



Volume is the name of the game

UFO's targeting 2000 screens to explore new revenue models. By PALLAVI SRIVASTAVA

Karvi – a cinema hall in the obscure Chitrakut district of UP today boasts of a weekly collection of Rs.30000-40000 (900% higher than what it used to earn a few months ago), which is no less than a dream turned reality for its owner Ramesh. With almost watery eyes he confided to *4Ps B&M*, "I could have never imagined 'house full' signs in front of the ticket window of my cinema hall. But thanks to UFO Moviez' digital platform I get first day first show release of movies which earns me 100% occupancy many times a week," adding that he still recalls those days when he had been unable to run a show simply because there were no audiences. "Thankfully those dreadful days are over forever," he grins. The phenomena is not restricted to only Karvi, but also others in small town and metro India. Waver theatre in Bulandshehar, Menka theatre in Mehboobnagar of AP, Amber Cinema in Rajkot, Seble Cinema in Delhi... almost all of them have an identical story to narrate.

UFO Moviez, arguably the largest digital cinema service provider in India, has worked out a business model in which they convert a traditional theatre into digital (by installing the digital projector) at their cost and earn revenues through a pay-per-show model. The



cost of converting a theatre comes to around Rs.14 lakh which is borne by UFO. For revenues, they charge Rs.200 per show from the distributor and Rs.250 per show from the exhibitor, across consequent weeks of the film's screening. "The theatre owner is completely at ease he is not bothered whether the projector is failing or the server is failing... I am taking care of



Rajesh Mishra, CEO, UFO Moviez

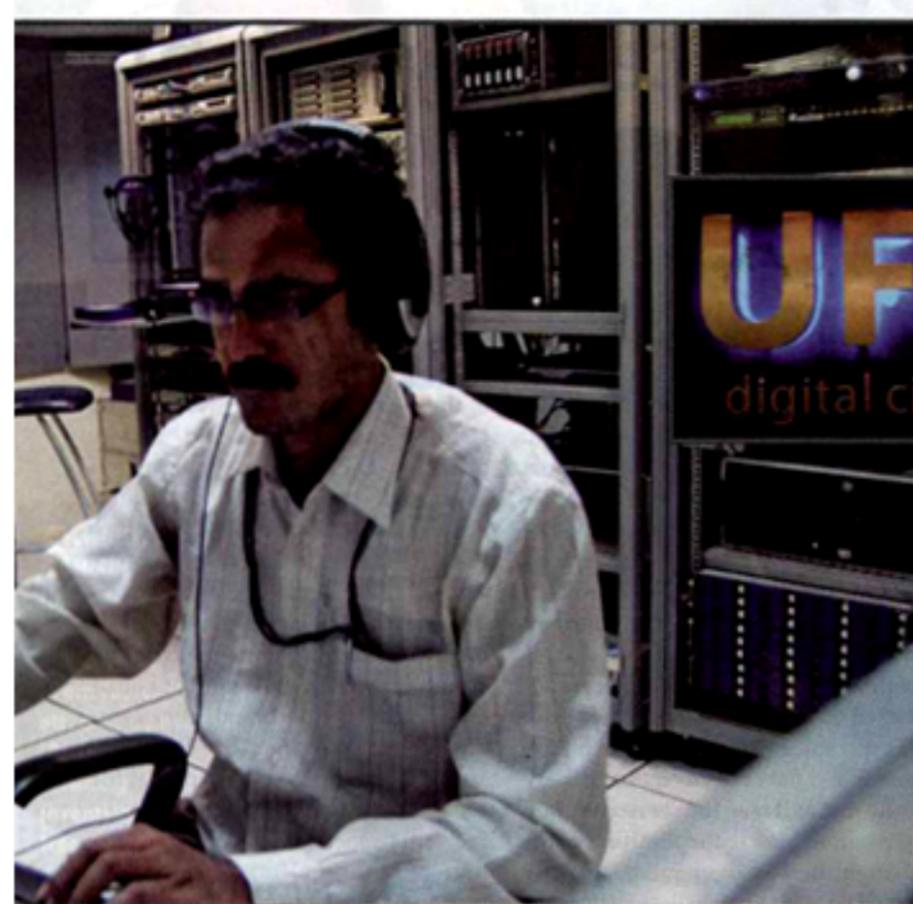
all this. I have taken the entire headache of cost and investment from the exhibitor and tried to make it very simple for him," reasons Rajesh Mishra, CEO, UFO Moviez.

In as much, UFO has simplified the processes for exhibitors, distributors and filmmakers. But, does this not involve heavy in-



vestments for UFO. "I spend Rs.14 lakh for setting up a digital system in a theatre. I charge the exhibitor on per show basis even if he uses my platform for all shows every week. I still recover my cost in six years," counters Rajesh. He further explains that right from day one UFO was clear that their business was a volume game and could not be played unless they were present in larger numbers. The company is now betting on touching the mark of 2000 digital screens across the country (currently they are 1040 screens in India and 18 screens internationally) with an estimated investment of Rs.500 crore.

Analysts are unanimous in their view that this volumes game will benefit the industry in a big way. "The day a film gets a 1500-2000 theatre release (through digital cinema) one can say that digital cinema has truly arrived in India. A 1500 theatre release will complete the entire commercial cycle of



the film in two weeks. In such a scenario one will need not to wait for eight months to recover the money," says a media analyst. Sample this: when *OSO* was released in 500 digital theatres of UFO, all were first day first shows, allowing each theatre to make collections worth Rs.2 lakh. If *OSO* goes to a theatre after six months – as is the case in many small towns – the collection will be Rs. 20,000. "So the immediate benefit comes to Rs.1.8 lakh, which means extra business to the producer, distributor, exhibitor and the government (in terms of higher ent. tax) too," offers Rajesh.

Small wonder that within two years of its inception, UFO expects to achieve the cash break even in just another three-four months time. But, Rajesh admits that project break even is still a long way. "It's a capital intensive business and project break even will take five years." To speed up its return on

investments, UFO is trying to leverage the vast network of theatres that it has already built, to grab an extra pie of revenues. One such initiative is Digital Advertising, which the company started two-three months ago. So far theatre advertising has largely been restricted to multiplexes and bigger cinema chains because it was practically very difficult for advertisers to touch base with cinema owners spread across the country. Just imagine: how does HUL contact a cinema owner in Rourkela or Nagpur? With its digital advertising initiative UFO sells advertising time in these cinemas directly from one point. With UFO being the sole point contact, advertisers easily reach 1000 screens spread across the country. Exhibitors also are benefiting as many of them never

received a single ad earlier. And UFO's recovery of its investment becomes faster as they have an additional source of revenue. UFO claims to keep a 75% share of any advertising deal with itself and passes on 25% to the exhibitor. The UFO management believes that the more their network grows, the higher the value it will be able to provide.

Apart from digital advertising, UFO is also working on introducing a ticketing system especially for unorganised cinema-halls just like multiplexes (that keeps a record of all the tickets that have been sold), to earn a few more bucks and bring in more transparency into the system. They are already doing it for 45 cinemas. The model is similar. UFO will install the system at their partner cinema-halls and work on a service basis with them. Once the ticketing system is in place, the idea is to network the entire movie exhibition chain under one umbrella body called Integrated Media Pact (*ImPact*). *ImPact* proposes to work as a clearing house for all deals between cinema owners, distributors, filmmakers and integrate processes. This, the UFO management argues, will eliminate inconsistencies in records and bring about transparency in the movie screening business. Rajesh says, "ImPact is a very ambitious project for us... it will take a year to put everything into place."

Movie theatres, once a dying business in India (due to the growing popularity of VCRs, DVDs and home theatres), has certainly revived, what with a growing stream of multiplexes and now digital theatres pulling in the crowds like never before. And UFO Moviez is ensuring that small town India gets to partake in the boom wholeheartedly. ■

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