

by Charles Assisi

# BEAM ME UP, SCOTTY

Want more sizzle on TV at your US motel room? This Mumbai company will serve it up hot

Flicks playing in motel rooms excite people for different reasons. Indian chemical engineer Sanjay Gaikwad thinks there's a \$180-million business opportunity there. If his plans succeed, motorway entertainment in the US could take on a new sheen, imported all the way from the land of Bollywood. Let's do the math first. There are roughly five million hotel rooms in the US — premium, budget, and cheap motel rooms. Of these, 2.5 million rooms offer guests some kind of in-room entertain-

ment system — part free, part paid. To avail of the full bouquet of services, on average a guest pays \$30 for a full day pass. Roughly 1.9 million rooms are serviced by a company called LodgeNet, the largest entertainment services provider to the American hospitality business. A few smaller players cater to the rest. The 2.5 million rooms that remain unserved are that way because they cannot afford the cost of installing an in-room entertainment system. The most conservative estimates put the cost at \$400 to the room.

This is the void Gaikwad wants to fill. But can he pull it off? The entrepreneurial bug bit this technology buff during a stint at the Essel Group. Gaikwad was responsible for thinking up and executing Playwin, an online platform for the lottery business. It changed the rules of how lotteries were run in India. The venture continues to be profitable. Gaikwad's stint at Essel taught him a few things: One, anything you build ought to challenge convention. Two, instead of products, build platforms on



**The Formula** Sanjay Gaikwad's UFO Moviez is trying to build a new platform for beaming movies to American motel rooms

class towns. The whole thing could take as long as five months.

It worked in the past. However, every new film now is promoted heavily on television, access to which is ubiquitous. People know what's playing in urban centres and they look to pirates for their Bollywood fix, leaving producers with few chances to recoup their investments.

Gaikwad reckoned if he could build a platform to distribute films digitally and eliminate prints, he stood a good chance of hitting it big. Some ingenious engineering later, he had a model ready. Raja Kanwar at Apollo Tyres saw the potential and committed Rs. 300 crore to the project and UFO Moviez took off.

Without doubt, Gaikwad is the largest digital distributor of films in the world. The UFO platform now has an installed base of 1,500 cinemas across the country. Gaikwad claims UFO controls 40 percent of Bollywood's turnover and generates roughly Rs. 200 crore annually.

With things going to plan, Gaikwad attracted private equity attention and 3i, an American firm, put \$22 million into the business. It was time to scale the business model up. Gaikwad's first line of thinking was this: if I can take movies to cinema halls, why not to TV screens around the world?

He had a fair idea of how to do it. But if the game had to be played in a manner acceptable to Hollywood, the technology would have to be acceptable to the West. Around this time, a little known company funded by Disney, Cisco and Intel was going bust in the US. Called MovieBeam, it attempted to deliver high definition movies in a format acceptable to Hollywood

which businesses can be conducted. Unlike products, platforms, when they work, create monopolies, raise huge entry barriers and can be scaled up.

Lessons learnt, Gaikwad started looking around for problems he could attack and build a business around. He spotted opportunity in film distribution. In Bollywood, almost 20 percent of a movie's budget goes towards prints. At Rs. 60,000 per print, only the biggest producers can hope to reach 600 cinemas in the first week of a movie's release.

This inability to launch nationally in the first week of a movie's release has always been at the root of Bollywood's problems. All films were launched first in urban areas. Later, they were shipped to places condescendingly called B and C

studios. But for various reasons, it didn't gain much traction and declared bankruptcy. Gaikwad saw its potential and bought it for \$5 million. Some accounts claim he got it cheaper at \$2.5 million.

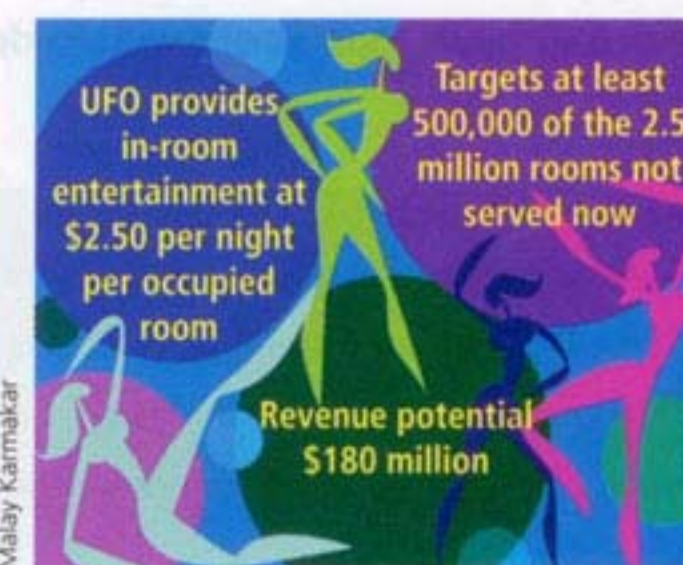
The original proposition was that some re-engineering of MovieBeam's technology would make the hardware at the consumer end cheaper. This, coupled with UFO's Bollywood clout, would help it start a direct-to-home movie service in the US. Gaikwad's argument was that in Hollywood, DVD rentals and purchases account for around 35 percent of a film's earnings. Back home, that number is just 5-8 percent. If he could build a platform that challenged how DVDs are rented and purchased, those numbers could be shored up and he could make a play off it.

Gaikwad's back of the envelope calculations indicated that with the re-engineering that had gone into MovieBeam's technology, he could deploy an in-room entertainment system for \$200 — almost half what LodgeNet's average estimates are.

But getting hotel owners to spend even this amount is difficult in the current environment. So, Gaikwad is ready to give the hardware free to hotel and motel owners. On their part, they are free to charge guests whatever they think appropriate for use of the system, so long as Gaikwad gets \$2.50 for each night a room is occupied.

The math here is simple. If a room has 60 percent occupancy, he earns \$45 each month. That translates to \$480 per annum against his investment of \$200 per room. "Even if occupancy is 50 percent, I recoup my investments in a year. If it is 25 percent, it'll take me two years," he says. Over the next four years, if he can manage to enter 500,000 of the 2.5 million unserved rooms, he could take home \$180 million.

As for content, 80 percent of viewing in hotel rooms is of adult flicks. Rights for these are available for as little as \$20-\$30 a month. Hollywood is comfortable with his technology. In any case, he has access to Disney and Sony's library because they were the original investors in the project. Sounds picture perfect. ■



Vikas Khot

Malay Karmakar