Direct to theatre

Real Image and UFO Moviez are helping filmmakers and theatres tap a wider audience and beat piracy
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"Why do wise men gamble in Las Vegas?" The answer, Senthil Kumar jokes, could explain why people enter the film business. The analogy of Senthil Kumar, whose Real Image helps theatres deliver digital cinema, seems apt considering how traditional film distribution works.

A Hindi filmmaker settles pragmatically for a release in 500 theatres even though there are 5,000 theatres (out of 12,000 in India) hosting Hindi movies. That's because a release in 5,000 screens costs Rs 30 crore, typically several times the movie's cost.

"Then, most of the commercial exploitation is over in a week," says Rajesh Mishra, CEO of Mumbai-based UFO Moviez, another digital cinema solutions provider. The lesser-known theatres, which get to host the movie over the subsequent months, hardly contribute to the earnings—the fizz would have gone out and piracy would have done its job by then.

Real Image and UFO, small intermediaries in the film exhibition process, are betting on technology to make the film business less risky. Until now, they have equipped 1,600 theatres (with UFO doing 1,050) with the technology to receive encrypted film content through a satellite or fibre optic system. This immediately benefits distributors, who bear the print costs. A digital copy sometimes costs only about Rs 5,000, a tenth of a normal print's cost.

Digital man: Senthil Kumar digitises theatres, enabling a wider release of blockbusters

That's not all. A nationwide release, which may be a reality soon, could help filmmakers tap a wider audience base as well as beat piracy. There's also good news for second- and third-rung theatres, for years caught in a trap of high realty prices, low returns, low investments and poor content. "About 9,000 theatres are nearly in a comatose state. Most of these are in places where people don't have any other getaway," reckons Mishra. There's no reason why these theatres can't woo the crowds with the latest flicks. Unlike celluloid prints, prone to deterioration with every use, digital copies promise consistently good quality too.

Glocal solution

All this wouldn't have been viable if not for the Indian ingenuity behind the business model. It has operated at two levels: first, a bulk of the 1,600 screens that have gone digital have not been sold D Cinema, the high-end digital cinema followed by Hollywood, but E Cinema. The latter is about 10% poorer in quality, but comes at a third of D Cinema's cost. Secondly, even E Cinema isn't cheap. Why would theatre owners shell out Rs 12 lakh (though power costs drop to a fourth) for something that immediately benefits only the distributors? Sensing this, Real Image sells cinema systems against a down payment of about 10% while UFO collects a fee per show (Rs 200 from distributors and Rs 250 from exhibitors) while retaining ownership of the systems. Both get the rights for on-screen advertising, in some cases a bigger revenue component than cinema solutions.

"The presence of Real Image and UFO filled the business model gap," says PS Saminathan, MD of Pyramid Saimira. "Hollywood views digital as a proper quality enhancement device unlike India, which views this purely as a cost-saving device," he says. And that explains the business model novelty.