



Indian film industry enters digital fortress

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With India becoming the largest market for digital music in the world, 'going digital' has become the buzzword for the Indian film and entertainment industry. However, the impact of digital solutions has been more visible on regional cinema than on Bollywood in terms of size and profitability. For starters, the adoption of digital cinema has been higher in India even compared to developed countries. For instance, in the US the penetration of digital screens is just about 2%. Though the figure is not available for India, experts believe that it could be up to 15%.

Says A T Kearney principal Debashish Mukherjee, "Digital solutions which were looking at cutting costs were first initiated by regional cinema exhibition players and therefore it has most impacted regional cinema. For most tier-1 and tier-2 cities, exhibition players have increased their occupancy levels by nearly 15%." He added that current digital solutions available in the market are most suited for tier-1 and tier-2 cities which are strongholds of regional cinemas.

Digital solutions have helped regional cinema reach relevant audience and double the number of prints without additional cost. Says veteran producer of Tamil cinema L Suresh, "Tamil cinema has seen a tremendous change because of digital print. Just the fact that we can have same day and date release of our movies across cities has helped regional film producers have control on piracy and the overall value chain."

So far Pyramid Saimira and E-City ventures have largely focused on states like Karnataka, Kerala and Tamil Nadu. The third player UFO Moviez is the only one that has focused on tier-1 and tier-2 cities of UP and Western India. Industry experts believe that is also the reason why the major transformation is being seen in regional cinema segment.

Agrees UFO Moviez ,vice-chairman, Raaja Kanwar, "Digital cinema by its very nature provides a widespread release at a fraction of the cost. This formula suits the regional cinema market since largely the regional cinema market is a very price-sensitive market and every rupee saved adds to the bottomline."

Regional cinema is also expected to contribute significant revenues and a big opportunity for digital solution providers. In fact that has prompted digital solution providers to subsidise the rates for regional cinema market by around 20-25%.

"No serious digital cinema technology provider can give regional cinemas a miss. Cost rationalisation and controlling piracy are the most important triggers to invest on digital technology and regional cinema chains have been the first ones to have adapted themselves to the technology," says E-city CEO Atul Goel.

Digital cinema is slowly and steadily set to revive the regional film market. Most industry players believe that for a pan-India digital cinema chain or solutions provider, regional cinema markets are expected to contribute nearly 30% to the total revenue.

"The biggest impact on regional cinema of digitisation would be when films on the future will be shot in the digital format thus giving them huge cost savings while still giving the quality benefits of digital technology," adds Mr Kanwar.

However, it would be wrong to ignore the potential challenges. One of the business models that is becoming prevalent is that digital solution provider invests or rents out digital technology to a cinema owner and bear the burden of investment. "Technology providers have taken the initiative to invest and taken care of a problem that prevails in countries like the US. However, the country requires standardisation of digital technology for its future success," said Mr Mukherjee.