

# Indian film production

[Entertainment](#), [Movie](#)



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In these modern times of instant digital communication, film has turn out to be one of the most vital way through various nations and cultures reveal their values and identities. Moving image technologies has turn out to be all-encompassing in our lives. They are huge business. Apart from that, a capability to recognize and apply them has become as important for the people of this present era as literacy was in the times of 19th and 20th century (India PR Wire, April 4, 2007). The tempo, scale and consequences of this transformation are significant enough. The Indian Film industry has made a huge development ever since the Motion pictures first arrived in India in the year of 1896 when the Lumiere brothers revealed six silent short films in Bombay. The first feature film of India named- King Harishchandra

(which was a silent movie) was released in the year of 1913. In India the first 'talkie' movie that released was Alam Ara in the year 1931 (India PR Wire, April 4, 2007).

A film production house is normally connected with the in-house production. It could categorize, make or telecast various segments of programs around news, films, multimedia, television shows, sports or ad films. India can be regarded as a home to a several well-known production houses from all the aforesaid stated areas. [www.bestindiansites.com](http://www.bestindiansites.com) specifies top leading Indian websites on production houses of India, sports production house, ad film production house, film production house, sports production house, information on production house, list of production houses, television production house, multimedia production house, and a several other significant information's (Subramaniam, A, 2003).

We can in reality utter about various types of production houses such as Independent and corporate and just detail it by stating that Individual production houses are managed by just 1 or 2 producers and the infusion of capital investment for the production purpose is mainly generated by personal investment or by the means of loans taken from private investor. For corporate houses we could only cite that it is just like as any other corporate deal with the only differentiation that it produces films which is considered under the head of creative segment (essentially organised corporate structure of producing in creative industries – which is a new concept for Indian film industry) (Subramaniam, A, 2003)

So when 'Industry' status was granted in 2000, Corporate started getting attracted towards the films industry realising the huge potential that was there to be exploited. When the corporate started entering to film industry with huge investment power they started incorporating studio culture of Hollywood by following vertical integration. Leaving behind the prevailing system of horizontal integration to the independent producers.

The studio model production house started giving more importance to the content. It stressed on script development, introducing younger generation actors and directors, budget and time management, co productions and international distribution. None of the new corporate production house had the background of film production when they entered the segment. However most of them were involved in activities related to the media (The Business Line, 2007).

Barney says that the first to exploit the resources would gain competitive advantage over its rivals. This is exactly how the corporate production houses gained advantage over independent producers. The Industry had a lot of potential to grow with its wide acceptance globally. but the independent production houses had neglected this aspect, so when the corporate entered the industry they took complete advantage by using the unexploited resources of reach of the films and its growth possibilities steps (Barney, 1991).

To exploit the resources of growth prospective, the studio model was developed under these parameters-

To Produce and co produce the movies with strong content and story line.

To complete the movie with in the budget and also in time.

To sign contractual agreements with actors and directors.

To focus on medium and large scale budget movies.

To develop a huge distribution network nationally and internationally

These parameters are not different from any other studio model in the world.

Corporate production houses main aim was to apply these practices and standards in other markets, to the Indian market. The reason for doing this was to make maximum utilisation of the resources available.

Already registered in the London Stock Exchange, several Indian film companies like as Eros, Ad labs, India Film Company, and utv – have generated immense capital from the various institutional investors who were keen to invest in Indian film companies. Moreover several Western film companies are looking forward for acquiring an ample equity share in these companies (Desai 2007). In this regard on 24 January 2005, Percept Picture Company associated with Michael Douglas’ production company Further Films and Sahara One to co-produce the \$50-million Racing the Monsoon. Also on 1 September Sahara declared one more alliance, and this time with a Hollywood producer Donald Rosenfeld for Tree of Life starring Colin Farrell. These are two among a total of six Hollywood coproductions. (Kohli-Khandekar 2006.). On 20 October, 2005, Sony Pictures sign on Sanjay Leela Bhansali to co-produce Saawariya. The film was released globally in the year of 2007 with around 1, 000 prints, a figure which was not heard of in the previous times for an Indian film. [The figure is on average 250.] Moreover this was the first time that a renowned Hollywood studio (that one of top six) had produced an Indian film. (Kohli-Khandekar 2006.)

Indian admired cinema, remarkably Bollywood – the Mumbai (Bombay) film

industry has witnessed several transformations given that it's first beginnings. A few key modifications that took place at the turn of the century when Indian Popular Cinema gained the position of an industry.(-1) After that the Indian film has developed in new directions. One such change was a more intense interplay between the global and the local which took place during the 1990s. Today, every single function and activity related to the Indian film business is becoming well defined and systematized, be it the retail infrastructure, financial aspect, marketing or distribution. Even films themselves are gradually falling into place.

In just under five years, the industry has shed five decades of baggage and has become an organised business. This is a new Indian film industry (Kohli-Khandekar 2006). Film producers are interested in creating serious corporate structures, and Indian as well as foreign business is pouring money into the cinema. A wall of money is descending on Bollywood and there is a huge bubble building up (Desai 2007).

Evaluating by the amount of movies produced by the Indian film industry, which is about more than one thousand movies per year, it is been regarded as the largest movie industry of the globe. The studio has reached international and also the profit earnings of the several Indian movies were greater in overseas locations than in India. Indian films have been witnessed in the leading ten lists of movies in the continents of UK and USA ((The Business Line, 2007)).

India has been regarded as the biggest movie industry of the world, if we talk about the number of movies produced in a year. It produces around

more than 1000 films per year, which is greater than any of the film producing country. The Indian film industry is commonly regarded as BOLLYWOOD. The first Indian cinema was arrived in the year of 1913 with RAJA HARISHCHANDRA firstly coming into the picture and paving its way to the new period of silent cinema in India (Das Gupta, S., 2006).

Since that time it has witnessed a vast series of evolution both in conditions of making and marketing of the Indian films. We will largely talk about the evolution that took place from the year of 1980s to present time.

India produces more films than any other country in the world, the government of India didn't recognize filmmaking as an official industry until as recently as 2001. Before then, it was impossible for producers to get loans from banks or even insurance for their productions. As a result, producers often paid for their films out of their own pockets – a practice most American producers would consider absurdly risky – or obtained financing from less savory sources (Das Gupta, S., 2006):

The unruly aspects of film production weren't just limited to its financing. In some cases, it would take years to shoot a film. Overbooked film stars would show up egregiously late on set (or not at all) without penalty, scripts were often rewritten on set depending on which actors showed up, contracts were verbal and often violated, and produced films had no guarantees of finding distribution. All of these factors combined to make Bollywood film production an extremely risky endeavour (Das Gupta, S., 2006).

In India maximum number of films were produced by Independent (SingleSolo) producers or Family production houses, Big production companies like Rajashri productions, B. R Productions and R. K Productions



were family owned production houses and in some cases it can be traced back to several generations.(Taebue and Lorenzen-2007)

“ In this period the Indian film industry seemed to make the least progress and in some case journey in the path of deprogress” (Ashish Tiwari). Most of the films were produced on a Formula which had protagonist the male lead character of the film who is called as the Hero and his female counter part as the Heroine who romanced with the Hero singing and dancing around the trees, this strategy gave birth to the masala films (Hindi for “ spice mix”) “ It was a compound made up of several elemental combinations that had drama comedy and romance along with song and dance sequences in symbol driven rather than plot driven” ( Lorenzen & Taeube-2006). “ The controversial author Salman Rushdie found a very precise and creative term that sums up the subject of Indian films perfectly, describing it as: ‘ Epico-Mythico-Tragico-Comico-Super-Sexy-High- Masala-Art’ (Salman Rushdi, 1995 in “ The Moor’s Last Sigh” quoted in Mishra,)(Adleline Pissang-2000). Repetition of these kinds of stereotype films kept the audience away from theatres.

Introduction of colour television and national coverage by Doordarshan in early 1980’s caused a drop in demand for Indian films. The middle class audience preferred to watch new Television soaps and old films on video cassettes (VHS) in their home rather than going to cinema halls. So the cinema halls became a run down and regarded suitable only for lower class men who could not afford a television preferred watching hard core violent films in theatres with lots of action and skimpily clad women dancing in the rain (Misara-2002). Competition from television made film production houses

think innovatively, to hold their grip on the medium, so they started upgrading their films with lavish sets and so called “ multi starrer” films which in turn increased the importance of star actors. So naturally the star actors wanted to cash in on their ‘ star value’ and started charging exorbitant sums to act in a single film which in turn escalated the production cost of the film (Gopalan-2002).

This was at the same time when the Indian music industry was on a high and could turn around the profit margins of even those films that failed at the box- office. The movie soundtrack became a key publicity stunt for the movies and the number of tracks and their popularity increased steadily. The pre- movie launch of music could determine the fate of a movie because if the music did well in the market then it created a huge wave amongst the public before the film got released. The sales of the audio cassettes used to bring in good share of revenue. The producers always hoped and worked towards making the music of their film a hit by casting good/popular music directors and famous playback singers for their films. Again, the producer had to invest a lot more on a popular music director but it was chance worth taking (Ganti-2004).

The introduction of cable T. V. was the greatest revolution of this era. It changed the outlook of film industry, though initially the survival of film industry was challenged with the entry of cable T. V. as it was an instant hit with the audience because it provided plenty of regional language channels like ZEE TV, SUN network and as well as few English channels STAR, HBO which aired films on their channels. But gradually the production houses understood the potential of the cable T. V. as it found a way for new source

of income through selling its film rights at relatively higher prices for its telecast in television which is called as satellite rights (Pendakur-2003). Subsequently the film industry started depending on television as a medium of publicity by broadcasting songs and advertising campaigns of their films to pull the audiences to the theatres (David Hancock-1999). Music channels like MTV and V channel could not sustain by just transmitting private non film and international music albums so they had to take cover of film songs to increase their popularity in India (Bose-2006).

It is believed that the criminal sources like underworld had a very strong hold on the Indian film industry; they controlled the whole production process of the films that they financed by dictating the terms in Bollywood like casting a superstar and selecting brilliant directors to work for their films. It is also believed that celebrities of the industry had close links with the mafia. Though usage of Black money (unaccounted money) in films was not an unfamiliar thing for ages but funding from underworld started in this period. It is estimated that 40% of film productions were financed by the underworld (Kripalani and Grover 2002; David Hancock-1998).

The early 1990's can be called as the period of stagnation; the commercial cinema had ridiculous dialogues, baseless stories with no originality in them (Ashish Tiwari 2007). Few films in mid 1990's were huge hits which broke most of the previous records. These films were big budget, romantic films (Dwyer and Patel) which upheld the family values in them. The two astronomical hits were HUM APKE HAI KAUN? (Who am I to You?) This released in 1994 and went onto run for two years in more than 50 theatres

and DILWALE DULHANIA LE JAYENGE!! (The Brave Heart Will Take the Bride) got released in 1995 and was still running in its 13th year for 679th week as on 17th October 2008 at Marata Mandhir Cinema in Mumbai (www). Both these films were on similar lines, they were big budget romantic films with no actions sequence in them. In the former's case the whole film was shot in beautiful gigantic sets going outdoors only for song sequence, which had 12 music tracks in it. In latter's case maximum portion of the shoot took place in foreign locales. The audio of both these films were massive hits because they used the full potential of television by telecasting their songs and ad campaigns before the theatrical release. Both the production houses (Rajashri Productions and Yashraj Productions) of these films took great interest in refurbishing the theatres before the release of their films because they precisely knew their target audience were the upper middle class and family audiences who were content with television and they had to bring them back to the theatres. Once they succeeded " it marked the dominance of new middle class and uphold them to the pleasure of socially mixed audience both in India and overseas". (Dwyer and Patel-2002)

Rajashri and Yashraj Productions were the good old big production houses which started the trend for these kinds of films with big budget, but most of the small scale productions could not cope with this and had to stop producing films. Gradually number of films produced per year dropped.

Source: David Hancock; Global Film production (Working Document) Venice Conference

The biggest and greatest breakthrough in the Indian Cinema came in 1998. This is the year the Indian government recognised the potential of Indian cinema and granted the official status of ' Industry'. Until then the public as well as private banks and other big financial institutions desisted from getting involved with the film production companies so the producers always had to depend on private money lenders for the capital for their films (Dwyer & Patel, 2002). Now the production houses are getting their capital from public investments through semi public Industrial Development Bank of India (IDBI) and other public banks (Lorenzen &Taeube, 2006)

Indian Film Industry started in its way of revival of sorts, in 2001 all the prints of the film Chori Chori Chupke Chupke which had a huge star cast was seized by the Central Bureau of Investigation suspecting it to be funded by the underworld and the producer of the film Bharath Shah was arrested for having close connections with the underworld. After this incident most of the producers feared to be identified with the under world. So the underworld gradually lost its hold in the Bollywood.

Shooting at overseas location for a film is not new to Bollywood they have been doing this since 1960's but currently there is an increasing trend of Indian film crew shooting at foreign locales. This is because of the huge global market for the Indian films. Many films are released simultaneously in U. S. A. and U. K. and there are instances where the returns from overseas collections is higher than the home collections. The script writers and Directors cannot neglect the overseas market any more while scripting and shooting for their film (Dudrah, R K, 2006).

After the liberalisation of the industry in 1998 Direct Foreign Investments, Global Investors, Private Corporate started entering the film industry. Hollywood Majors like Universal, 21st Century Fox started investing in the Indian film industry through joint ventures with the Indian production houses. The corporate production houses are gaining importance in the film industry. Corporate houses like ADLABS, EROS, UTV, K. SERA SERA and many others have already made a mark in B. S. E. (Bombay Stock Exchange) and even in L. S. E. (London Stock Exchange). In the current scenario 20% of the total India films are produced by corporate giants (Anand times- 2006). They have developed professional ways of organising business, mergers, outsourcing, distributing, use of new technology and marketing content. The corporate houses have brought in the much needed professional flavour in to films which were missing in the production process earlier. The main advantage of the corporate house is it can produce more number of films simultaneously; it produces 5-6 films per year where as compared to the individual production houses cannot afford to produce more than 2-3 films in a year even after the deregulation. The greatest advantage of a corporate production house is it has a huge capital to invest on its films. Usually the risk is higher on a single movie basis, but the risk spreads out as they produce lot of films simultaneously. They employ professionals in their firm as compared to the single producers of 80's who used change their crew after every film. Few corporate houses even have their own multiplex cinema which helps in theatrical release as well as in developing a marketing strategy for their films. The corporate giants are investing hugely on the industry as a result of this the film Industry is already the 3rd largest

industry in India (Dudrah-2006).

The production houses are aiming at a homogenous or serial form of production as opposed to heterogeneous form of production they had earlier.

The main purpose of switching to this form of production is to control all means of production and operate all aspects of film making from finance to production and distribution (Prasad-1998).

The best example being Yashraj Productions. They have their own studios for recording, dubbing and editing and also have production equipments required for the shoot. Within the production house they also have different sections like Yashraj Distribution for overseas and home market, Yashraj Music for all their audio sales and Yashraj Video for home video like DVD's and VCD's. It was one of the first production houses to hire management students from Indian Institute of Management, Ahmadabad (IIMA) to market their films and also to set up their whole business process. They also started their own website to market and project their media image (Dwyer & Patel-2002).

Professionalization has brought new and better modes of planning. There are changed practices of production where there are professionals working constantly for the better utilization of funds, bringing production costs down and maximizing the profits. Film production in India is becoming an organised business. The overall film industry is taking on professional colours.

The total size of Indian film industry was estimated at around Rs. 56.5bn (inr40 = usd1 lit is anticipated to touch a huge figure of about Rs. 153bn by the year of 2010 with taking into account 18 percent compound annual

growth rate (cagr) as per the estimates of ficci-Pricewaterhouse- Coopers in the year 2006. On the whole, the Indian film industry was anticipated to be value of about usd1. 8bn in the year 2006. On the basis of a thorough top-down analysis considering the share of private consumption as a proportion of gdp, the marketshare for media and entertainment (m&e) expenditures, and film budgets within the m&e space it was accounted that the Indian film industry will be valued in between usd4. 4 and 5. 1bn (between inr176bn and inr204bn) by 2011 (cii-A. T. Kearney 2007). The movie industry has been getting more and more corporatized. Many film production, distribution and exhibition houses are listed on the stock markets and they have raised capital through public issue. Several theatres around the nation have been developed into multiplexes and plans to build up additional digital cinema halls are by now in lime light. This will certainly not only enhance the quality of prints and thereby providing viewing a extra pleasant experience for the audiences but will also decrease the piracy of prints (ficci-PricewaterhouseCoopers 2006). These days piracy is a major issue for the Indian film industry. Not initiating nay major anti-piracy laws on the part of the government and an absence of educated officers that implements anti-piracy laws remains the vital issue. These are the main issue which is why the piracy business has not been able to control to a greater extent. This issue along with the lengthy legal and arbitration process is regarded as prevention to the fight against piracy. Apart from this the present Copyrights Act is also obsolete in conditions to technology enhancement and in addition, it does not deal with the requirements of the electronic media where the degree of piracy is amongst the maximum in present time. The Optical Disc



Law draft established to deal with the requirement for regulating piracy at the manufacturing phase is still pending for the approval of the Indian ministry (ficci-PricewaterhouseCoopers 2006).

As against to few developed markets where the home market symbolizes greater than 40% of total movie revenues, the home market share in India is comparatively small (8%), though, this share is anticipated to rise to about 14% by the year of 2010. The important pushers that will facilitate this are the rising amount of reasonably priced DVD players and lesser prices of original DVDs so as to battle the issues of piracy (cii-A. T. Kearney 2007).

The Indian entertainment and media industry enjoys a lot of aid in the present times – be it regulations that permit foreign investment, the momentum from the economy, digital lifestyle and spending styles of the consumers, and also several opportunities the development in technology have to provide. The industry only has to do is to realize its growth potential and opportunities. The government is required to play a greater dynamic task in solving out the policy-related obstruction for the purpose of growth. The industry is required to get rid of all obstructions, like as piracy in an intensive way along with the measures to produce high-quality global class end products. The entertainment and media industry has all ingredients which it generally takes to turn into the star of Indian economy (ficci-PricewaterhouseCoopers 2006). There are two important movements that will basically transform the scene of the Indian film industry in the coming couple of years, namely digitization and a change in consumer preferences. Digitization will lead to consolidation and appearance of huge scale exhibition networks and, and apart from this, in the balance of power among

producers-distributors and exhibitors. Changing customer preferences will lead to rising international acceptance of Indian films and in the upcoming of new media (cii-A. T. Kearney 2007).

Indian film industry comprises of numerous regional clusters, and Bollywood is merely one of them. Bollywood is the cluster located in Mumbai, producing the biggest share of films (40%) mainly in Hindi (PWC & FICCI, 2007).

Bollywood is the oldest film cluster in India, dating back to early 20th century. Other film clusters in India like as one in Hyderabad, called “Tollywood” produces second biggest amount of films mainly in Telugu. While other clusters produce films chiefly in their local language.

#### Growth opportunities in terms of Indian Film Industry

Currently the success ratios of films are very low at the box office. Only 10 to 20% of films break even or earn profits (Ganapathi, 2002; Pendakur, 2003; Ganti, 2004; Lorenzen & Taeube, 2006) but most of the producers make money, recouping their investments through new auxiliary sources of revenue ( ) like satellite rights music rights, home video rights(DVD), video games, toys, computer wallpapers, ring tones, movie clips for mobile and selling ancillary rights. The new trend is product placement in films which brings in a lot of revenue and even helps in publicity of the film. In the period of 1998-2005 i. e after gaining the status of industry, the revenues in the films have grown by 360% this is including all revenues from advertising, selling of ancillary rights and music rights (Kholi- Khandekar, 2006; Lorenzen & Taeube, 2006). The digital relay of films in cinema theatres is saving a lot

of money as you don't have to develop the physical print, which took a major share in a film budget.

The industry is losing more than 40% of its revenue through Piracy (David Hancock-1998). Copyright infringement of films is so wide spread in India it can be called as a 'small scale industry'. Bootleg copies of DVD's are available in the market on the same day the film officially releases in theatres or some times even before that. Pirated DVD's and CD's of Bollywood movies are available in most of the South Asian and South East Asian countries. The small cable television channels broadcast newly released films in their channels without paying any kind of compensation. Another problem is consumer copying which is very difficult to stop. To add on to this is Online Internet movies where consumers can download movies from websites like [www. bhejafry. net](http://www.bhejafry.net), [www. indiaonlinemovies. com](http://www.indiaonlinemovies.com) and many more without actually paying anything.

The technical skills of the Indian Film Industry has always been extraordinary but most of the time they had to settle for old and very poor quality of equipments. But now due to huge market and Corporatisation they can afford to buy more sophisticated equipments. Digital facilities for Sound Recording, Dubbing, Editing is as good as anywhere in the world (Dwyer & Patel, 2002). Bollywood has always been very enthusiastic about embracing new technologies in their films, and it is also been much quicker in doing this than the Hollywood (Currah, 2007). The Film Industry is using all the latest technologies like Arry 435 for the shoot, Avid and Mac products for post production work. Sync sound, D. I.(Digital Intermediate), Animations and

special effects with Graphics are used extensively. The Indian Film Industry can now even employ foreign technicians to work for them to improve the quality of the final product. In the blockbuster film KRRISH- (2006) the action sequence was choreographed by Tony Ching from Hong Kong and all the special effects for the film was done by Hollywood technicians (Minocha and Stonehouse- 2006).

Globalisation has four facets, that is, movement of goods, capital, technology and people across borders. In terms of movement of goods (i. e., movies) Indian movie industry has a long history of presence in the global market. Awara was sent to the Soviet Union and other Communist bloc countries crazy in the year of 1950s. Mehboob's Aan had a French release after its premiere in London. Long before that Himansu Rai made visually stunning films in cooperation with the Germans in the early 1930s, like The Light of Asia and A Throw of Dice, and many more which were shown in Europe as Indian films with Indian stories. By then the Bombay film industry had been around for 35 years. The film industry is definitely as old as the cinema itself and surely older than Hollywood, which has its early development in the late 1900s (Desai 2007).

The exports of the Indian movie have grown for approximately 60% in recent times. The USA and Canada are two main export locations witnessing for 30 percent than by the UK with 25% and Mauritius and Dubai with 10% each. Some other main markets comprise South Africa, Russia, Fiji, New Zealand and Australia where there is abundant Indian diasporas present. Making a film for the diaspora market is a certainly a moneymaking project as against to making a film for the Indian domestic market (Desai 2007). With the

global audience, there is outstanding recognition of Indian movie themes along with several of the cross-over films made by global movie production players. The profit earnings of these movies can be matched up to a few of the Hollywood box office hits. A number of Bollywood movies have gained greater than 50% of their total gross profit margin from global box office collection. However it is a welcome movement that requires to be carried on. One of the significant success factors for these cinemas is to recognize ideas from within the Indian subjects which are liked by the audience. An additional important success factor is to associate with a top global distributor; films produced by the person of Indian origin have had up to 2–3 times greater global earnings as compared to the national bestsellers (Cii- A. T. Kearney 2007). Table 2 reveals a series of cross over films and the revenue earning generated by these films. India has stated its determined plans to double its share in the international film industry by the end of this year. This shows the great determination of the country to build itself as a cultural as well as economic powerhouse.

There are many reasons why we must believe that.

To begin with, the government, which aims on considering Bollywood to set up India as a 'soft power', considers the Indian film industry is competent enough to capture five percent of the international market this season. The share at the present time is two percent (Johnson 2007). Kishore Lulla, the chief executive of Eros International, a UK-listed company that releases about thirty new Bollywood films in India and in the rest of the world each year, "says the government's target can be achieved. India is experiencing almost hundred percent growth in grosses, which is unheard of, says Mr Lulla,

pointing to his plans for releasing *Salaam-e-Ishq* (Salute to Love), a star-studded feature, with thousand prints worldwide, seventy percent of which are intended for the Indian market. ‘That’s a record’ (Johnson 2007).

Secondly, in terms of capital, the Indian Hindi movie industry has been regularly getting capital investment from abroad. For instance, already registered in the London Stock Exchange, several Indian film companies like as Eros, Ad labs, India Film Company, and utv – have generated immense capital from the various institutional investors who were keen to invest in Indian film companies. Moreover several Western film companies are looking forward for acquiring an ample equity share in these companies (Desai 2007). In this regard on 24 January 2005, Percept Picture Company associated with Michael Douglas’ production company Further Films and Sahara One to co-produce the \$50-million *Racing the Monsoon*. Also on 1 September Sahara declared one more alliance, and this time with a Hollywood producer Donald Rosenfeld for *Tree of Life* starring Colin Farrell. These are two among a total of six Hollywood coproductions. (Kohli-Khandekar 2006.).

Lastly, in terms of technology, the Indian Hindi movie industry has therefore started with the import of technology from abroad as shown in table 1. In the last few years many Indian producers have been applying special effects technology and special training from overseas, mainly from Hollywood. And to conclude, India has definitely made an important development in provisions of cast as well. The Hindi movies by now have greater Hindi movie stars and other persons functioning on international movies, mainly in

Hollywood, while more and more artists from foreign soils work for the Indian film industry.

How can Indian Corporate film production house gain dominance in Indian film market and increase its presence in International market?

This report aims is to:

- Indian film industry and the growing trends
- Current structure of the industry
- Competitive advantages for Corporate film production house
- How is the global market for the Indian Corporate film production house
- How can Indian Corporate film production house go global and what are the factors to be kept in mind.

To enforce means on the madness, one of the foremost things emerging studios have done is to maintain a steady of creative talents working for them, and if not exclusively, and then on a contract basis accompanied by legal agreements. UTV has planned a special association with 15 directors, from top-ranked to rising, with whom it builds a pipeline of projects. " Our model is exactly what Hollywood does," says D'Mello. " We give them enough creative freedom; we take care of the commercial aspects." True to its Hollywood aspirations, UTV balances its talents variably, a few for a fixed fee, and some others for a share of the box office. At TV18, management talent is being fascinated by a new currency. " We're all being incentivized with stock options and bonuses," says Bawa. " You need these to retain your people as much as you can."( Kripalani, M and R Grover, 2002)

More currently, Adlabs lead the way of signing actors for multi-picture deals,

which is long a norm in Hollywood and other nations. Past December, it signed a 360m-rupee, three-picture deal with Hrithik Roshan, the macho superhero of last year's super hit film " Krrish," thereby making him the highest-paid actor in Bollywood. This was followed in January by a 220m-rupee, three-picture deal with John Abraham, who starred in the Hindi film " Water," produced by a Canadian outfit and nominated at the Oscars this year for best foreign-language film. Some other studios are also following suit, both with actors and directors. Yash Raj Films is supposedly in discussions with Abhishek Bachchan, who is a son of India's most liked actor Amitabh Bachchan, for a alike deal.(Ramos 2007)

Bollywood's glitter also dazzles India's largest conglomerates. The cars-to-tea Tata Group, which in January acquired British steelmaker Corus, was a trendsetter, forming Cutting Edge Entertainment in 2002 before selling it to a venture- capital firm in 2003. The cement-to-telecom Aditya Birla Group followed in 2003, setting up the production-and-distribution outfit Applause Entertainment, which has so far released six films. The airline-to-banking Sahara India Group started with two films in 2003 that quickly grew to 30 as of December. Garnet Paper Mills, meanwhile, abandoned its traditional business in 2002 to become K Sera Sera Productions. Last year, it set aside 2. 5 bn rupees to produce 20 new films by 2008. That's an average of 125m rupees per film, three times the budget of a typical Bollywood movie (Nandy, A., 1998).

Uniformly determined is Reliance Group, which purchased Adlabs in the year June 2005, then changed the film-processing entity into an entertainment group looking forward to the film business down to the tills. In the similar



year, CFO Devarajan arranged for Adlabs to issue ₹ 84m (US\$109m) in convertible bonds to finance its expansion not just in production, processing, and distribution, but also in film exhibition. The company is eyeing on the rising popularity of malls, a new idea in India, to run multiplexes — an even newer concept in a country where most of the 12, 900 theaters are single-screen. " In the next year or two, we should be in the number- one spot in all the spheres we are into," says Devarajan.(Ramos 2007)

That does not prevent studios like as Adlabs from being innovative in managing its budget. The company utilizes a team of auditors on-call 24 hours at shooting destinations, to watch prices as production is carried along (Minocha, S and Stonehouse, G., 2006). These are the persons who recognize the market costs of line items like as props and extras. " Recently, we had to blast a car, and the production team came with a proposal of 75, 000 rupees to purchase a scrap," says Devarajan, who gives final approval on film budgets. His auditors, it turns out, knew where to find one for only 15, 000 rupees. " They minimize my worry, because everybody knows we have a system of controls and there's no way any hanky-panky can happen. We're in the business of fun, but we take it seriously."( Minocha, S and Stonehouse, G., 2006) Now, Adlabs could produce films in six months, a quarter the time it consumes most of the Bollywood studios.

This financial discipline is certain to assist Devarajan bear the cost of Adlabs' development. And as box-office proceeds stay strong whereas studios follow a " de-risking" strategy with the help of pre-selling of rights, Bollywood CFOs are understandably confident that, going forward, they will be able to fund their expansion with internal cash flows (Misra, V., 2002). This, in effect,

gives Indian studios the confidence to push their ambitions beyond their boundaries, says Raj Pande, Hong Kong-based partner at law firm Paul Hastings, who advises clients on M&A and private-equity investments in India. "Bollywood is growing a lot faster than other industries, and certainly than the economy," he says. "You can see them partnering with Hollywood studios on major projects." (Minocha, S and Stonehouse, G., 2006)

Bollywood is even now greatly disintegrated with ample number of individual players in every section of the value chain. 6 On the other hand, ever since it has acquired the official industry status in the year 2000, corporatization is taking place, the structure of the industry is moving towards bigger players and there is an integration of the various elements of the value chain and also amid industries (music, telecommunication, TV) (Pendakur, M., 2003).

As producers at the present time can pre-sell their film rights to up to 35 various revenue sources (e. g. satellite TV, DVD, home video, radio stations, etc.), film production is the largely rewarding element of the value chain.

Whereas even now individual producers finance and produce a movie on the basis of their own industry-network (e. g. of financiers) mainly also large integrated Hollywood-style production studios emerge embracing also the distribution and marketing function. Very profitable is also exhibition: With an up-and-coming wealthy middle-class sections, urban centres are witnessing a sudden expansion of modern-style multiplex cinema (300 in the last three years) generating 60% of all box office earnings (Ernest & Young, 2007a). The cost of the ticket has been 300% of conventional theatres, thereby generating huge earning potential (De Ramos, 2007).

Wittman may not be disappointed. Studios assert that, even before striking the screens, their films can achieve the break even, this is all to their capability to pre-sell the rights to rule them. " Bollywood is not the risky business people portray it to be," says Devarajan of Adlabs. " By the time we release the movie, the production cost is more or less covered, because we would have already sold the rights." Bawa of TV18 counts 30 to 35 opportunities for a Bollywood studio to sell film rights, from local and overseas cable and satellite broadcasts, to airline in-flight entertainment, to pay-per-view TV, to mobile-phone ring tones and CD sales (Prasad, M., 1998). (The Indian music and film industries are practically inseparable. Most films feature seven to 10 original song numbers, sung by " playback" artists, then lip-synched by the stars.)

" The film business is now totally de-risked," says Bawa. " As long as you have a reasonably good product, you're sitting on a goldmine." That means box-office proceeds roughly immediately add up as profits. And because theatrical receipts make up 70% of a typical Bollywood film's revenues — as against to 35% for a Hollywood film, as per the report of a KPMG — returns of up to 500% are not unheard of (Taeube, F A and M Lorenzen, 2007). To be sure, not every film can be a blockbuster; even then, " de-risking" them through the pre-selling of rights ensures a reasonable payback. Says Bawa: " In one year, if you have five super hits, five average movies, and five super flops, your return still comes to more than 30%." Devarajan adds: " Most Bollywood producers will make money in one or two years, if one in three movies becomes a hit."( Taeube, F A and M Lorenzen, 2007)

This describes why Bollywood considers that putting together the " verticals"

of the business — production, distribution, and exhibition — are the way to go. " We want to capture the last rupee in everything we do," says D'Mello of UTV, which has 19 films in the pipeline. The company is looking forward for revenue of about 10 bn rupees by the year of 2010 from a just 1.8 bn rupees this year, according to anticipation by brokerage firm Raymond James (Bollywood Trade News network). UTV, which favors to produce big-budget films — in between US\$5m to US\$20m — has distribution offices across the regions of India and one each in the United States, England, and Mauritius. It made a huge profit last year with Rang De Basanti, a film that motivates the Indian youth, amid song-and-dance numbers, to be greatly politically occupied (Taeube, F A and M Lorenzen, 2006). It was nominated for best foreign-language film at the British Academy of Film and Television Arts awards — the British Oscars — and grossed US\$27m in India and US\$2m abroad out of a budget of US\$5m, as per the box-office tracker The Numbers. In addition to this, Adlabs, which plans to produce a minimum eight big-budget films per year, needs to attain a large piece of potential box-office proceeds by operating its own cinemas. The company now has 50 multiplex screens and proposes to come with 200 more in two years, in connection to the rising amount of malls in India. " We plan to penetrate further into the country," says Devarajan. " There is no risk of the purchasing power in India coming down, and there is a huge potential to be tapped still." At present, a distinctive Bollywood film proposed for extensive release is first shown in 300 to 400 cinemas in big-town locations, which report for 70% of overall box-office profit. (Mumbai alone makes up 15%.) (Taeube, F A and M Lorenzen, 2007) If Adlabs attains its objective, then it will not have to divide

far greater than half of the revenues that could be gain by the films it distributes. The reason? Multiplexes have totally modified the box-office economics in India. For one, they account an average of 120 rupees per ticket, as against to 30 to 40 rupees for single-screen theaters in big towns and 10 rupees in small cities. The amenities they provide — like as closeness to other retail areas, air conditioning, and cosy seats — bring an average occupancy of around 85%, as compare to 15% for single-screen cinemas (Taeube, F A and M Lorenzen, 2006). Also, while multiplexes account for lower than 700 of 12, 900 screens in India, they accounts more than 60% of box-office profits, according to PwC. " We've identified multiplex locations that can ensure a 20% EBITDA," Devarajan says. At this rate, he reckons Adlabs can recover its capital outlay in five years. " That's the reason a lot of multiplex players are also pushing out," he adds.

The profit earning of the Bollywood studios mainly depends on how better they administer the costs of production. However in a nation where budgets are already quite low, witnessing a stable flow of films is the most significant factor in nourishing the business. " Ultimately, as we generate more and more interest from the market, lack of content is the biggest risk for any CFO," says Heffernan(Ramos 2007)

International houses making its presence in the Indian Film business •• Walt Disney produced and released its first film in India in association with Yash Raj Films-Roadside Romeo which is a full-length animation feature film in the year of 2008. Disney also stated its proposal to produce four live action films along with the three in a tie-up with Yash Raj (Acharya, S. 2004). Tamil

superstar Kamal Haasan also featured in two Disney productions – ‘Marmayogi’ and ‘19 Steps’. Previously in the year of 2008, the production house acquired the Home Video rights of Aamir Khan’s directorial debut ‘Taare Zameen Par’ for its release in the US. •• Warner Bros released its film made in its tie-up with Ramesh and Rohan Sippy: Chandni Chowk to China in January 2009. It arrived in India as distributors with the film Saas, Bahu Aur Sensex. Warner Bros also signed a three-movie deal with People Tree Films and a one film tie-up with Tandav Films (producers of Khosla Ka Ghosla) (Acharya, S. 2004). The production house has also acquired an worldwide much-admired Indian filmmaker Shekhar Kapur to direct a \$200-million Hollywood fantasy-epic ‘Larklight’. •• Fox STAR Studios, a tie-up among Twentieth Century Fox and the Star Entertainment and Media Group, owned by Rupert Murdoch’s News Corp, stated its entrance into India with numerous deals with several Indian producers for international distribution. It joined hands with Vipul Amrutlal Shah for a multiple-film exclusive deal. •• Mexican global multiplex operator Cinepolis announced plans to invest Rs. 1, 700 crore in India for its film exhibition business over the next seven years (Acharya, S. 2004). It has already established an Indian subsidiary that is in talks with mall developers for opening 500 movie screens by 2016. In the first phase of expansion, the company plans to invest Rs 370 crore for opening 110 screens across eight locations(pwc 2009)

As per the report of the PricewaterhouseCoopers (PwC) film earnings had touch the figure of around 79 bn rupees (US\$1. 8 bn) in the year of 2006, and it will grow 18% every year to touch a level of 153 bn rupees by the year of 2010. Driving this is a fast-growing economy that adds 30m people to the

middle class every year, and an urban population that spends up to 30% of disposable income on entertainment. At a time when international film markets are trailing steam, Bollywood is turning out to be a dream factory to the executive set. (Ramos 2007)

The business of film industry has augmented as increasing number of multiplexes were build up all across the cities, thereby increasing the sales of the ticket. It is just because of the synergy of the two, Bollywood and corporate, that when international recession strike the markets, Bollywood was one among one of the few sectors that was able to bring itself out of the recession at the earliest, thus proving itself to be a sector which is hardly influenced by economic downturns.

The present film industry value chain comprises of three major functions namely production, distribution and exhibition.

With the hesitance of the government to identify Bollywood as a legitimate industry, several banks just declined to provide loan to the producers to finance their films. Producers, with their greater liquidity requirements, inexorably turned to the mafia for fiancé their films (Desai, M. 2007). The mafia was also uniformly eager to loan money, as it provided them an opportunity to hide their illegal earnings and permitted them admission to a world of glamour and show. A few of the India's most disreputable underworld don had supposedly extorted several movie stars and also attempted to kill film producers so as to pull their capital when a movie get flopped. 44 In the year of 2001, the Indian government renowned Bollywood as an official industry, thereby unlocking the gates of tax concessions and

investments from banks, foreign production houses and other legal financial houses (Desai, M. 2007).

There were just about 400 production houses/producers in India, with more than 32 of them registered as corporate entities. Producers normally made a portfolio of movies varying from big budget Bollywood films to regional language films. 45

Several family-owned production players like as Yash Raj Films and Adlab Films had spread their business interests into the business of distribution and financing. Indian corporate majors, like as Mukesh Ambani of Reliance Industries and his younger brother, Anil Ambani of Reliance Energy, took extra interest in the film industry. Recently Anil Ambani bought a major stake in Adlabs Films for a huge \$87.5 million. 46 Mukesh Ambani was in talk with Yash Raj Films to get into a tie-up that will produce television shows, run entertainment channels and build up multiplexes various locations of India (Desai, M. 2007).

Indian film distribution was segregated into seven territories: six territories in India, and the seventh territory enveloping the rest of the world. For every movie, a territorial right were provided, on an elite basis to distributors in a provided territory. Distributors were provided an inadequate amount of prints, due to which the film was released in phases and rotated around their territory (Indiantelevision. com Team. 2003).

So as to increase their profit earning, distributors first provided prints to big multiplexes in urban areas and then provided the similar prints in smaller towns and villages of India. Though it was cost effective, this strategy



certainly had a drawback. In case if the movie which was released firstly in the urban area did not perform well in the box-office, than it is quite obvious that it will not do well in various parts of the distributor's territory where it was released later on (Johnson, J. 2007). The profit earnings of the film were put at risk, as the inadequate availability of the movie in the initial weeks motivated the sale of pirated copies. As an answer to these risks, the Indian movie industry was steadily moving towards digital cinema delivery, where the films were distributed with the help of servers, telecom and satellite technology. (Johnson, J. 2007)

In an attempt to battle the several obstructions that are present in the local film distribution, several distribution companies, like as Eros International and Yash Raj Films, moved to abroad markets for a important share of their collections. As distributors jumbled over the rights in the UK and the U. S., global rights for a big budget movie approximately doubled in price than their cost which was in the Indian market.( Kohli-Khandekar, V. 2006)

A study carried out by Screen Digest, that evaluated the price of a movie ticket to average earnings, revealed that it took the average Indian about 16 ' working' minutes to get the price of a movie ticket, thereby making India as one of the economical country to watch a movie. As in the year of 2006, there were just about 13, 000 movie screens all over in India.

Single screen theatres were mainly family or individually-owned theatres. In an attempt to keep the prices of the ticket comparatively low, the average single-screen theatre provided rather essential facilities like as air conditioning, food stalls and cosy seating were chiefly not present. India has

one of the maximum entertainment taxes as compared to all over the world. The movie industry was resulting to a multiplicity of levies thereby comprising entertainment tax (up to 60%), new release tax (1%), show tax (1 – 2%) and a variety of incidental taxes like as municipal and property taxes (Hamel, G. and Prahalad, C. K.. (1994)). Greater entertainment taxes levied by the government had a several negative repercussion. The profit margins for earnings were comparatively low and theatre owners were likely to under-disclose the sales of the ticket; this drop down in terms of low revenue for distributors, which had a definite impact on producers and the profit earning of the whole chain (Gokulsing, M K and Dissanyake, W, 2005).

On the other hand, with the additional refined wants of the growing middle class section, multiplex theatres started growing around urban centres. Multiplexes, with their state-of-the-art acoustics, designs of the seat and significantly greater cost of the tickets (about \$4 per ticket), needed a large infusion of capital expenditure and attracted investments from several corporate players. There was a rising movement of vertical integration in the industry, with various corporate houses from other section of the film value chain investing in multiplexes. Some instance comprises Shringar Films (a major film distributor), and Adlabs (a film processing laboratory), both having effectively made their entry to the multiplex field (Gokulsing, M K and Dissanyake, W, 2005).

The government, which is enjoying its incredible entertainment tax gains from the sales of the multiplex, provided a five year tax holiday and electricity at the cost of the industrial rates to all companies looking forward

to open multiplexes. 51 As in the year of 2006, the Indian multiplexes possesses about 193 screens and this number was anticipated to rise to about 907 by the year 2011. Sunir Kheterpal, head of Yes Bank's entertainment and media banking wing, stated " Our studies collated from the industry indicated [sic] that multi-screen operators generated ticket sales of around Rs 3. 65 cr – Rs 4. 18 cr [US\$ 833, 000 – 954, 000] in 2004. Even if one allows for 15% leakages, and considers only reported collections, this constitutes around 29% – 35% of the total box office sales".( Gokulsing, M K and Dissanyake, W, 2005)

Current multiplexes gained greater than 20% of their revenue from income sources apart from films, which comprises sale of food and beverage. 53 In addition, multiplexes, also fascinated shopping malls, restaurants and turned to be a vital element of the Indian consumer experience. Some major hit movies such as Dhoom (2004) and Kal Ho Na Ho (2003) made a close to 80% of their earnings from urban multiplexes in India and also the overseas (Dudrah, R K, 2006)

says RDS Bawa, CFO of Television Eighteen Group (TV18), a news-network operator that set up its own film studio last year. " Movies will never run out of fashion, and the business can only grow."

After the liberalisation of the industry in 1998 Direct Foreign Investments, Global Investors, Private Corporate started entering the film industry. Hollywood Majors like Universal, 21st Century Fox started investing in the Indian film industry through joint ventures with the Indian production houses. The corporate production houses are gaining importance in the film industry.

Corporate houses like ADLABS, EROS, UTV, K. SERA SERA and many others have already made a mark in B. S. E. (Bombay Stock Exchange) and even in L. S. E. (London Stock Exchange). In the current scenario 20% of the total India films are produced by corporate giants (Anand times- 2006). They have developed professional ways of organising business, mergers, outsourcing, distributing, use of new technology and marketing content. The corporate houses have brought in the much needed professional flavour in to films which were missing in the production process earlier. The main advantage of the corporate house is it can produce more number of films simultaneously; it produces 5-6 films per year where as compared to the individual production houses cannot afford to produce more than 2-3 films in a year even after the deregulation. The greatest advantage of a corporate production house is it has a huge capital to invest on its films. Usually the risk is higher on a single movie basis, but the risk spreads out as they produce lot of films simultaneously. They employ professionals in their firm as compared to the single producers of 80's who used change their crew after every film. The corporate houses even have their own multiplex cinema which helps in theatrical release as well as in developing a marketing strategy for their films. The corporate giants are investing hugely on the industry as a result of this Indian Film Industry is already the 3rd largest industry in India (Dudrah-2006).

A studio culture has already started taking shape. It's still in its development stage and is taking roots. The production houses are aiming at a homogenous or serial form of production as opposed to heterogeneous form of production they had earlier. The main purpose of switching to this form of

production is to control all means of production and operate all aspects of film making from finance to production and distribution (Prasad-1998). The best example being Yashraj Productions. They have their own studios for recording, dubbing and editing and also have production equipments required for the shoot. Within the production house they also have different sections like Yashraj Distribution for overseas and home market, Yashraj Music for all their audio sales and Yashraj Video for home video like DVD's and VCD's. It was one of the first production houses to hire management students from Indian Institute of Management, Ahmadabad (IIMA) to market their films and also to set up their whole business process. They also stated their own website to market and project their media image (Dywer & Patel-2002).

UTV is one of the few doing just that, having forged two coproduction deals with Fox Searchlight — the arm of Fox Studios responsible for this year's Oscar best-picture nominee " Little Miss Sunshine" — with a third in line. The first was last year's " The Namesake," an English-language Indian film directed by Mira Nair of " Monsoon Wedding" fame, at a cost of US\$12m. The second was " I Think I Love My Wife," a mainstream release starring comedian Chris Rock, due this month. UTV is also coproducing an animated feature with Overbrook Entertainment, owned by Hollywood A-list actor Will Smith. In all situations, UTV consistently splits the cost of production. And as no statement has now been made, the company is more expected to enter into alike deals with Disney, whose head of international business, Andy Bird, sits on UTV's board.

" We're working closely to explore synergies in activities like movies,

animation, content, and gaming," says D'Mello. " When you think about it, there's no reason why, while you're sitting here growing your India pie, you can't be a content producer in the mainstream Hollywood scene." Perhaps, stealing Hollywood's glitter will be in Bollywood's next script.(Ramos 2007)

The format of the production house was quite easy. They usually produced every film like a single unit; thereby producing merely one film at a provided duration of time. And the next production of film will only begin after the first copy of the last movie has come out. Also in the production of new film mainly they had a different bunch of crew members working for the movie, although there were several big family film production houses but they all were carried out in the same style. (Bose- 2006; Ramchandran- 1985)

The infusion of capital investments for the film productions were usually provided by the Distributor's who would pay 50% of the film making cost and thereby leaving it to the producer to get the rest of the investment from some other means. The other means includes investment of his personal capital, arrange money through his personal links and take a loan from conventional money lenders (who loan at an annual interest rate of around 36 to 40 per cent)(Dywer & Patel, 2002). There is a ' minimum guarantee system' which was believed to promise the producer a least return on every movie although normally the distributors earned highest profit if the movie perform well at the box office, as they would have by now paid the minimum return, to the producer, in the shape of loans. This allows the producer to be satisfied with least profits or at few times with no profits at all. " The distributors made sure that the returns from the films are not very excessive so as to enable the producer to pay them off" (Madhava Prasad, 1998)

The format of the movie production then; was contrasted to Marx's "Heterogeneous Form of Manufacture" by M. Madhava Prasad. The "Heterogeneous mode is characterized by separate production of their component parts of a product and their final assembly into one unit", which is quite alike to Marx's example for Heterogeneous format in watch making where the components of watch are produced by various and separately working experienced staffs, and accumulated into the ultimate product (Prasad-1998), which is accurate in the situation of film production as well, where the Financier, Producer, Skilled Director(Creative), Distributor and Exhibitor all function independently to release a movie in the theatres.

Porters fives forces model : Industry analysis model

Porters fives forces model is an excellent model to use to analyse a particular environment of an industry. So for example, if we were entering the PC industry, we would use porters model to help us find out about:

- 1) Competitive Rivalry
- 2) Power of suppliers
- 3) Power of buyers
- 4) Threats of substitutes
- 5) Threat of new entrants.

The above five main factors are key factors that influence industry performance, hence it is common sense and practical to find out about these factors before you enter the industry. Lets look at them below. (Porter, Michael, 2006)

A starting point to analysing the industry is to look at competitive rivalry. If entry to an industry is easy then competitive rivalry will likely to be high. If it is easy for customers to move to substitute products for example from coke to water then again rivalry will be high. Generally competitive rivalry will be high if:

- There is little differentiation between the products sold between customers.
- Competitors are approximately the same size of each other.
- If the competitors all have similar strategies.
- It is costly to leave the industry hence they fight to just stay in ( exit barriers) (Porter, Michael, 2006)

#### Power of suppliers

Suppliers are also essential for the success of an organization. Raw materials are needed to complete the finish product of the organization. Suppliers do have power. This power comes from:

- If they are the only supplier or one of few suppliers who supply that particular raw material.
- If it costly for the organization to move from one supplier to another (known also as switching cost)
- If there is no other substitute for their product. (Porter, Michael, 2006)

Buyers or customers can exert influence and control over an industry in certain circumstances. This happens when:

- There is little differentiation over the product and substitutes can be found easily.
- Customers are sensitive to price.



- Switching to another product is not costly. (Porter, Michael, 2006)

#### Threat of substitutes

Are there alternative products that customers can purchase over your product that offer the same benefit for the same or less price? The threat of substitute is high when:

- Price of that substitute product falls.
- It is easy for consumers to switch from one substitute product to another.
- Buyers are willing to substitute. (Porter, Michael, 2006)

The threat of a new organisation entering the industry is high when it is easy for an organisation to enter the industry i. e. entry barriers are low.

An organisation will look at how loyal customers are to existing products, how quickly they can achieve economy of scales, would they have access to suppliers, would government legislation prevent them or encourage them to enter the industry.

So to summaries porters five forces model is essential to carry to help you understand your industry in depth before you enter it. (Porter, Michael, 2006)

All research has the core issue of methodology which deals with the big question of “ how do you know?” Therefore to answer the research question of How can Indian Corporate film production house gain dominance in Indian film market and increase its presence in International market, methods have been put in place to have information that is as reliable as possible (Raimond 1993).

As Adams et al (2007) mentioned, business research is concerned with a “ business phenomena”, and since this study is concerned with management

& Industry analysis, the most suitable approach to answer the research question is the use of qualitative research which can capture the reality experienced.

Bryman & Bell (2007) also indicated that, the most common research method on the subject of Indian Corporate Film Industry is usually a mix of both the qualitative and quantitative method referred to as 'triangulation' which adds confidence to the result or findings.

Qualitative data consists of three types of data collection; In-depth /open ended interviews, direct observation and written documents (Bryman & Burgess, 1999). This study applied both the open ended interviews and written documents to gather primary and secondary data. Qualitative data has the importance of "addressing many problems and dilemmas facing contemporary organisational stakeholders by contributing to reframing organisational problems and paradoxes". (Miller, Dinguall & Murphy, 2004 pg. 326)

Quantitative methods on the other hand have the distinguishing characteristic of "employing measurements"; a feature that qualitative methods do not have (Bryman & Bell 2007). The quantitative approach enables the research to objectively test theories that secondary data supports (Bryman & Bell 2007).

However this research placed emphasis on the qualitative approach by applying inductive strategies to generate new theories using some

quantitative methods to cross-check the data (Miller, Dinguall & Murphy, 2000)

Although literature review has explored some of the past research on the issue at hand, other supplementary secondary sources that have closely tackled this issue have been utilised to enrich the data gathered. All these techniques are a reflection of the method of triangulation to gain extra validity and reliability with the data and results (Bryman & Bell 2007).

Secondary data analysis in general, involves the study of data that others have gathered either qualitatively or quantitatively (Bryman & Bell 2007). It has an advantage of facilitating the comparative element to be included into the research design. It also adds quality to the data as it has undergone rigorous and strict procedures before publication (Bryman & Bell 2007).

For this study the other documents used to supplement the primary data include information obtained from, The Department of Trade & Industry (DTI), the Business Link, and Confederation of British Industry (CBI), PWC Survey, Professional Bollywood websites and Indian film & production houses statistics. Different journals and articles were used to support our study. Desk work was the major tool to complete this thesis.

In spite of all the advantages associated with secondary data, primary research is needed to validate the data. Moreover as there are few (quantitative) data that specifically answer my question, the research is one of which primary data is essential.

Primary Data is “ data observed, experienced or recorded closest to the event” and it is important as primary data “ are the nearest, one, can get to the truth, although distortions inevitably occur as the proximity of the event decreases (Walliman 2005, pg 197).

This study adopted the interview method of primary research . The interviews were either face to face or via telephone.

The drawback with using primary research is the time and cost involved in the travel and interview periods. Nevertheless it is data collected first hand hence is more reliable than secondary data (Bryman & Bell 2007).

As indicated earlier this study used a multi-method of collecting data via a survey. This manner of gathering information is both interesting and informative, adding quality to the study (Miller, Dinguall & Murphy, 2004).

The sample was not much which I selected as I just wanted a brief outline of where to start and to cross check if I am going on the right path. The interview method was used to understand which all section should I study on. The sample size selected was only 5 members consisting of Directors & producers

The data collection was cross-sectional in design, where data from more than one case or company was collected at single point in time for comparison (Adams et al, 2007). Bryman & Bell (2007) however admitted that cross-sectional designs are usually associated with quantitative research, but qualitative research often leads to this form of design especially when the

researcher employs unstructured or semi-structured interviewing with many participants.

Comprehensive surveys using interviews and questionnaires, is how this research sourced out primary data. Survey researches, “ sample many respondents who answer the same questions” (Neuman 2007, p. 168). The survey used semi-structured questionnaires, which follow a set of questions but allow enough flexibility for replies closed questionnaire formats, cannot capture (Easterby-Smith, Thorpe & Lowe, 1991). The research adopted but modified some of the items in Levenburg & Klein (2006) questionnaire survey.

The interviews were planned for some of the individuals of the production house.

The qualitative data was analysed in a descriptive manner, which Bryman & Bell (2007) noted was popular in the field of business and management.

The quantitative tool of content analysis was used to measure the qualitative data, which is becoming popular amongst business researchers according to Bryman & Bell (2007). The content analysis would also help in keeping track of the frequency of some responses Easterby-Smith, Thorpe, & Lowe (1991).

Conducting the interviews proved tedious as most respondents turned down the request for an interview. I usually got through a receptionist who treated the survey as a marketing cold call, hence getting through to the director or individuals got tricky. I even got through to one lady who transferred me to a

manger who found it very difficult to answer my questions, which obviously meant he was not in the upper level of the organisational hierarchy.

The second limitation which I faced was that the interview and the scheduling of interviews were time consuming.

In addition, I lost contact with two interviewers who promised a face to face interview, I could never get through to them as they were always unavailable.

Also there were about three interviews that took up a lot more time to complete, with the participant constantly being interrupted and distractions with phone calls.

1. Name
2. Organization
3. How would you rate the growth of film industry in the scale of 1 -5?
4. What are the limitations that the Indian production house face while entering the global market?
5. What are the potentials that you foresee for the Indian production house in the domestic market?
6. What are the potentials that you foresee for the Indian production house in the global market?
7. How would you rate the structure of the current industry in the scale of 1-5?
8. What are the missing points which the industry should look into in the current structure?

“ Bollywood films have been produced, financed, distributed, and exhibited in complex collaboration among hundreds of independent producers each owning a small-scale production company (with one or fewer annual releases), independent distributors (covering different regional territories), private financiers, and stand-alone cinema operators.” (Lorenzen, 2006)

While on the other side, the characters that epitomized the old Bollywood — families and individuals pushed by creative urge and supported by private financiers — continue to exist. “ They will never go away,” says Girish Swar, analyst at brokerage firm Raymond James & Associates in Mumbai. But without the financial wherewithal to deliver big-budget films that distributors are now demanding, many of the small players will eventually fold. “ Three, even two, consecutive flops, and they will have difficulty moving forward,” says Swar.(Ramos 2007)

“ Initially, people had apprehensions, but now everyone realizes that it’s the model of survival, growth, and risk control. The standalone models are collapsing,” D’Mello

Previously to the “ corporatization” of Bollywood, when a film get commenced and when it was ended were anything but expected. For one, the lack of legal contracts with talents meant that actors, directors, and scriptwriters — who accepted only cash — were free to work on numerous projects at a given point of time. This not only lead to the over running of the production-cost, but also made planning a monumental challenge, thereby making a series of ineffectiveness.(Ramos 2007)

These entities (referred to in Bollywood as “corporates”) have got some means of tidiness to Indian filmmaking, particularly in connections of financial transparency. As Aalif Surti, Creative Head of Production for Fox-STAR Studios says, “Checks have replaced cash payments.” Alpana Mishra, Chief Operating Officer of UTV adds, “There is lot more discipline now. For example, we [corporations] don’t start before script is in place and contracts, etc. have been signed.”

Like as the present new shopping malls of India, corporations provide a one-stop shop for film production. Corporate models, which are based on American studios, are set up to sustain a film all the way from screenplay development through film distribution. Director Vishal Bharadwaj, whose credits include the critically-acclaimed hit Omkara, has worked with individual producers and corporations. For him, this aspect of corporations represents a step up. “Earlier you’d literally sit in a market where distributors from various states would watch your film and decide whether to buy it and at what price. It was extremely stressful. Corporates lift that burden from you. You don’t have to worry about marketing or distribution if they produce your film.”

So what has this meant for independent producers who have to with the battle vast reserves of money and distribution networks of studios?

Bharadwaj says that “independent producers have either been wiped out by the corporates or have teamed up with them, with very few exceptions.”

Those exceptions are producers who produce low-budget films, and hence handle to survive independently.



Though, of late, there has been a huge deal of inventiveness and experimentation in Bollywood in connections to story, style and sensibility. Have corporations contributed to this diversity of Indian cinema? Mishra thinks so. She says that since “ corporates have the wherewithal to make myriad films in one year, unlike individual producer-directors who can make one film in two years,” the output increases simply as an outcome of more movies being made. Surti adds that studios are more likely to take chances with content since “ an independent producer who puts his life savings to produce a film, is a lot more risk averse than corporates who won’t go under if two films flop.” On the other hand, Surti and others state that other factors like as “ the rise of the urban audience, multiplex theaters, the evolution of the censor board, and changing cultural values whereby parents are more tolerant of their childrens’ unconventional choices of a career in the arts have contributed to this range of output. These factors, coupled with the emergence of a new generation that is extremely well-informed and has access to international cinema and film schools abroad, may also account for this diversity”.

(Independent to Studio: Hindi Cinema and the Corporate World )

Sabrina Dhawan

02/20/2009 )

Through this fig we can state that in case of independent producers they will have to share their profit earning with the distributors while in the case of corporate structure the profit earning will not be divided as the distribution will also be carried on by them. (pwc 2009)

Today India has a greater presence in the global film industry. India produces the largest number of movies in all over the world: about 1041 films were produced in India as compared to US who produced about 815 movies in the year of 2005 (European Audiovisual Observatory, 2007). The number of people entering a Theatre in India is also more than double bigger than US (3, 770 every year in India whereas 1, 403 in US) (EAO, 2007). In terms of profit earning, but, Indian films do far poorer than the rest of the world. Indian movie industry has one percent share of the global movie industry profit earning while on the other hand US earns 60% of the global revenue (PWC & FICCI, 2007). The whole box office collection in India are 94% less than that of US, the average ticket cost is 95% cheaper than that of US, and India has 70% fewer screens than US (EAO, 2007). In spite of small revenue, film is even now a big portion of India/Maharashtra's economy. Film industry accounts to about 27% of India's total entertainment industry earning (PWC & FICCI, 2007). Apart from this, the impact of the industry is extended to music, TV, video and live entertainment. In recent times, Film industry is rising very fast. The abroad market has risen 40% in the year 2004-2006 period from rising global requirement (instances of successful movies comprises " Monsoon wedding" " Bend it like Beckham" " Bride and Prejudice"), box office collections augmented about 41% in the similar time period mostly from rising amount of multiplex and growing affluent class. The growth is estimated to continue at a rate of around 30% (PWC & FICCI, 2007).

In reality, a new industry is up-and-coming — one that eyes filmmaking as a business, even as it looks for the correct model to attain the market

capability. Whilst India makes more than thousand movies every year — which is double as many as Hollywood, thereby making it the most productive in the world — Bollywood has just started to " corporatize", a term executives apply to explain how they are reforming the chain of financing, production, distribution, and exhibition. While India saw its first silent feature film in the year of 1913, Bollywood has been a hodgepodge of creative spirits, wily financiers, and enterprising distributors, numbering in the thousands and all working independently. At the present, they are recognizing that there is no scope in sharing profit earning with the others when they can increase their profit margins by entering into the other segments of the value chain themselves, as Hollywood studios carry out. (Ramos 2007)

The seven major studios of Hollywood namely Universal, Fox, Paramount, MGM, Warner Bros., Disney, and Columbia — account for about 80% of box-office proceeds from films they either produced or distributed(Ramos 2007)

An industry's profit potential is largely determined by the intensity of competitive rivalry with in that industry

The degree of rivalry is quiet low as there are many production houses producing films, there are few corporate production houses which produce approximately 40% of total films produced. The rest of the films are produced by the independent production houses. There is no direct rivalry between these two kinds of production houses as they work in two entirely different business models. The rivalry between the corporate production houses is also quiet low as they are few companies with high concentration.

The other factors for low rivalry are there is no real product differences and for that matter there is no brand identity too.

As there is no economics of scale the entry barriers for new entrants are very low. To top it up the capital requirements are also falling considerably due to digital technology and also growing Indian film market is attracting huge capital investment from investors in this sector. Finally as there is no big brand identity for production houses any capital venture company can enter into the business of film making.

The supplier power is very high as there is limited supply of creative talent and technical crew, Saleable actors and directors with high success ratio are very few in numbers and also talented writers and technicians are also very limited. So the power of these suppliers is very high. Actors being most important as they are directly saleable to the buyers command high salary in this Corporate production scenario. Need limited actors for producing successful films as there are very few substitutes. There is also a constant threat from independent production houses of there forward integration.

The buyer power in terms on Indian film market is quiet high. The buyer volume is vital as Indian films till date primarily depend on box office collections particularly on 1st week collections. The information about the films for buyers who are the audience is also strong due to increase in internet buzz and various discussions on blogs. In the secondary home video market is subjected to sensitive pricing due to direct competition from piracy. There is no brand loyalty towards the production houses but very

high actor/movie loyalty. There is a low consumer concentration at the box office and high DVD buyer concentration which is directly exposed to piracy.

Threat of substitutes is quite low. As substituting the product completely by developing an other product is highly impossible. Though there is a moderate threat of substitution by consumers. As films solely depends on the entertainment value they are a source of recreation for the consumers, this is a bit of a concern as there is no switching costs for the consumers from films to sports, videogames and other sources of entertainment which are mainly classified for recreation. In current scenario a film acts as its own substitute as the production companies are responding to new ways of distribution.(Video On Demand (VOD), same day internet/theatre release, releasing through I-pods etc)

Economics of Scale-The number of films produced per year is more.. up to 10... where as the independent cannot afford to produce more than 3 films per year.

Production Techniques-Studio system of production.. Its vertical integration.. Integrated system of production. All aspects of filmmaking will be controlled by production house. Independent production houses follow disintegrated form of production distribution, exhibition and marketing are all done by different people.

Experience-though not much of an experience in the film business.. they have experience in corporate world where professionalism is key. So it brings in professionalism with it to film making.. which was unheard before.

Brand Reputation-Corporate which had already created a brand reputation for itself, brings in its reputation to film industry also which helps immensely in the stock exchange when rising capital for the productions... this where the independents lost as they had no strong brand reputation in the stock market they could not rising capital from the stock market was highly difficult.

1. Media and Entertainment is one of the most booming sectors in India due to its vast customer reach. The film industry has a large customer base within in India and Globally.
2. The growing middle class with higher disposable income has become the strength of film industry.
3. Changing lifestyle and spending patterns of Indian masses on entertainmet.
4. Technological innovations and like online distribution channels, digital exhibition, multi plexes are also complementing the ongoing revolution and growth of this sector.
5. Indian film industry is the second largest after Hollywood in the world and largest in terms of number of films produced and tickets sold.
6. Low cost of productions and high revenues ensure a good return on investment for the Indian film industry.

1. The film industry in India is highly fragmented.
2. Strong hold of Independent production houses in regional markets.
3. Not entering the local regional language market due to language barriers.

4. The lack of efforts for films to penetrate in to lower socio-economic classes. Where the overall media penetration is low.

1. The concept of crossover films, has helped in opening up of new doors to the cross over audience and offers immense potential for development. New leads in global market strong audience base

2. The increasing interest of global investors in this segment.

3. As media penetration is low among poorer section of the society, this offers opportunities for expansion in this area.

4. De-regulation in the industry and government regulations.

5. New distribution channels like mobiles have opened the doors for new opportunities in this sector.

6. Cost of production is low and income is high

7. Opportunities in the regional language market.

1. Piracy, violation of intellectual property rights poses a major threat to the film industry.

2. Quality of content has taken a back seat, this is a major concern. Because of the ‘ Quick-buck’ route being followed in the industry.

3. With technological innovations taking place so rapidly, trying to catch up to Hollywood standards, the industry is facing considerable uncertainty about the success in the market.

A new Indian film industry is emerging in Bollywood, one that looks at filmmaking as a formal business (rather than a social network of entrepreneurs) – even as it is still searching for the right model to apply. This change is manifested through several important trends including

corporatization, integration, foreign investment and digitization impacting also the challenges so far identified.

After receiving industry status which facilitated borrowing from the state bank Bollywood started corporatizing. Corporatization refers to the streamlining of the value chain, creating not only formalized networks and joint ventures but also large-scale studios in production, distribution, and exhibition. In 2006, already an estimated 15% of Bollywood movies were "corporatized" (Aanand, 2006). The trend impacts the cluster in several ways: (1) It increases the average size of film businesses enabling larger-budget projects; (2) corporations have better access to finance which helped reducing interest rates for financing films (and thus even small producers can access loans now more easily); (3) it enables producers, by having more funds at their hands, to invest in more efficient production, technologies, and marketing. Additionally, producers are more willing to sign on directors at higher sums and thus investing in the quality of content (Naachgaana, 2008b). Corporatization hence positively impacts the challenges of diversifying demand patterns and increased international competition.

Corporatization has given rise to another important trend: integration along the value chain. Esp. distributors but also players from outside the industry are integrating into production and exhibition as these are the most profitable parts of the value chain (Raghavan, 2008); or distributors are integrating in other industries to better reap benefits from new communication channels. For example, distribution firm Adlab moved into



telecom, TV producers (UTV) moved into finance and release of films (KPMG, 2007) and, India's largest conglomerate Tata Group formed Cutting Edge Entertainment in 2002 (de Ramos, 2007). This has the following impacts: (1) Larger integrated production companies can operate more efficiently (economies of scale enhance profits) (2) these companies can benefit from control over distribution surpluses<sup>15</sup>; and (3) integrating up to exhibition allows producers to capture a portion of box-office receipts. These impacts together with generally higher professionalism in larger firms positively influence the challenges of lack of talent, and again the challenges of diversifying demand and increased international competition.

Foreign presence plays an ever more important role in Bollywood in all parts of the value chain. All the major Hollywood studios that have production offices in India – MGM, Warner, Sony, Paramount and Disney – have developed different models of co-production, from film finance and distribution arrangements to co-productions with equal equity participation by all overseas parties and their Indian producers and a share of copyright that's thereby created. The Indian government is promoting this trend by arranging co-production agreements with individual countries (so far UK, Germany and Italy) facilitating tax and import issues and is also discussing to open a single window for investors offering centralized clearance service to prospective foreign film producers (MIB, 2007). Foreign investments are valuable for Bollywood with regard to exchange of experiences, training between technicians and a possible positive impact on storylines and general quality of movies, and are hence responding to the challenges of divergent demand and foreign competition.

Advances in digital technology are in the process of changing the face of the film business – the impact is expected to be as radical as internet and cell-phone technology changed the communications business (PWC & FICCI, 2007). Digitization impacts the entire value chain of the industry: (1) Digital technology can significantly improve film production by leading to efficiency improvements and higher control over the production process. 18 (2)

Distributors can benefit from

more flexibility and substantial cost savings, which hinges on the idea of ‘digital cinemas’ (the projection of movies in a digital format without the need for actual film prints). 19 (3) ‘Digital cinemas’ provide similar flexibility benefits (e. g. adjustments to timing of screening) and cost-saving effects to exhibitors as to distributors, and it could also allow exhibitors to raise ticket prices given the better quality of the images shown. However, exhibitors also bear the highest

investment costs in terms of purchasing digital projectors<sup>20</sup>, facilitating the technology, and support services. Due to these high costs, only large (multiplex) chains have begun investing significantly. (4) Digitization helps to curb the problem of piracy. Digitization of both movies and cinemas would allow an almost instant distribution to rural cinemas and thus close the time window in which piracy is profitable. Moreover, digital films often include visual features that

can deter the quality of an illegal recording of a movie (e. g. a large mark on the screen that is not visible in the cinema but on recorded copies). (5)

Digitization allows charging higher prices thus increasing revenues<sup>21</sup>, which translates into higher entertainment and income tax collections. Smaller

cinemas can thus become more commercially viable (by facing less piracy and higher revenues), which translates to more employment opportunities and a strengthening of the rural exhibition industry. 6) General film quality improves also, especially because digital films (on contrast to prints) do not lose visual quality when shown many times. Thus, digitization is a promising trend in many ways, but certain challenges need to be overcome.

Digitization has only happened to a small extent in Bollywood – regional Tamil cinemas are, for example, ahead in the game. 22 Also, lacking technological standards impede the growth of one unifying and affordable technology (Naachgaana, 2008b).

On the eve of a national conference on “ Challenges before Indian Cinema” organized in Mumbai (10 May, 1998), the Union Information and Broadcasting Minister Sushma Swaraj stated that the government had decided to provide “ industry” status to the business of filmmaking in India. To begin with, the government, which aims on considering Bollywood to set up India as a ‘ soft power’, considers the Indian film industry is competent enough to capture five percent of the international market this season. The share at the present time is two percent (Johnson 2007). Among a series of financial and regulatory concessions that accompanied this major shift in state policy – decrease in import duties on cinematographic film and tools, exception on export profits, and other tax incentives – the most important one was a statement made in October 2000. The Industrial Development Bank Act of 2000 made it possible for filmmakers to function in “ clean” and “ legitimate” style, in its place of the blend of personal funds, money taken as a loan from individuals at very high interest rates (in some cases, from

the Mumbai underworld), and least guarantee payments advanced by distributors which categorized film financing in the Bombay film industry. In reality, a new industry is up-and-coming — one that eyes filmmaking as a business, even as it looks for the correct model to attain the market capability. Whilst India makes more than thousand movies every year — which is double as many as Hollywood, thereby making it the most productive in the world — Bollywood has just started to " corporatize", a term executives apply to explain how they are reforming the chain of financing, production, distribution, and exhibition. The government, which is enjoying its incredible entertainment tax gains from the sales of the multiplex, provided a five year tax holiday and electricity at the cost of the industrial rates to all companies looking forward to open multiplexes. With the hesitance of the government to identify Bollywood as a legitimate industry, several banks just declined to provide loan to the producers to finance their films. Producers, with their greater liquidity requirements, inexorably turned to the mafia for fiancé their films. The mafia was also uniformly eager to loan money, as it provided them an opportunity to hide their illegal earnings and permitted them admission to a world of glamour and show. (FICCI Frames 2009: a decade of “ corporatization”)

Resources-The important resources of the Corporate production are Huge capital investment it can make. Attracting lot of global funding and bringing in more money to the companies.

Capabilities-It can make use of its vertical integration by cutting down the costs in production as it keeps producing films throughout the year.

Distributing its films is easier with help of its huge distribution network.

Competitive Advantage-This can be derived from Porter's 5 force competitive analysis.

Strategy- To get into regional language market and Global markets.

Entertainment is a fourth basic need after food, clothing and shelter

- India is one of the fastest growing economies around the world and within this the entertainment industry is one of the most rapidly growing sectors
- The industry is expected to significantly benefit from fast economic growth
  - Estimated at Rs 222 billion at the end of 2004
- The television industry accounting for 62% of the revenues, while films accounted for 27 percent, at Rs. 59 billion
- By 2010, the industry is expected to reach Rs 588 billion, with films contributing Rs. 143 billion, more than doubling from the present levels
  - Entertainment industry growth is always higher than economic growth
  - This is due to the fact that when the disposable incomes rise, people spend more on leisure and entertainment
  - Demographically, too, India is one of the youngest nations in the world, further boosting the demand for entertainment
- There are five facets of the entertainment industry: Films, Television, Music, Radio, Print (Primarily Newspapers & Magazines)

The production stage comprises each movement that adds towards creating the film. As the distinctive “masala movie” has a simple storyline that connects many professionally performed songs and dances, music is of major importance – in many cases even more important than the plot. Hence, in parallel, music scenes are written, choreographed, and recorded and amount to a substantial portion of the budget (Garwood, 2006). In distribution and marketing companies market the movies and sell film rights to exhibitors, TV stations, and secondary market providers (DVD etc.). Different distributors typically cover different regions, particularly in terms of the physical distribution of film copies (Naachgaana, 2008a). Exhibition of Bollywood movies is related primarily to theatres and TV stations (70% of revenues). Exhibitors are often stand-alone local theatre operators or TV stations. The consumption phase comprises every business but primary exhibition, thus the sale of DVDs, videos, soundtracks and merchandise. The secondary markets are turning out to be largely significant and propose still a bundle of untapped revenue potential esp. with consideration to commercials and IT-related consumption channels like as internet (anticipated at 46 million users with an active user base of 32 million) (Ernest & Young, 2007a).

- An attractive proxy of the dynamic entertainment industry in India.
- Integrated across the value chain in the commercial motion pictures segment – from production to distribution and exhibition.
- Clear focus on high entertainment value, mainstream Hindi cinema.(In our recommendations we have to suggest that this should change and it should start focusing on other regional language industries)

- Repertoire covering popular genres such as family entertainers, thrillers, comedy and romantic films.
- Experience in distribution translates into a deep understanding of audience preferences, reflected in films produced.
- Steered by a team of experienced professionals.
  
- The garnering of the best talent from the cross-industry sources.
- Achieving economies of scale and thereby better returns.
- Organisation wide discipline and well defined key result areas for employees.
- Leading to smoother functioning, better coordination, rapid turnarounds, superior budgeting and stricter internal controls.
  
- Film distribution has ensured in-depth interaction with leading entities in the industry
- The company has established long-term relationships with such personalities.
- A fully integrated approach allows to scale-up its operations effectively
- The Company is able to complete more projects
- Distributors get greater revenues due to the extra movies that they can display
- Actors get an opportunity to work in more films and a chance to earn greater revenues

Vertically integrated, dealing with all aspects of film-making

- Gradual enhancement of scale, by producing small budget films to producing films with big names and bigger budgets.

- Industry goodwill gained through distribution of films produced by external producers
- Entered the exhibition segment to enhance profitability and reduce costs. It also offered the company a chance to have assured audiences as it would allow home productions to be screened at owned theatres
- A corporatized set up allows a more judicious use of resources, faster turnarounds and therefore, greater profitability than industry peers

Adopting progressive practices in industry such as limited distribution rights allowing greater revenue extraction, long term contracts with artists and technicians as a de-risking measure, and an attempt to operate on a studio concept with owned assets, reducing costs and enhancing flexibility

- Corporate production houses have been robust in its operations
- Diversified revenue streams straddling the three key areas of production, distribution and exhibition.

Potential to tap markets abroad

- with more than 20 million Indians living abroad, a large number of movies are being made to cater the demand.
- Indian film following is prevalent in neighbouring countries such as Pakistan, Sri Lanka, Nepal, Myanmar and serve as ready markets
- Merchandising:
  - Sale of merchandise products/promotional items is set to usher in a new revenue stream

Government initiatives helping the industry are:

- Industry Status: In 2001, films were given ‘ Industry’ making institutional



finance available.

- Easing of FDI norms: Government of India allows 100% FDI on automatic basis in films.
- Co-production treaties: The Government is working with various countries across the world to sign co-production treaties. Co-producers under such treaties would be eligible for tax benefits and allowing of credit for service tax in some countries.
- Reduction of customs duties: Reduction in the basic import duties on a few digital studio equipments, 35% to 25% for earth station and studio equipment

In the conclusion, the one will have an edge that enjoys the extensive reach. Though it may be, the new Bollywood houses implementing the Hollywood model of integrated production and distribution have hardly benefited as of now. In reality, Bollywood refers only to the Hindi-language film industry in Mumbai, which in the year of 2005 made only 245 movies out of total 1, 041 movies produced in India — which is quite low than the 298 films produced by Tollywood, in the Telugu-speaking southern state of Andhra Pradesh. Not astonishingly, Bollywood houses are looking forward to produce films with the help of tie-ups or acquisitions. " If a project makes sense, corporate production houses should not allow any language barriers to stop them."(Ramos 2007)

The core competencies are of the corporate are its vertical integration where it has control over the total value chain.. i. e Production, Distribution and Exhibition The whole point is Corporate were trying to incorporate studio structure In Indian film industry which was unheard of.. It used to work in

Horizontal integration and style of production was completely different..

Incorporating studio system into Indian industry is difficult total studio system may never happen but its trying to bring in professionalism and right kind of money from investors.

Now after getting capital it has to look forward to make maximum utilisation, For this it has to penetrate in to regional markets in India. And start producing films for global market.

Emergence of new markets: Indian expatriates and the universal acceptance of Indian cultural products (comprising food, music, spirituality, and exercise method-yoga) had generated a great new market for Indian movies in the overseas markets. Many Indian musicians such as Bally Sagoo, Biddu, Apache Indian have enjoyed a great degree of success in the overseas market. Indian music director, A. R. Rehman, for instance, has joined hands with Andrew Llyod Webber in his musical production, Bombay Dreams, co-produced by Shekhar Kapur. (Slum Dog millionaire example has won the Oscar)

New use of talent: Hollywood studios have begun outsourcing few of the parts of pre-production and post-production parts comprising costume production to Indian talents. The Ramoji Rao Studio in Hyderabad is one of the top instances. It has facilities as sophisticated as the ones available in Hollywood with the latest equipment and both pre and post-production facilities.

Because of the fact that India possesses the huge talent pool of skilled IT personnel and cost advantage, it is regarded as one of the favoured destinations for production of animation films. India enjoys the capability to

offer competitively priced, quality content, animation and special effects for the IT-driven entertainment world.

**New distribution channel:** In the past ten years, television has come out as a very powerful channel for content dissemination. The penetrations of televisions to distant villages (which does not have a movie theatre but has one public TV unit shared and watched by the people of village) offers new distribution channel for Bollywood movies. The success of these channels could be measured from the advertising earnings of Sony Entertainment Television which roused by about 110% past year<sup>16</sup>.

**New technology:** Digital technology and convergence offers new door of opportunities for filmmaking. Digital cinema is likely to substitute cinema as it present nowadays thereby getting better quality of the print and lessening the costs incurred. With the affect of convergence, producers will be quite capable to reach out to the international market in regions where Bollywood films can not be screened because of the non-availability of sufficient demand.

For now, " co-productions" are becoming a fad among the studios as a way of sharing financial risk, even as they build their own distribution networks across the 14 major territories or " film circuits" in India — tying up only with regional sub-distributors to reach the last mile. Analysts say, however, that these relationships forebode further consolidation, partly through acquisitions, but more so by bumping smaller players out of the picture.

(Ramos 2007)

Lastly, in terms of technology, the Indian Hindi movie industry has therefore started with the import of technology from abroad. In the last few years

many Indian producers have been applying special effects technology and special training from overseas, mainly from Hollywood.

And to conclude, India has definitely made an important development in provisions of cast as well. The Hindi movies by now have greater Hindi movie stars and other persons functioning on international movies, mainly in Hollywood, while more and more artists from foreign soils work for the Indian film industry.

I would strongly recommend the following points after doing this research to the Indian film Industry:

1. The Indian Film Industry should try and capture the revenue from the Secondary market. As we know that there are a lot of opportunity rising due to the expansion of digital platform like mobile telephone, internet downloads. This are the industries which should be tapped.
2. The industry should diversifying demand patterns. The market for the film industry and for the corporate house are all (Rural, Urban & International) which are not fully tapped. So the industry should provide sufficiently adapted movie content and quality to the different audiences.
3. As we have seen in literature review that in UK & USA and in many other countries, we have a good Indian population, So the industry should start getting into the mode of getting international. The market demand is already there. The industry should look into different mode of entry into the international market.
4. Corporate production house should get into producing regional films and should get into producing movies in regional language. The regional market for many states have seen a high growth. So to fight the competition

corporate production house should start investing and expanding into regional movies also.

5. React to increasing international competition in order not to lose large parts of the domestic demand especially as Hollywood will form the taste of the audience in a different way. Bollywood needs to be able to compete for the audience that enjoys foreign blockbusters.

6. Should start looking at the technology used by international players and should start adopting the new technology advancement and new improvements.

7. The corporate production house should look into improving on the value chain cluster. And should match the international standards or with the international players.

The Indian entertainment industry is estimated at around Rs. 20,000 crores (near \$4B.) Out of this, the Indian movie industry is about \$1B. This is even now quite miniscule taking into account that India produces almost 300 movies every year and top Hollywood movies alone make about \$0.5B in sales in the US. However urban demographics have changed actually in the past 5-6 years (particularly in the 15-34 years bracket). Most expressively, the average Indian spending on movies (as a percentage of disposal income) has increased from 1% to about 5%. Estimated rate of growth are approximately 20%.

What is quite appealing is that in the last five years of time, the financing of Bollywood has witnessed a major change. In the beginning of the year 2001, the Indian government distinguished Bollywood as an industry. While

regulations was still in presence, it thus allowed the Hindi movies to be financed by renowned financial institutions (banks etc) apart from underworld dons or by the help of tax-evasion money. In return to this, Bollywood producers were required to corporatize because laws disallow lending to individuals. UTI, IDBI and Exim are few of the banks which have in recent times funded films.

UTV (Ronnie Screwvala), Sahara One, Adlabs, Pritish Nandy Communications and Ram Gopal Varma's Film Factory are the examples of corporatized producers. Corporatization is even now not in fashion and just an approximate 15% of Bollywood films are " corporatized." However these production houses have definitely has brought about the very much required professionalism. The scripts of the film are researched previously by the market research companies who sample audiences upfront. The time has genuinely changed and now the actors and actresses could not walk into sets hours late or when producers were actually held for not paying the extortion amount to the Bombay gangsters. These days every big production houses in fact have roadmaps for up to two years in advance. Satellite rights, radio, home videos, DTH, mobile services have also open the door of opportunity for new revenue streams when only one (theatre box office) present previously.

After completing the research I would recommend future sties on how the Indian production and film industry should build a strong hold in the international market and to find out the different reasons needed for a production house to be successful. This should include the kind of movies as

per preference of the country. A romantic / family movie may not work in US or a village kind of movie may not work in Germany. So a analysis to find whether the kind of movie or the culture of the country made does impact the success of a movie and to what extend does it impact.

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