

# **Enquiry Report**

Re: Tying of Cinema Tickets with Food Coupons by Cinepax Limited

## **Background**

1. This enquiry report has been prepared pursuant to a suo motto enquiry conducted by the Competition Commission of Pakistan under Section 37(1) of the Competition Ordinance, 2010 (the 'Ordinance') into possible tying of sale of cinema tickets with the sale of food coupons by Cinepax Limited (hereinafter 'Cinepax').
2. Cinepax is a company incorporated under the Companies Ordinance, 1984 and operates Pakistan's first and only multiplex cinema located at Jinnah Park, Rawalpindi. The cinema at Jinnah Park is the only multiplex in the twin cities of Islamabad and Rawalpindi. Cinepax is an undertaking as per the definition provided under Section 2(1) (p) of the Ordinance.
3. The Commission first received information about the alleged tying of tickets from the phone call of an anonymous citizen who had visited the Cinepax's multiplex in the past to watch a movie. The information was confirmed informally by an officer of the Department by visiting the cinema.
4. In order to verify the information the Cartels, Monopolies and Trade Abuse (CMTA) Department of the Commission wrote a letter to Cinepax on 7 May 2010, asking it to explain the policy on sale of cinema tickets vis-à-vis food coupons and to provide historical price information. The CMTA department also requested the Commission to consider the matter and initiate a suo motto enquiry.
5. Cinepax replied on 17 May 2010 essentially asking for further time to submit the reply. The request was granted and Cinepax was allowed to file the required information by 21 May 2010. Cinepax submitted the required information on 21 May 2010.
6. The Commission in its meeting dated 21 May, 2010 considered the matter and decided to formally inquire into the matter. The undersigned, namely Mr. Syed Umair Javed, Assistant Director (CMTA), was appointed the enquiry officer in the case.

## **Relevant Market**

7. Before discussing possible dominance and abuse of dominance by an undertaking, a relevant market must be identified. Section 2(1) (k) of the Ordinance states that a relevant market consists of a product and a geographic market.
8. The product under consideration in this case is a special kind of cinema known as the multiplex cinema. A multiplex cinema is a building where there are multiple

- movie theatres normally screening different movies at the same time. Therefore, a multiplex is different from a normal cinema in terms of its characteristics, usage and pricing. It offers the consumer a larger variety of movies and films to choose from, a greater flexibility of screening times and ancillary facilities which a regular cinema does not offer. Customers can typically make use of other recreational facilities such as board or video games, and food courts in addition to screening movies.
9. Multiplexes, due to their superior standards and facilities normally charge more than their regular cinema counterparts and therefore attract a particular class of customers who would do not consider regular cinemas a substitute for the multiplex. The nearest substitute of multiplexes, if any, maybe high end non-multiplex cinemas where standards of service, cleanliness and ancillary facilities similar to multiplexes are maintained. Both multiplexes and high end non-multiplex cinemas generally screen selected movies which appeal to the class they cater for. While there are some other cinemas or movie screening facilities in the twin cities, they are either low end e.g. Ciro's in Saddar or are extremely exclusive and screen movies occasionally e.g. the multi-purpose theatre in Islamabad Club or Nescom Club. Such low end cinemas or exclusive screening facilities do not compete with the multiplex. The relevant product market therefore is that of multiplexes and high end cinemas.
  10. The geographical market for cinemas is generally restricted due to the immovable nature of the cinemas in general and the high costs associated with long distance travel. Customers of one area or city would generally not travel to another area or city just to watch a movie.
  11. An exception can however be made for cities that are contiguous to each other. The multiplex under consideration in this case is located in Rawalpindi and serves the latter's contiguous twin city Islamabad as well. Therefore, the geographic market under consideration today is that of the twin cities Rawalpindi and Islamabad.
  12. The relevant market for this case is, therefore, the market for multiplexes and high end cinemas in the twin cities of Rawalpindi and Islamabad.

### **Dominance**

13. Under the definition provided by Section 2(1) (e), an undertaking is dominant if it has the ability to behave appreciably independent of its competitors, consumers, customers and suppliers or if its market share exceeds forty percent of the relevant market.
14. Cinepax operates the only multiplex in the relevant market under consideration today. Furthermore, there are no high end cinemas in the twin cities. Therefore,

Cinepax has a hundred percent share in the market and is therefore dominant under the criteria set by Section 2(1) (e) of the Ordinance.

### **Abuse of Dominance**

15. The alleged abuse of dominance in this case is that of tying the sale of two products namely cinema tickets and food coupons by Cinepax at their multiplex cinema in Jinnah Park. Section 3(1) read with Sections 3(2) and Section 3(3)(c) of the Ordinance forbid tying. The Sections are reproduced here for ease of reference:

3. Abuse of dominant position: -

(1) No person shall abuse dominant position.

(2) An abuse of dominant position shall be assumed to have been brought about, maintained or continued if it consists of practices which prevent, restrict, reduce, or distort competition in the relevant market.

(3) The expression “practices referred to in sub section (2) shall include, but are not limited to –

(c) tie-ins, where the sale of goods or services is made conditional on the purchase of the other goods or services;

16. It is a fact that Cinepax tied the sale of the two products in question. In its letter dated 21 May 2010, Cinepax stated that it had started selling the coupon with the cinema ticket as a marketing strategy to make an inevitable price increase of the latter more acceptable to customers. According to the letter, this policy was in place from 21-9-2009 till 7-4-2010. Cinepax states:

... it is correct that for a certain period of time customers were required to buy a Rs. 50 voucher along with the ticket of the face value of Rs. 250 (or Rs. 150 for matinees). However, this was only a temporary marketing exercise to try and make an overall increase in prices more palatable to the buying public. Prior to 20.9.2009, ticket prices had not been increased for almost 17 months even though there had been a considerable rise in all other prices and consumer goods. This marketing exercise was then discontinued on 7 April 2010 after which a simple ticket of Rs. 300 (Rs. 200 for matinee) has been sold instead of a ticket + voucher.

17. The products in question are distinct in nature and are not generally sold together. While food courts are common in multiplexes and high end cinemas, and customers do buy drinks and food item in the midst or in between movies, mandatory sale of food coupons is not. Such a tying places an unnecessary burden

on the customers who do not have any choice but to buy the food coupon in addition to the cinema ticket. Such an arrangement is even more problematic when there is only one food service provider and no outside food is allowed in the cinema premises as is true in this case.

18. It is of no consequence that the tying was a marketing strategy to make an imminent price rise more acceptable to the consumers; the arrangement still bore all the characteristics of a tie-in. Notices placed at the cinema, and information provided to the Commission in the 21 May 2010 letter from Cinepax, clearly mentioned that the food coupon was priced separate from the cinema ticket but was being sold along with the latter.
19. This sort of tying is a classic method for a dominant entity in one market to try and benefit from access to another by coercion. Cinepax, which is in the business of running a cinema, was trying to benefit from the food court market by coercing customers to purchase the food coupons. Many of the customers may not have wanted to buy food items from the food court; many may not have wanted to buy any food item at all. Such an action therefore restricted the choice of consumers considerably.

### **Conclusion and Recommendation**

20. In light of the above, the tying arrangement put in place by Cinepax between 21 September 2009 and 7 April 2010 was, prima facie, in violation of Section 3(1) read with Sections 3(2) and Section 3(3)(c) of the Ordinance.
21. It is recommended that Section 30 proceedings maybe initiated against Cinepax for prima facie violations of Section 3(1) read with Sections 3(2) and Section 3(3) (c) of the Ordinance.

Syed Umair Javed  
Assistant Director