broke Box Office records in the US but did below average business in Jamaica. Those films that do not do necessarily well in the US sometimes are the ones to break records in Jamaica, and sometimes both do well. The success of movies in Jamaica is picture driven. Palace has so earned its good reputation by constantly providing the best of Hollywood soon after its release in the US that movie-goers will sometimes go to the cinema not knowing what is on the screen, but trusts that whatever it is, it will be good. If the cinemas released movies opposite to the Jamaican tastes for a sustained period of time, like any bad product on the market, people would eventually stop buying it.
For the majority of Jamaican movie-goers, their taste in movies thrives in an atmosphere which lacks sophistication. The more mindless it is, the better. The brain is cashed in at the Box Office in exchange for a ticket, supplying them with a clean, comfortable atmosphere, and two hours of problem free, state-of-the-art entertainment.

It is this very same problem free environment that Palace attempts to maintain. Unlike cable, the VCR, or any of its counterparts, the Palace cinemas give the individual the opportunity to escape the attention of their problems - many of which are from the office or in the home - and puts them on hold for two hours. It gives people a way of sharing common emotions with others, or to help find the child inside that you once were, or to feel the thrill of victory or the despondency of defeat.
From the architecture to the temperature, all designed for the best quality and comfort that technology today will allow, and that which home entertainment cannot reproduce. This is where the Motion Picture Industry in Jamaica will sustain, and the movie-going phenomenon in Jamaica will continue. This researcher therefore concludes, that as a result of the present inexpensive service, the thrill of new technology, and the joy of being able to watch more than two channels, the Motion Picture Industry in Jamaica has been negatively impacted, but the decline in cinema attendance in 1995 is a result of curiosity and the novelty of cable rather than an exercise in the economic theory of substitution. Furthermore, this researcher also concludes that the VCR's and the rental of cassettes in its present form in Jamaica have no significant impact on the cinemas in Jamaica.
Recommendations

Despite the conclusion of this researcher one can never be sure about the future. There are several factors that can change with time and prove to be more challenging for the Motion Picture Industry in Jamaica. Palace Amusement Co. (1921) Ltd. should never assume that its sustainable success in the past will be an indication for its success in the future.

If the video clubs in Jamaica took the necessary steps in becoming a legal enterprise, their marketing could be more aggressive, original cassettes would be rented with high quality sound and picture and the target market similar to that of cinema-goers. This could pose a problem for Palace if proactive steps are not taken. The film companies in the United States are unable to integrate through to the cinemas but now gain substantial earnings from their investments in television networks, cable stations, and home video. Palace ought to look at the potential of the home video market if it were to move uptown with the trimmings of Blockbuster® and the ability to target, if not, create a new market niche. This will permit the company to capture a new audience that was previously inaccessible to them, i.e. the non movie-goers.
If cable attains its potential penetration into the Jamaican home, many foreign advertisements will be seen at no extra cost to the foreign company. This will have adverse effects on the local advertising companies with much of their income being generated by foreign ads in the local market. Ads for coming attractions in the US cinemas will also be seen on Jamaican television. The harmful effects of cable for the advertising industry could be advantageous for the Motion Picture Industry. If Palace could release a feature film close to the release date in the US and in time to benefit from their promotion for the film, they would benefit from greater exposure at no additional cost to the company.

Many non movie-goers of today in Jamaica are for the most part unaware of the state-of-the-art technology and the ergonomic comfort and support that the cinemas in Jamaica now possess. Many still have the mindset of the earlier years. To make these people aware, curious, and motivated to go, Palace needs to add aggressively to its marketing repertoire.

In the United States, one of the fundamental reasons for the revived popularity of the cinemas was the design of multiplexes. These are several individual cinemas under one roof with a different movie in each. The advantage of this is that each multiplex is capable of showing more than one movie at a time. It also has the ability to cater to a wider demographic cross-section of the movie-going population by featuring films from the mindless to the sophisticated.
This technique used in the United States is called “micromarketing” where the cinema splinters the audience by appealing to different age groups, sex, ethnic backgrounds, education, lifestyle, and generally, preference for the type of movie.

Any business that deals with volumes of customers on a daily basis, especially those that are in the entertainment industry, needs to have a good sense of customer appreciation. Palace Amusement Co. (1921) Ltd. is no exception. People go to the movies to forget their problems and be lost in entertainment for awhile. Coworkers must cater to this need for the experience to be completely successful. This researcher recommends that Palace adopts a system of continuous training with emphasis on customer appreciation, stress management, and teamwork. Regardless of how good the movie is, the success of the cinemas in Jamaica is dependent on the continued patronage of movie lovers. This continued patronage can be easily assured if each point of contact with a member of staff leaves a pleasant and lasting impression.
References

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24. “The stars were the limit and cable TV was it!” The Jamaica Observer, January 2, 1996.


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Appendices

1. Questionnaire (Hard Copy)
   See Over

2. Interviews (Transcript)
   See Over
Questionnaire:  **PLEASE CIRCLE THE APPROPRIATE RESPONSE**

1. **What is your age?**
   - 15-20  
   - 21-30  
   - 31-40  
   - 41-50  
   - 51-60  
   - 61-70  
   - Above 70

2. **Are you?....**
   - Male
   - Female

3. **What is your marital status?**
   - Divorced
   - Single
   - Married
   - Widowed

4. **Do you have children?**
   - Yes
   - No

   If so, how many? __________

   What are their ages ______________

5. **Do you own a VCR?**
   - Yes
   - No

6. **Do you go to the movie theater?**
   - Yes
   - No

7. **How often do you go?**
   - 1/week
   - 2/week
   - 1/month
   - 2/month
   - Not Regularly

8. **Are you aware of coming attractions?**
   - Yes
   - No

9. **Do you have cable television?**
   - Yes
   - No

10. **Do you rent videos?**
    - Yes
    - No

11. **If yes, how often do you rent?**
    - 1/week
    - 2/week
    - 1/month
    - 2/month
    - Not Regularly

12. **How many do you rent per visit?**
    - 1
    - 2
    - 3
    - More

13. **You enjoy watching movies....**
    - A. When they are released in the theater.
    - B. When the local video store has them.
    - C. When they air on cable.

14. **In your opinion, do you think an evening spent at the theater is worth the price of the ticket?**
    - Yes
    - No
    - Depends on the movie

15. **At what time of the day do you like to see movies?**
    - Morning
    - Afternoon
    - Evening
    - Midnight

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_Thank you very much for your time and contribution towards my graduate project!_  
_I’ll see you again..........At the Movies!_
Leon Mitchell,
Managing Director,
C.V.M. Television,
69 Constant Spring Rd., Kingston 10, Jamaica.

Interviewer: Mr. Mitchell, is it true that C.V.M. is applying for a cable operating license?

Mr. Mitchell: Yes we are.

Interviewer: What are the projections of cable for the next five years in terms of subscribers.

Mr. Mitchell: I think if we were to take the present subscriber base now, which is roughly 7500, in and around the Kingston and corporate area. (some of the major town outside of Kingston have spasmodic cable but nothing big) I think that the maximum will be about 20-25 thousand homes which will take on the cable as an entity. I think the satellite dish will remain in some homes because of its exclusivity. People will turn themselves into entities such as apartment buildings but not from a business point of view. It will be just a way of controlling their strata so that is why it will impact slightly differently to the way it does now.
Interviewer: What are some of the current and potential problems you see in the cable TV?

Mr. Mitchell: Firstly, the government has indicated a “must carry clause.” The interpretation of this “must carry clause” requires debate. In the five national stations, the government is saying that any two must be carried by the operator. It so happens that there is only two, so when they make the comment that two stations must be carried out of the five, three are being left out. The cable system is a conduit. It is a method of carrying your signal to the homes, so therefore it is incumbent on us as a television station to ensure that any cable operator setting up a system in a home also puts CVM or JBC for that matter on the signal so when we go to the homes you have one remote that flicks you right through. If the customer is not aware that he/she must be on the signal, he/she may opt not to be on the signal which is fine but will find that he/she will have to use an A\B switch or some other system. I’m not technically skilled so I’m unable to tell you more about it.

The advertiser now says that if you are not on the cable system, you are marginalizing my advertising business, so therefore I’m going to have difficulty paying the rate you tell me I should be paying because my cable system is in my house but I can’t flick to it. I need to get up and turn the switch, do this, do that before I can get to it - so there is a problem in it from an advertising point of view as well as a technical point of view.
Cable in its present form is basically illegal operators who put up a satellite dish and run cable on the telegraph poles or from home to home. In my opinion this is not going to change too much because the legislation was not written to change that but to regularize your business so that operators fit in with the law. The question that comes to mind is whether they will pay for the programming effectively and continuously. They may initially, because that is what they need to do to get the license. Once I get the license, who polices me to ensure that I pay for the programs on a continuous basis.

Interviewer: What are the major costs and how will it affect the service now and in the future?

Mr. Mitchell: The major costs are going to be in the setting up. There are two types of cable, the first being the wireless system and the wired system. The coaxial cable is extremely expensive to lay. The telephone company has started the process of fiber optic cable as a method but they’re getting stuck, because to put fiber optic into everyone’s home means there is going to be an enormous capacity, and anyone using it will have to pay a fortune to cover that expense. Therefore I don’t think that fiber optic will become a reality.
The coaxial cable will continue to be a reality, so will the wireless because you can’t beam the cable up through and to the top of Stony Hill (one of the many hills in Jamaica). You would have to try to go through some direct mode process such as MMDS, LMDS or satellite - some form of terrestrial location to enable the serious cable operator to give the person cable if they want the service. For us, we will prefer to go the wireless route because of the technology that it involves. Why? Because it means that we can almost certainly strengthen our signal a little better by putting up some form of LMDS which is a reflector and would get the signal in areas where we are having difficulty now. Particularly those areas that are below the mountain which you can’t beam to anyway from our television signal, so maybe we could use utilize the LMDS system the strengthen our signal in that way. There is a benefit for us there. The cable companies right now in my opinion will probably either merge or fold. They will try a thing or two as they have done, the law says - I can’t prosecute you right now but in a few weeks I will be able to. Then some will have to make a decision whether perhaps they should come out now or merge with someone. They are not going to pay for the programming for very long. It is going to be very expensive. Your going to see a $200 per month charge moved to $1000 - $1200, less channels because they couldn’t afford forty channels, so you will see that for $1200 per month you will get twelve channels.
If you look at Barbados or the Cayman Islands, Barbados has eight channels, and the way they sell it is a premium package is more expensive than a basic package but the basic package does not have any movie channels or USA. It will only consist of free television and if you want the premium channels you will have to upgrade to the premium package, and this will cost each household more money, so I see that being major problem.

Interviewer: What are operators currently charging and is this expected to increase? Why and by what percentage?

Mr. Mitchell: Yes it is going to increase significantly if they pay for the programs. The increase will be by about 500% at one time. We may put the application in to the government asking for a license, and the government is going to say where are your contracts and oversees suppliers and they are going to have to have them in print.

Interviewer: Do you think that it would affect the level of subscribers if the cost was to increase?
Mr. Mitchell: Yes, there is going to be a fall out at the lower level, whereas if you take the history the satellite dish where a few years it was a privilege to have one - I think it was JA$40,000 for the box, JA$12,000 for the dish and you would pick up a scrambled or descrambled signal somewhere, so therefore that has now moved to the low level homes where they can now pick up the cable at JA$200 per month. As it gets more expensive as it was in the first place, that level will lose out because at JM$200 per month they can afford it but at JA$1200 per month, they have school fees to contend with and too many other things will be fighting for that money. Hence I seriously believe that after a short period of time, the illegal operation will continue.

Interviewer: We do not have the resources to police this effectively do we?

Mr. Mitchell: That is correct.

Interviewer: What will be the offerings to the subscribers?

Mr. Mitchell: All the movie channels will be the most attractive channels. CVM has been able to hand pick the best programs like 60 Minutes for example. The only factor that would make me seriously get cable would be the ability to turn to a movie at any given time.
But there is a negative factor to that as well which a lot of people have not realized as yet, and that is the cable people in the US particularly those like HBO, Cinemax and Showtime repeat movies at a rate that is out of proportion on a per day basis. You can probably see the same movie on the same day two or three times, which actually will be a turn-off after a while. We are a movie loving country and there is no doubt about that.

There is another question that you need to look at, and that is one of cultural penetration of cable - whether these foreign programs that will be penetrating will have a negative impact on our society, and of course cable will be one of them. But then in defense one could say well what about the franchises of TCBY, Burger King etc. Aren’t all those impacting the society?

I think Mr. Douglas Graham takes time in selecting his films predicated by the type of audience. What is coming down through cable is not pre-selected, and after a while people will turn up at the theaters.

Interviewer: How will operators handle the feed of foreign ads through the cable service to the local market?

Mr. Mitchell: It will have to be a continuous feed through the cable. The other option would be to cut the feed when the foreign ads run and put local ads in its place.
This would require for an operator carrying twelve channels, at least twelve mixing boards, monitors etc. to be able to view each channel and edit the feed when necessary. That setup for the small operator would require millions of Jamaican dollars in capital and a control room five times the size of the one we have at CVM. So to keep the costs low enough for some to afford the service, the operators would probably opt for continuous feed, but this will have ramifications on our advertising industry.

If foreign parent companies advertise in our market through local firms, and find that there US ads are penetrating our market through cable, then they will terminate their contracts with the local advertiser because it will be reaching almost the same number of viewers through cable for free.

Interviewer: Is the Broadcast Commission going to be able to ensure that cable operators in Jamaica pay for the programs?

Mr. Mitchell: They will try at first, but in my opinion Jamaica doesn’t have the resources or the man-power to sustain the policing for any length of time.
Interviewer: Mr. Vaz what is the market for the home entertainment systems in Jamaica and how far can it go?

Mr. Vaz: I think the market is just being developed relative to the introduction of cable television systems and the prevalence of the satellite dish in Jamaica. The satellite dish having offered programming to a given minority of Jamaicans is now available to the majority, the same way the VCR came out twenty years ago and literally took over relative to additional home entertainment, is the same way that the home theater system should begin to add entertainment value to everyone else's existing system i.e. TV, VCR, stereo etc.

Interviewer: What are the selling points that you stress to the clients that you have?

Mr. Vaz: The main selling point with home theater is sound. The picture is already there and is something that is taken for granted, but to see the actual picture come alive is where the novelty of the home theater is.
For people who like sports and music, the television audience in Jamaica as evidenced by even the patronage of the local cinemas is a phenomenon all by itself, and so people will begin to enjoy this at home now.

Interviewer: Are these clients cinema goers?

Mr. Vaz: Definitely! Anyone who buys a home theater is someone who enjoys movies and in the case of the recent opening of the Island Life Cinemax, I have had people come back to me who do not necessarily have home theaters but who are avid movie goers, and comment on the superior sound available there versus the other uptown theaters in Kingston, and that is a fact. Probably because I am in the business and people know that I deal with sound.

I also supply other stores. Bijoux for example is a specialty store but I saw a level of clientele in there that I have seen come through my store before. I don’t do a lot of retail here, but what I do a lot of here is demonstrations and people do business with who they feel comfortable with and who they know. Furthermore my demo room is a little overpowering relative to the man who just wants to do something simple. The less expensive J$30,000 systems seem to be doing very well, so I’m told, and I would say to you at this point that entry level home theater is where the biggest market is.
I'm now researching to see if I can get a JA$30,000 system. Forget about the Infinity and other brand names, home theater is the brand name using generic equipment.

Interviewer: Why would people not opt to run the television through their existing stereo which would certainly add more life to the picture?

Mr. Vaz: Dolby Prologic is a precise splitting of the signals of voice, direction and size. What you are doing with your stereo is not surround sound, what you are doing is making more noise.

Interviewer: Can people tell the difference?

Mr. Vaz: Oh yes, definitely. It's like night and day. I installed a system in a video store recently and there video sales have gone up by 30%. People are going into the store now and hear live action with all the effects and are completely taken in, not realizing that they are hearing something that their two inch speakers in the television cannot reproduce. Furthermore the mono video that they use in 90% of the equations cannot reproduce the sound either. So for example if you are watching JBC, or even a mono video signal through your stereo and think it sounds good, you obviously have not been exposed to the real thing.
Unnamed
Managing Director
Video Store Owner
Kingston, Jamaica.

Interviewer: Of all the entertainment mediums, who is your biggest competition?

Unnamed: Right now I would have to say that it's cable. Cable has been digging into my business in one way or another since it has come on-stream. Just recently has the effect been the most felt in the last five months. A part of that reason is that there has been a mad rush to install cable everywhere before the regulations come into effect, and even though some of the players are dropping out, what has been happening is that there territory is being taken over by other people - this is my understanding. In any case, there has been a lot of inroads into areas that I service. Many of the houses that I do business with now have cable.

Interviewer: Has this affected your income?

Unnamed: Yes it has. I would say by 25-35%. I need to clarify something. I also have stores outside of Kingston that are not affected by cable at all, it is just that the majority of my income is made in Kingston. Whereas it offsets it a little, there is still a loss in the overall picture.
Interviewer: What is your base membership?

Unnamed: I'll just keep this to Kingston. My Kingston base membership that is active is about 1800. By active I mean that there has been a rental within the last six months.

Interviewer: When a customer comes to your store, how many movies does he/she rent at any one time?

Unnamed: One the average they will rent 2-3 movies at once?

Interviewer: How often do they come?

Unnamed: The majority of them come once per week. It used to be better. This is one of the ways that cable has affected the business. We used to get people coming two or three times per week to get a movie, and in that case they would rent only one movie that they want to watch tonight and return the following day. Cable has pretty much cut out the weekday rentals. Customers would also come in to get tapes for the kids and cable has also virtually eliminated a lot of that business as well.
They no longer rent for the kids anymore, instead they watch The Disney Channel, and at the same time I am also told that parents are also letting their children watch less television now, so it has also affected me in that way as well. There are the exceptions but the general pattern seems to be that way.

Interviewer: How do you plan on fighting back, in terms of market share because they are directly competing for your patronage?

Unnamed: One thing that should mention is that on file, not active in the Kingston stores, I have about 7000 members accumulated over the years that I have been in business.

Interviewer: What is the reason for the inactivity?

Unnamed: There are various reasons. There were those who bought a satellite dish and you would never see them again even though there are some who do have a dish and still come and rent movies because in most cases I am way ahead of cable in terms of what I have access to.

Interviewer: What about the local cinemas?
The movie theaters are not as big a threat because I have access to the movies pretty soon after them in most cases, depending on what they choose to get and in what order sometimes I will get a movie before they do. Also how many movies can they show in a year. I can sometimes average twenty releases in one week. There are entire categories that will never be seen in the theaters or hardly ever. Foreign movies for instance outside of the US and England will probably never be shown in the theaters but I have them in my store. Other examples could be classics, westerns, pornography as well as other box office hits that I will have that they won’t. One of the main reasons why people have left is that they owe me money strangely enough, and I have never really gone the collection agency route. We started off offering credit which was a big mistake and we had to stop that later on. People would use the credit until they decided that they could not pay it off and then they would disappear or give you an address that did not exist. I also had a lot of students who joined while in university and who have graduated and moved elsewhere. There are a number of factors.

Interviewer: Let’s get back to your marketing strategy. What do you intend to do?
Unnamed: In terms of promotion, I can’t be too visible because of the nature of my business. I use direct mailings or keeping in touch with those that I haven’t seen for awhile and send them a little something to remind them that you are there and give them an idea of the advantages that they’re missing. Nothing in any of the media because of the illegality with the copyright laws. We also do some in-store promotion with give-aways, and also word-of-mouth.

Interviewer: So in other word-of-mouth is your only means of attracting new customers?

Unnamed: In this country, except for Video World that used to rent originals, even they were not by the way, and for the record they were copies with the artwork on the box copied to look like originals. Video in this country has been pretty much a word-of-mouth business, it has sort of been underground. You will hardly ever see video clubs with full page ads in the newspaper or even on the radio. There are some people who seem largely unaware of the copyright situation that have publicly advertised, but I chose not to.
Interviewer: With the policing of the cable that will have to happen for the purposes of the copyright laws, do you think that they will start policing the video stores to ensure that the royalties are paid?

Unnamed: It won’t work that way. The cable people have to pay licensing and royalty fees and they are allowed to operate because the government wants to introduce cable. There is a cable association, there is no video store owners association. Video has always been perceived as second class citizen to everything. This perception is because we rent copies and there is a lot of small operators. For instance, I looked at my competition a couple of years ago and there were sixteen video stores in a 1\frac{1}{2} mile radius in uptown Kingston, and most of them were little holes in the wall, some of who copied tapes from me. In the moves to introduce cable and do the copyright thing, even the government looked at the video stores as something that was neither here nor there, which doesn’t mean that they are not going to police it, but they are not going to offer us the option, I don’t think, of going legal. When everything is sorted out with the cable and the police all know what to do, they will just come and close them down. That is what I am looking at happening here.

Interviewer: Is there any way around that?
Unnamed: Yes, go legal. Legal in this case means that you have to rent original movies. You can’t rent copies. Original movies are extremely expensive, the prices of the overnight rate would at least quadruple from Ja$25 to Ja$100 per night if not more. Even at this price, the margin would be low if you are looking at pure profit on a video cassette. There will be other ways of offsetting it with merchandising and sell through video titles etc. But in terms of making a profit on a tape that you have bought it will probably be a long time.

Interviewer: How would you classify the movie going audience in Jamaica?

Unnamed: Over the years operating this business I have found that there are two types of people. One set that goes out and the other set that stays at home. The same applies to movies and videos. There are people that rent movies from me and don’t go to the movies, and there are those that go to the theater and never take a video cassette home. There is a lot of overlap but there is generally those classes of people, which is why I think the patronage is somewhat different. That is my personal opinion and observation. I go to the theater and I have thousands of movies, but I go to watch a movie on the big screen, when it is fresh, when it is topical, and I think a lot of people do the same thing. When I go to the theaters they seem to be doing fairly well.
Interviewer: With this new home theater system that is being offered now will this help you as a video store owner?

Unnamed: No because I rent copies. No one will want to spent that amount of money and rent a movie with lousy sound or picture, and I cannot always guarantee the quality because I have suppliers that will give me copies and I am at there mercy as to what I get. If I tape off the dish, then you will get something that is of excellent quality, but I can’t always guarantee it and over the years people have come to realize that the quality will vary from time to time. Home theaters will tend to go with satellite dish. They can watch surround sound movies straight from the dish. With the advent of original movies you may see more of that, but how many people have home theater systems?

Interviewer: Do you think that the VCR is on its way out?

Unnamed: No, because you have quite a large number of people aspiring to owning one. Remember that the dish and the home theater systems are for the few percentage of people at the top, the masses in this country don’t have a dish or a home theater system, they have a TV and \ or a VCR, and those that don’t are aspiring to get one. Video stores, as long as they are allowed to last will still be popular and the people that don’t have a VCR will still go to the cheap theaters.
Interviewer: From what you have said, I understand that the video stores in the long run will continue to cater to the lower income bracket in terms of its pricing structure, is this so?

Unnamed: No. It depends on the enforcement of the copyright law. If they are well enforced there will be no little hole in the wall video club, they will be forced to move underground, which is going to deny it to a part of the audience. There are some people that will not go to some crack in the wall to rent a tape. There will probably be an emergence of a few video clubs that will rent originals, I don't know how many because of the expense. It might not be seen as good business to rent videos for Ja$100 - Ja$150 per night. You cannot predict because this is Jamaica and you don't know how good the enforcement is going to be but it could happen.

Interviewer: Who would you get these originals from?

Unnamed: From the distributors in the US. There are distribution houses which distribute from the various producers.

It is the best and easiest way to get a wide cross-section of movies rather than dealing with each producer individually. That is what I am seeing based on my information.
I have a friend in New York who has a video store and cable was recently introduced to the neighborhood. He tells me that the volume fell for a short time but has recovered, because apparently what people are looking for is the movie they want to see, when they want to see it as opposed to coming home and watching what’s on. I have a dish and I experience this all the time. I will turn on HBO and for the month depending on my schedule, I will watch the same part of a movie six or seven times.

There is one thing that I should mention that you might not be aware of. I don’t know how far it will go but the dish as we know it is in the process of being replaced by Direct TV. This is an eighteen inch dish that has been introduced in the US as is supposed to replace cable. It has high powered satellites that can carry up to two hundred channels on a single satellite. It works in Jamaica with a six foot dish and there are people gearing up to start selling. There are only a few systems here right now. This might be the biggest threat to everything that there is. The systems may come in at around Ja$70,000 including installation.

Interviewer: Will you be able to request what you want to see?

Unnamed: Well........Who is going to hear this?

Interviewer: No one, I’m putting it all into transcript.
Unnamed: OK. The system works with a magnetic pass card that you slide into a slot in front of the equipment. This is supposed to be encrypted in such a way that whatever you subscribe to is what you are able to receive via this pass card. They have found away around the card already. These are probably the same pirates who cracked the Videocipher 2 black box, but now they have a little card with a circuit board on it. You get all 175 channels. Like I said, there are a couple of systems operating here, as a matter of fact, what they are working on now according to my information, and is close to completion, is a card without the circuit board attached that will look just like the regular card that you can buy. You can slide it in and watch your 175 channels for free.

Interviewer: What are these channels going to comprise of?

Unnamed: Everything that is on the satellite and more. This was built to replace cable.

Interviewer: Do you think then that cable will last?
Unnamed: Maybe it will because there are a lot of people who have invested in it and might not want to change over and still, the cost of the new system is five years income for some people. It will not be widespread but it will have an effect eventually in some of the areas that are the biggest cable targets. Also this is new technology and the price will come down and get more affordable. RCA got the original mandate and one year where no one else could enter the market, now Sony and Pioneer are in and the competition will drive the prices down, so in a couple of years the product may be half the price. I was told that there is sixteen pay-per view channels so you will probably be able to find something you would like to see and these channels get the movies before cable. This one I worry about.

Interviewer: So what can you do?

Unnamed: Well, I am trying to go legal and rent originals. The way I look at it, marketing is the key. There is a market niche for original movies and the rental of them and still make some money. I may just have to lean more heavily than I do now on merchandising. The customer base maybe smaller than now but that loss will be made up with merchandising.
Interviewer: In conclusion, can you say for the record what you foresee in the future and what are your intentions?

Unnamed: The competition is pretty much unknown but in talking to other store owners, they generally don’t seem prepared to make the jump to going legal because it is going to be expensive. To stock a store with originals with two thousand tapes you are looking at a cost well over Ja$4,000,000. Also you are in a different market. The main business will no longer come from the ghetto but those that can afford the higher rental charge. It is going to be a small customer base so the marketing will have to be aggressive. There will have to be a store they will want to come into, the service will have to be top notch and be similar to that of Blockbuster, and that is not cheap to set up. You will have to have security deposits and electronic surveillance. Computerization is a must. Right now we are not computerized and all this will add up to quite a large sum. In the long run, if you can attract the customers I think it is still a very viable business but it will not be easy and will need a lot of hard work. If the government is not enforcing effectively, it makes no sense for me to be renting at Ja$150 per night and have six other stores nearby renting at Ja$20 per night. If they are not policing it properly I am going to take my chances, hedge my bets and at least leave the stores outside of Kingston open and go both ways until it settles.
Interviewer: Charging Ja$150 per night for a video rental, you are now in the ballpark of the cinema ticket price are you not?

Unnamed: Practically, but when you factor in the other things it’s cheaper. Remember you rent a tape for Ja$150 per night, there will probably be concessionary rates for two or three nights which now makes your effective nightly rate around Ja$100. Then you and your entire family can watch it, including your friends which they usually do and is something that pisses me off, compared to the cinema where each ticket for you and your family members is the nightly rate per person. So it is still cheaper to rent even at that rate. This is why I said that promotion is going to be key because you have to get that across to the people, and you have to push your strengths.

Interviewer: Also you are going to want to get releases as soon as they come out........

Unnamed: There is a hierarchy which I’m sure you are well aware. If you are legal it is theaters, video stores, pay per view, cable, and then three years the networks labeling it a world premier. Right now we slot somewhere in between theater and release on video. Different times for different movies depending on the distribution.
Interviewer: Thank you very much.

Unnamed: Your welcome. I'm sure I have told you a lot of stuff that I would hunt you down if I find that it goes elsewhere. I'm sure you won't transcribe that!

Interviewer: I may just do that, but I will keep you and your business anonymous and I will also send you a transcript of this interview.
Mr. Claude Robinson  
Director General  
Jamaica Broadcasting Corporation  
South Odeon Ave., Kingston, Jamaica.  

Interviewer: Is J.B.C. going to get in to the cable technology?

Mr. Robinson: We have applies for a license and we expect that it will be favorably considered. If it is then we will go into the cable business.

Interviewer: What do you think the projections are for cable in terms of the subscribers?

Mr. Robinson: That is difficult to say. We have not done that kind of projection at this point, but if you are looking at Jamaica as a place with currently 450,000 TV homes and a potential market currently in the region of 130,000 for cable, I think that over the next five years it would be reasonable to assume a penetration of 50 - 60% of TV homes. If not cable then some sort of subscriber television like direct TV.

Interviewer: What are some of the current and potential problems in this venture?
Mr. Robinson: The current problems are that the industry has developed in an informal and illegal way, so that you now have a large number of homes, apartment buildings and hotels, 60,000 or beyond, all wired to some informal system. Therefore one of the current difficulties is how are you going to get a legal and formal framework within that environment. A second one is that access to programming now is basically through connections outside of Jamaica, and these people are not paying the normal license fee and copyright royalties etc. so that programming is being delivered relatively inexpensively. Another problem that is related to the first two is the fact that the quality in some cases is bad because the providers have not made the investment in quality signal delivery. That investment will not be made until you are sure that you are going to be here for some time. Those are some of the problems that we now have. Some of the future problems I think are related to new technology because as soon as we get wired via one technique or another, in the next year or two direct TV will be in the mainstream. My projections indicate that there will be at least one service providing direct satellite TV to Latin America and the Caribbean. This means that persons can get access to a fairly large number of channels relatively inexpensively and like I said, it will be here in the next year or so.

Interviewer: What are the major costs and how do you think it will affect the service you provide?
Mr. Robinson: The major cost is going to be the imported equipment that you have to put in to establish a head-end. Everything like amplifiers, receivers, down converters and so on, are relatively expensive ventures and because of the population characteristics of Jamaica there are areas that are fairly inaccessible because of the hills and valleys it will be difficult to cable the country either by wired or wireless technology. Remember that wireless requires line-of-sight to the home receiver so for a country this size, the number of head-ends and repeaters that one would have to use to create a national system would be larger than if you were doing it in South Florida. The cost of getting the service to the subscriber will be a lot higher than in many other places. At the same time, because the income of the population is lower than say South Florida, and the ability and willingness of the people to pay for the service is going to be somewhat less than in other places, so that will be a major challenge.

Interviewer: What are operators currently charging and is this expected to increase?

Mr. Robinson: I’m not sure because we are not yet an operator, but from what I hear it ranges from the equivalent of US$3-5 per month. This is the service that the people in the US pay US$30-40 for their subscription.
This rate will have to increase substantially as the operators are required to install the kind of equipment to provide quality. Under the new situation they will have to have good equipment for consistent quality, also they will have to pay the fees and royalties. This will increase their costs substantially and I think that there will be a significant increase in the subscription rate.

Interviewer: What will be the offerings to the subscribers in terms of channels?

Mr. Robinson: I don’t know, it will be dependent on the market but the various categories will try to be carried and you will get a range of services from a basic package to a premium package.

Interviewer: How will operators handle the feed of the foreign ads through to the local market?

Mr. Robinson: I do not know, at this point the government is saying that cable operators will not be required to delete foreign advertising because of the expense involved in acquiring the equipment. At the same time the cable operators will not be allowed to carry any of the local ads as a way to protect the local television stations. How long this will last?
I don't know, because I would imagine that the advertising industry will at some time want to place ads on cable. If this happens then it will be another cost that we will have to bear.

Interviewer: Is the Broadcast Commission going to be able to insure that the cable operators in Jamaica pay for the programs?

Mr. Robinson: We hope so but ultimately I think what will really be the test is that the international program providers will require the local operators to enter into agreements with them to provide these services. Now I don't know what monitoring mechanism the Broadcast Commission will be able to put in place to ensure that only those persons who pay licensing fees will be allowed to access the programming.

What I do believe is that if I am paying for my programming and there is someone else in my area who I know is not paying, then trust me, I will make a lot of noise so that in itself will be a deterrent.
Mr. Darby  
Managing Director  
Telstar Cable Ltd.

Interviewer: Mr. Darby, what is the potential of your market?

Mr. Darby: I would say about 30,000 people.

Interviewer: With the legislation coming into effect and the increased costs that you face, what is the cost going to be and how many channels are going to be offered?

Mr. Darby: Firstly, the assumption is that we are going to get a license. If that is so we have arrangements with programmers overseas in place to get close to about forty channels. The assumption is also that what we are offering now, we will not be able to offer when the time comes because Showtime and the Movie Channel in the past have not given rights to rebroadcast their signal outside of the US. except in Europe and Canada.

Interviewer: If there are not going to be any local ads on cable to give revenue, how will that affect the service?
Mr. Darby: It is going to depend on what the packages are. We plan on offering a basic package of about thirty channels for a cost of Ja$600 per month.

Interviewer: How soon after the cinema does the cable get the movies?

Mr. Darby: Three months. That is for Pay Per View, the regular movie channels like Cinemax and HBO will usually take approximately six months.

Interviewer: Will you be able to air local programs?

Mr. Darby: Yes, and under the new legislation we have to rebroadcast the local stations as well as we also have to have a channel available for emergency broadcasts.

Interviewer: Will you be doing any production of local programs?

Mr. Darby: Not directly. A lot of people that do local production have approached us to get access to a channel to resell the product.

Interviewer: What effect do you think Direct TV will have on cable?
Mr. Darby: We don’t think that it will have a serious impact at all for two main reasons. The first is that many of our current subscribers already have satellite systems and they have opted for cable mainly because it is significantly cheaper and secondly, because of the ability to watch different things in different rooms. Direct TV will function like a satellite dish in those two areas so we don’t anticipate it having any serious impact on us.

Interviewer: Do you think that because of the availability of cable, there will be an upsurge in rentals and store owners?

Mr. Darby: On the contrary. The fact that until now, cable in Jamaica has been very cheap, it has resulted in a significant decline in video rentals, because almost everyone has cable television at home now.

Interviewer: Where are you currently cabling currently?

Mr. Darby: Currently in the Kingston 6 and Kingston 8 areas.

Interviewer: What is the present cost for installation?
Mr. Darby: Ja$2,300 for installation and the monthly fee is Ja$345.

Interviewer: How do you intend to handle the foreign ads?

Mr. Darby: We are not going to deal with it. It will be a continuous feed through to the homes. A lot of people like American television and for that reason the ads are a big part of it. We do not see a reason for trying to edit the foreign ads coming in.

Interviewer: Any final comments you would like to make?

Mr. Darby: Well I think the government has allowed this illegality to carry on too long before regulation. The result has been chaos in the market place. A lot of people who should not be in the business are in it now, and as a result there is a lot of theft of equipment and so on. So the sooner the better as far as legislation is concerned. There will be only two wired and one wireless service allowed in each area.
Mr. Douglas Graham  
Managing Director  
The Palace Amusement Co. (1921) Ltd.  
1a South Camp Rd.  
CSO Kingston, Jamaica.

Interviewer: What threats has Palace faced in the past?

Mr. Graham: The first major threat was the advent of television in the 60s, and then the popularization of home video in the 80s.

Interviewer: Were the ticket sales affected?

Mr. Graham: In the 60s, there was a major down-turn in the industry. When the cinemas closed there was a general slump; it was world wide not just Jamaica. Marginal theaters disappeared. One never knows if it was a change in character of the audience, or if it was just plain one to one competition between television and the cinema, but ticket sales did drop.

Interviewer: How was this overcome?
Mr. Graham: It wasn’t overcome. Ticket sales dropped and stayed down, the industry adjusted to lower levels of ticket sales as it went up-market and came better equipped; nicer appointed cinemas at higher prices and moved into a middle and upper income market rather than the inner city and small rural village.

Interviewer: Has the profit margin recovered?

Mr. Graham: The profit margins weren’t great then because the prices were so low. In constant dollars I’m not too sure if we are making more or less now but since then we have become somewhat diversified and the industry is profitable now, but in real dollars perhaps not as profitable as it was then.

Interviewer: Does video piracy affect the movie industry in Jamaica?

Mr. Graham: Who knows? There are no statistics on it but piracy is enriching the whole home entertainment sector which is competition for the out of home entertainment.

Interviewer: What is the target audience for Palace?
Mr. Graham: Right now it is the employed, home owners, car owners, lower-middle, middle, and even upper income professionals. Definitely not inner city, ghetto, or low income individuals.

Interviewer: Approximately what percentage in Kingston, in your best estimation are movie-goers?

Mr. Graham: Not more than ten percent.

Interviewer: Do you think that percentage can increase with aggressive marketing, and if it can, to what percentage could it increase?

Mr. Graham: Kingston is very spread out. When I speak of Kingston I speak of the one million population in the metropolitan area. There are some areas quite remote from cinema that you can’t get to, or patron would come only on an ad hoc basis. Public transportation is very bad and cinema in Jamaica is a night affair and people are seriously concerned with how they’re getting home. What we call Kingston and St. Andrew, can be 15 - 20 miles from the nearest cinema and at eleven O’ Clock at night that can pose a real problem. So cinema does not have the possibility to tap the entire market.
It only has the possibility of tapping the market within easy reach, or the market with its own transport. There is room to improve on what we are now reaching but it should never be considered that the entire population of the metropolitan area is a possibility.

Interviewer: Do you think another introduction similar to that of television and the VCR will have the same effect today?

Mr. Graham: No. It would not have the same effect. Kingston had maybe fifteen theaters in the 60s, most of them downtown, most of them open-air, ill-equipped with uncomfortable seats and exposed to the weather. Today the cinema is very different. It is mostly uptown, mostly hard-top, it is very luxurious, and really competes with home entertainment very strongly with digital sound, a nice sharp picture, big screens - it is not the same sort of industry that was about in the 1960s which was actually very easy to roll over once home entertainment became a viable thing.

Interviewer: What is the cinema's selling points that separate it from other media from which movies are shown?
Mr. Graham: It is out of home. It is away from the glare of the parents. It’s a dating affair.

Young people don’t want to date right under the nose of their parents and humans are gregarious. They like to get together with other humans and it is not easy for that to happen in the home. So, we really trade on the human need, (1) to get out of the house, and (2) to get together with others of its own species. Once that is done, we then make sure that the surroundings are clean and comfortable, the seats are of a high quality, and now we have even gotten into seats with lower back support for greater comfort. The picture is large and sharp, the viewing lines are good, the sound is digital in the important theaters, Dolby stereo with noise reduction in the other theaters and those are our selling points. Apart from that, the industry has become more mature and more geared to adults. If you look at television, and cable as an extension of television, made for television and cable movies are extremely different to made for theatrical movies. They’re written differently, produced differently and at a different standard. Even though the material is put on film or on tape, what is done is very different right from the story that is being told, to how it is being told. Cinema is different to television.

Interviewer: What is the average age of your audience and what is your target age?
Mr. Graham: We don’t have statistics that we can quote the average age, but our target age is young adults between the ages of fifteen to thirty is the main target area. After thirty you run into the problems of young families that can’t leave the home that easily. Before fifteen, you have the problem of the movie being too adult and parental permission and finance needed. This is very important because Jamaica is about to become one of the youngest nations in the world. By the year 2000, a high percentage of our population is going to under thirty and the young, are the ones that leave home. As soon as you see a man that doesn’t want to leave home, you know that he’s getting on in age.
List of Illustrations and Diagrams

Please see overleaf.
Figure 1: Cinema Attendance for 1993, 1994 and 1995.
## Figure 2

### 1995

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**Figure 4**

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**Carib - '93, '94, and '95.**

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Harbour View Drive Inn - '93-'95.
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<tr>
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<td>5,670</td>
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<td>7,308</td>
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Odeon - '93-'95.
<table>
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<tr>
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<td>8,611</td>
<td>7,772</td>
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Portmore Palace - '93-'95.
Diamond

Figure 11  1995  1994  1993
Jan  3,159
Feb  2,115
Mar  2,703
Apr  2,695
May  2,525
Jun  3,392
Jul  3,791
Aug  5,401
Sep  2,627  3,080
Oct  3,190  2,930
Nov  2,578  2,705
Dec  3,193  3,561

Diamond - '93-'95.
Figure 12

Cinemax - 1995.

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### Comparative Set Count (Figure 13)

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<td>744,000</td>
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<td>Cable</td>
<td>N/A</td>
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<td>VCR</td>
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Potential Audience (Figure 14)

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<td>VCR</td>
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<td>294,000</td>
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