

# The Entertainer

Movie Mogul **VICHA POOLVARALUCK** is serious about delivering fun to Thai consumers no matter what the obstacles | By Susan J. Cunningham



**T**HAI CONSUMER CONFIDENCE fell to a five-year low in July; business confidence hit a four-year-low. Consumer spending has been lackluster. Nerves are frazzled because of political and economic uncertainty stemming from the September military coup that overthrew the government and protectionist proposals that worry foreign investors.

One person who sees opportunity in the anxiety is Vicha Poolvaraluck (pronounced “We-cha Poon-wa-ra-lak”). The 44-year-old entrepreneur who runs Major Cineplex—the nation’s largest operator of movie theaters with at least 295 screens and a 75% market share—18 bowling alleys and 222 karaoke booths at 18 locations, is betting that the Thais’ famous love of all things *sanuk*, the Thai word for fun, will keep them coming to his venues, regardless of other concerns.

Even bombs that exploded on New Year’s Eve and again in April near two of his Bangkok entertainment complexes and inside another didn’t rattle his nerves. He hired more guards, installed surveillance equipment, checked vehicles in parking garages and otherwise reassured moviegoers. As he expected, crowds packed into theaters to see Thai epics *King Naresuan I* and *II* and martial arts movie *Bodyguard II*, sending movie admissions up 69% in the first quarter. Admissions in the second quarter held steady versus the previous year though they were a bit disappointing given the strong lineup of Hollywood films like *Spider-Man 3* and the third *Pirates of the Caribbean*.

Since the September military coup that toppled the government he has been

pushing forward with a series of ambitious plans intended to extend his grip on the country's entertainment market. He has bought one company, accumulated a large stake in another, taken some of his property assets public and opened four movie theaters with 37 screens.

Most of these moves haven't paid off yet but Vicha takes a longer view. "I'm very serious about running this business. I always compare it to sports: If you want to be Tiger Woods, it's a lot of training. You have to be serious," explains Vicha, "If you're number one, you can't relax." Adds an analyst who covers Major, "The thing I like about Vicha is that at least he has the guts to make decisions."

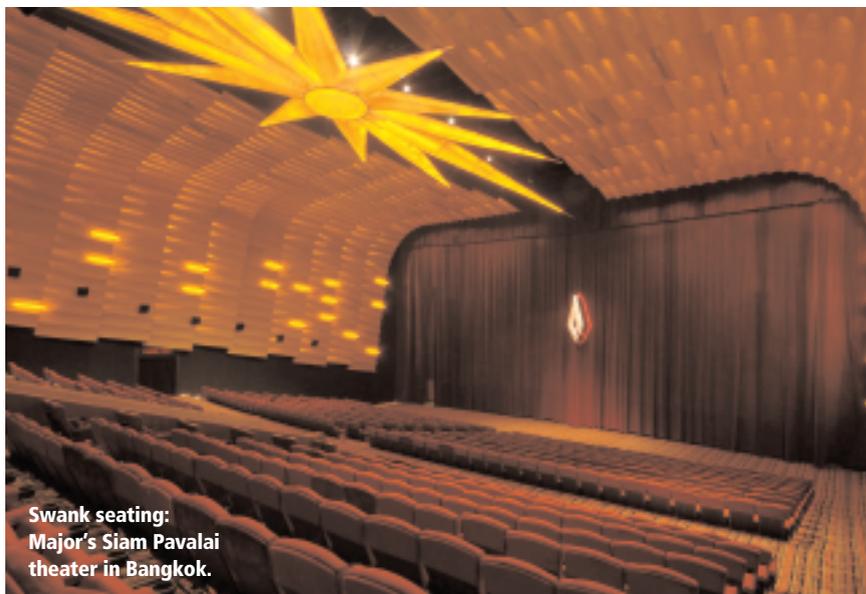
That spirit has enabled him to build Major from scratch in 12 years and to accumulate one of Thailand's biggest individual fortunes, worth a recent \$175 million, down \$25 million since we published our list of the nation's 40 richest. The fact that he started the business in 1995, not long before the Asian crisis, helped prepare him for any circumstances. In June 1997, two weeks before the baht crashed, he decided against taking out two low-interest dollar-denominated loans, a decision he later calls the luckiest of his life. As a result he was able to rapidly expand while other businesses collapsed.

It also probably helped that movies are in his blood. His father's generation of the family ran a chain of movie theaters and a film production house, as well as other businesses. After picking up an M.B.A. in the U.S. and briefly working at his family's department store, Vicha struck out on his own in 1990, quickly constructing 39 houses and two apartment buildings.

It wasn't long before he was drawn back to movies, figuring it was a good time to open more modern theaters to appeal to Thailand's burgeoning middle class. Another encouraging factor was the fact that the government cut by two-thirds a 17-year tariff on foreign films.

But in a plot twist worthy of the films he screens, Vicha's main rival in the movie business was his first cousin of the same age, Wichai, who in 1994 had partnered with Australia's Village Roadshow

## Reeling Them In



Swank seating:  
Major's Siam Pavalai  
theater in Bangkok.

and Hong Kong's Golden Harvest. Their EGV was credited with introducing Thailand to state-of-the-art cinema technology and new comforts like reclining seating. By 1997 it had grabbed a 70% share of the market.

Vicha's strategy was different. Instead of following EGV's model of locating in big malls, then sprouting up everywhere, his cineplexes were in smaller buildings that he owned and built himself. On the same property, he operated bowling alleys and karaoke booths, and rented retail space to complementary tenants, notably family-friendly U.S. and Thai restaurants.

Major then became the first movie chain to go public on the Thai stock exchange in 2002. Two years later, in a reversal of fortunes, Vicha and Wichai, who by then had bought out his partners, announced a merger between the two groups at a tearful press conference attended by both fathers. At the time, Vicha's Major was the market leader with a 43% market share while Wichai's EGV had slipped to 34%. Vicha remained chief executive of the combined group while Wichai became a board member. (Today Wichai has his own company, Woroluk Property, and is president of Thai Investors Association). As for the onetime rivalry, the affable Wichai says, "It was business, but it wasn't personal."

Since the merger Vicha has continued to look for ways to lure moviegoers, adding such features as luxurious seating,

massages, VIP waiting rooms and the Enigma Club, a members-only viewing room and cocktail bar at Thailand's newest high-end mall in Siam Square.

"Major Cineplex is an extraordinary company," says Robert Sunshine, who runs Nielsen Business Media's trade shows for film exhibitors and distributors. "They build some of the finest cinemas in the world with great decor and terrific state-of-the-art technology. Vicha is also one of the best marketing mavens I've ever met."

But keeping up the growth is getting more difficult, given its already dominant market share and the fact that its main market, Bangkok, is pretty well saturated. Rampant piracy also doesn't help. Thailand is tied with Russia for the world's second-highest piracy rate at 79%, behind only China, according to a 2005 survey by the Motion Picture Association, costing the U.S. movie industry \$149 million.

All of which has led Vicha to look for new opportunities. In October he personally bought the rights to operate all McDonald's in Thailand, a tenant of many of his buildings, for 20 years for an undisclosed amount. Though the franchise was losing money, Vicha saw synergies with his movie business; he is looking into promoting movies and selling tickets at McDonald's outlets.

In June Major paid \$1 million for a 40% stake in Thai Ticket Master, renamed Thai TicketMajor, which mostly sold concert tickets. Music lovers can now

pick up those tickets at Major's 35 box offices and moviegoers can get their tickets at the eight Thai TicketMajor locations. "When people come in to a theater to buy a ticket for an event, maybe they'll decide to see a movie. Maybe these will be people who wouldn't normally think of going to a movie," says Jiradej (Jerry) Nusthit, Major's chief of corporate strategy. "It's win-win."

Vicha's biggest gamble is on expansion into what Thais call "upcountry"—anywhere outside the Bangkok metro area. Major has joined with Tesco-Lotus and Big C, the hypermarkets now sprouting up in the paddy fields and resorts like Koh Samui (where Major premiered the island's first-ever cinema in May 2006). The company has 12 upcountry locations and plans to add another 7 by December 2008. One good omen: Thai films, which accounted for half of the profits of the Thai movie market in the first half of 2006, are particularly popular among upcountry moviegoers.

To help fund these plans, it recently listed Major Cineplex Lifestyle Property Fund, whose assets were long-term leasehold rights to two of Major's entertainment complexes, raising \$71 million.

There are doubts. For starters, some aren't sold on the strategy of partnering with hypermarkets, which will take a long time to build and move the company out of its comfort zone of operating its own complexes. It also faces stiff competition from SF Group, its biggest rival with a 20% share, which has its roots in the rural provinces and has been expanding in Bangkok. Major's recent quarter didn't boost confidence: Earnings were up 200%, due to the one-time gain of the disposal of assets for the fund, but down 90% without that gain, due to write-offs.

Vicha is still predicting strong numbers for the year and believes in the future of movies in Thailand, regardless of political and economic uncertainty or piracy. "Thailand is a movie culture," says Vicha, "Cinema doesn't really have the same kind of problems of other industries. Maybe people don't want to spend money on shopping. They can't afford to take a holiday or go out to a beach. But they can afford this." So he hopes. **F**