



How digital cinema is changing the film business

Having revived both cinema advertising as well as single-screen theatres, digital cinema is transforming the economics of the film business in India



Salman Khan-starrer *Bodyguard* partially owes its success to the growth of digital single-screen cinemas. BS PHOTO

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Take a deep breath, relax. That is what the two leading digital cinema companies in India should be doing. At over 5,600 screens in all, Real Image and UFO Moviez have digitised more than half the total single screen market in India. Both are making operating profits and Real Image has actually broken even (see table). Why then are they still ramping up at a breathless pace?

Because size does matter—for both these companies and for the ₹14,000 crore Indian film industry. It is size that will determine the leader in the world's largest film-producing and ticket-buying but least profitable country. The total revenues of the film business have more than doubled in the six years since the first major digital cinema roll-out began in 2005. Of these, box-office revenues have grown fastest thanks to multiplexes and digital single screens. The latter now bring in more than half of the total box-office revenues. Yet, for digital cinema to fully realise its potential, it has to prove to advertisers that, "Cinema is no longer a fringe medium," as Arvind Ranganathan, CEO, Real Image puts it.

Digital cinema has been making headway. Across the country, advertisers such as Hindustan Unilever and Ranbaxy are beginning to use digitised single screens to reach under-penetrated small town India or clusters of difficult-to-reach audiences. These could be lower income groups in large cities or the well-heeled movie going audiences ally. With digital theatres all that has changed. Both the chains usually try and get advertising rights thrown into the deal when they digitise a theatre. They own the rights to a bulk of the theatres they sell or lease equipment to. Then, they aggregate centrally, the selling, display and serving of ads to their respective networks.

There are advantages to advertising in cinema halls versus television. "In television you need to keep hammering a message home to get across. The consumer could switch channels or some interruption

DIGITAL CINEMA'S VANGUARD

Company	UFO Moviez	Real Image (QUBE)
Year of digital cinema launch	2005	2005
Revenue model	Per show fee for first two weeks, digital print licence fee for D-cinema, advertising	Per show fee, digital print licence fee, advertising or a combination thereof including for D-cinema
E-cinema screens (units)	2,770	2,374
D-cinema screens (under scrabble)	410	133
Total screens in India (units)	3,180	2,507
Revenues (FY 2011, ₹crore)	110	110*
Proportion from advertising (%)	33	12**
Profitable	EBITDA positive	EBITDA positive
Total screen target (March 2012)	4,700	3,000

* Not total revenues, only the one from digital cinema; ** Net revenue; selling ad rights only in Tamil Nadu so far

Source: Companies

in a Raipur or Coimbatore. As a result by March 2011, advertisers had spent about ₹50 crore on the networks both these companies have. That is about 40 per cent of all the money spent on cinema advertising. Getting that to ₹400-500 crore is what will change the nature of the game reckons one investor.

The first digital cinema roll out in India began in 2003. Mukta-Adlabs, a joint venture between Subhash Ghal's Mukta Arts and Manmohan Shetty's Adlabs (now part of Reliance) seeded more than 50 theatres with ₹10 lakh worth of equipment in each. This was primarily a server and a projector, the two key pieces of hardware. This was done in exchange for advertising rights, revenue share or a flat fee. The whole project fizzled out albeit after revealing the promise of digital cinema.

In 2005, Real Image and later UFO (then Valuable Media) entered the fray and it wasn't "The first 100 theatres were an uphill task," remembers Kapil Agarwal, joint managing director, UFO Moviez. Nobody

could happen at home. In the cinema you have a captive audience, one large, dark screen and it can't fast forward it. So it is a much more receptive audience," says Rajesh Mishra, CEO, India operations, UFO. The CPT or cost of reaching a thousand people using digital cinema is less than that of television, depending of course on genres, audiences and other variables, says Rathore. MS Rajagopalan, president, Real Image adds that to optimise return on investment an advertiser should use the network for at least four weeks.

The big issue is unlike rating

wanted to pay for or use digital equipment. Soon, they were clamouring for it. The simultaneous release factor alone has pushed up occupancies across moribund single screen theatres by 50-60 per cent and ticket prices by 25-50 per cent. More importantly, it has brought small town India and clusters of metro-India, where a bulk of the single screens are now operational and back in the reckoning. This is evident in the kind of films being made. Five years ago, thanks to a metro-multiplex skew, the mass film had almost died. Now it is back with a bang with *Dabangg*, *Bodyguard* and others doing roaring business.

Cinema lures ads again

To take digital growth and revenues to the next level, advertising revenues are critical. Getting these, however, is not very simple. Cinema is popular in India, but for advertisers, television has been king. Soon however, because of multiplexes, advertisers started looking at cinema again. But all put together, there are just over 1,000 multiplex screens,

points there are no proven metrics in cinema advertising. Both the players are trying to address that. In Tamil Nadu for instance Real Image has the advertising rights to 475 of the 550 screens using its equipment. According to a study done by Nielsen this network was the second most effective way of reaching audiences across Tamil Nadu, after Sun TV. A similar study is being repeated across Andhra Pradesh and West Bengal before Real starts selling ad time on its screens in these two states.

Roughly, 20 per cent of Real

most of them in big-town India. The sheer reach that Real Image, with 2500 odd screens, and UFO, with 3,180 screens, offers across India is huge "The average single screen full capacity is 600 against 250 for multiplexes and the cost is one-fifth of plexes," points out says Ratan Singh Rathore, national cluster head, radio and cinema, GroupM, one of India's largest media agencies.

When Hero Motors wanted to advertise its new identity post the break up with Honda, it did the usual TV and print number. But it also went ballistic with cinema. It chose to advertise on over 3,000 digital screens across India for two weeks continuously. "They wanted impact," says Rathore.

Solving the reach problem

This reach was available earlier too, but was inaccessible. Remember that India's 9,000 odd (active) screens are largely owned by individuals. So, if Hero wanted to take a network of say 500 theatres in Tamil Nadu, it would have to talk to 500 theatre owners individu-

Image's ad revenues in March, 2011 came from large national advertisers such as HUL. The remaining 80 per cent came from large regional brands such as Nalli's or local retail chains. This mirrors growth in other media. For example, a bulk of the growth in Indian newspapers or television is coming from spreading out into the rest of India and tapping into local and regional advertising. It is a story investors and advertisers bought into long back. So, all Real and UFO have to do now is keep that breathless pace of growth going in order to dominate film distribution in India.