Bollywood's Rs.100 Crore Club: A Management Perspective

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Abstract

Recently a leading B-school in India hit the headlines for having apparently 'cracked the blockbuster code' that would help Bollywood predict a film's future at the box office. The research team, reported news dailies, devised a set of statistical models to figure out the correlation coefficient between a film's pre-release marketing budget and its success in the first three days. . In this rather novel practice, there are at least two things that would capture the interest of management practitioners: one, the acknowledgement of Bollywood as an industry at a disciplinary level; two, the continuing obsessive concern with the explosive figures at box office. This imminent interest to 'decode' the business of contemporary film industry is symptomatic of a compelling turning point in the field of management studies in India. Bollywood, being the largest contributor to Indian film industry's revenue and the largest in the world in terms of the number of films it produces, is an ample canvass for a study of this nature.

This working paper locates itself within this new niche which engages with the Hindi film industry from a management perspective. Accordingly, it seeks to understand the changing paradigms in the Indian film industry, namely Bollywood, by examining the increasing trend of attributing *the success of a film to its entry to what has now come to be termed as the 'Rs.100 crore club'.*

Key Words: *Bollywood, Hundred Crore Club, Market Development, Revenue Model*

Recently a leading B-school in India hit the headlines for having apparently 'cracked the blockbuster code' that would help Bollywood predict a film's future at the box office. The research team, reported news dailies, devised a set of statistical models to figure out the correlation coefficient between a film's pre-release marketing budget and its success in the first three days. The study claimed to have looked at about 50 Hindi films released in the last decade, analysing the marketing and promotional activities at various levels. In this rather novel practice, there are at least two things that would capture the interest of management practitioners: one, the acknowledgement of Bollywood as an industry at a disciplinary level; two, the continuing obsessive concern with the explosive figures at box office. This imminent interest to 'decode' the business of contemporary film industry is symptomatic of a compelling turning point in the field of management studies in India. Bollywood, being the largest contributor to Indian film industry's revenue and the largest in the world in terms of the number of films it produces, is an ample canvass for a study of this nature.

This working paper locates itself within this new niche which engages with the Hindi film industry from a management perspective. Accordingly, it seeks to understand the changing paradigms in the Indian film industry, namely Bollywood, by examining the increasing trend of attributing the success of a film to its entry to what has now come to be termed as the ‘Rs.100 crore club’. What provokes this study is the incessant focus of the media on Hindi films that have crossed the Rs.100 crore mark, almost elevating the figure to a box office benchmark. At a fundamental level, this paper proposes to do two things: one, to map the contemporary Bollywood industry from a business management perspective; two, to locate the significance of the ‘Rs.100 crore mark’ within the Indian market in general. Within the scope of these objectives, the study also proposes to provide insight into the ways in which money moves in the industry. More importantly, it needs to be stated that this paper draws heavily from the reports and interviews published in print and online media. Besides, being pitched at the level of a working paper, this study begins by questioning the claims, interrogating the assumptions and examining the credibility of the much hyped Rs.100 crore phenomenon in contemporary Hindi film industry.

Let me begin by laying out the obsessive concern with the ‘Rs.100 crore club’, as they feature in the mass media including news dailies, magazines, internet and visual media. It needs to be stated that the obsession with Rs.100 crore mark is a fairly recent phenomenon. As Hiren Gada, the director of Shemaroo Entertainment which produced movies such as Omkara and Ishqiya notes, “If someone told me four years ago that Rs.100 crore would become a box office benchmark, I would not have believed him”. Nowadays, headlines such as “Bollywood’s Rs.100 crore phenomenon decoded”; “Ek Tha Tiger sets the record of being the fastest 100 crores”; “Bollywood’s 100 crore club”;

"*Barfi* joins Rs.100 crore club" etc are now being commonly cited. In the journalistic reportage, the term Rs.100 crore club has almost replaced terms such as 'silver jubilee' and 'golden jubilee'. Besides, the success of a film, irrespective of its quality as an art form is measured in terms of the Rs.100 crore mark. Steadily and alarmingly, as Shobhaa De puts it, "It has given birth to a brand new caste system in which the film industry is neatly divided into those who belong to the elite club and those that don't". This new division has also aroused the scepticism of film makers and critics who increasingly question the credibility of the Rs.100 crore claims. Though the media seems to celebrate the Rs.100 crore phenomenon, the sceptical note cannot be altogether overlooked. For instance, in the recent cover story of The Economic Times Magazine Binoy Prabhakar asks, "The screening blitz explains the Rs.100 crore phenomenon, but what about the true worth of a movie?" Likewise, many critics, actors and filmmakers have come up with raised eyebrows, questioning and challenging the new trend and dismissing the story as a fad and a myth. There are also instances where due to spiralling production costs a movie ends up with losses in spite of having crossed the Rs.100 crore benchmark. Ra.One, released in 2011 is a prime example. The profit margins of movies thus depend on the cost of production they incur. This indicates a fundamental flaw in identifying all entrants to the Rs.100 club as blockbuster successes. At some level, it is this note of scepticism that we propose to problematize and analyse deeper, but from a business management perspective.

To engage with this problem, the first lead question to ask is about the factors that have contributed to the phenomenal increase in revenue, crossing Rs.100 crore. The challenge for a management practitioner, in this context, is to uncover some of the underlying sub-texts that operate as an impetus to the much hyped Rs.100 crore mark. There are a number of factors which might have possibly aided the emergence of this new pointer. One could easily cite at least a handful of reasons at a quick glance. The predominant factors that determine the revenue generation could be the sharp rise in ticket prices especially in the multiplexes, the sudden increase in the number of prints released, the preference for digital prints as against analog prints and the number of screens. In addition, the role of inflation in the contemporary economic scenario acts as a catalyst. The following table may provide a quick insight into these multiple determinants that have made Rs.100 crore a benchmark for contemporary Bollywood productions.

<table>
<tr><th rowspan="2">Ticket prices</th><th rowspan="2">Number of prints average for top three films of each year</th><th rowspan="2">Number of digital prints</th><th colspan="3">Number of screens</th></tr>
<tr><th>Year/ Market</th><th>Dome- -stick</th><th>Interna- -tional</th></tr>
<tr><td>3 Idiots (2009)Rs.118</td><td>2008-1020
2009 – 980</td><td rowspan="3">Benefits of Digital prints over analog prints-cost savings: only Rs.10000 per print vis-à-vis Rs.50000 for an analog print Flexibility to add-or decrease screens according to theiravailability in real time</td><td>2010</td><td>1200</td><td>250</td></tr>
<tr><td>Ek Tha Tiger (2012) – Rs.146</td><td>2010-1330
2011-3000</td><td>2011</td><td>3000</td><td>500</td></tr>
<tr><td>An average rise of Rs.10 every six months</td><td></td><td></td><td></td><td></td></tr>
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Adapted from The Economic Times Supplement, dated 26th September 2012

As shown in the table below, there is a steady increase in ticket prices from 2009 to 2012, with an average rise of Rs.10 every six months. Two years back, the average ticket price was in the range of Rs 130 – 200; this has now been upped to approximately Rs 180 – 280 during the week and to Rs 280 – 350 during the weekend. Opening weekend figures have thus been on a high due the steep rise in ticket prices over the weekend.

There is, however, a flip side to this story. In general, apart from the multiplex theatres, the tickets are priced very low in India as compared to South Korea and China, other major countries withstanding the might of Hollywood. At the same time, one could witness a hike in ticket prices in the movies released in urban multiplex centres. For instance there was a hike of 12-16 per cent for the ticket prices of Ek Tha Tiger (2012). Keeping this trend in mind, director Shakhar Kapoor while speaking on the topic of 100 years of Indian cinema at the CII Media and Entertainment Summit, 2012, stated, "Our film industry is a contracting market, contrary to the belief that it is an emerging market. Cinema which used to be for the masses has now become a medium for the elite. . . . When we look at the statistics, we will see that the number of cinema goers is going down and the ticket prices are going up". In that sense, in spite of the Rs.100 crore mark, there is every possibility that the market is in general shrinking compared to TV, internet and other new media. We shall come back to this in a while after having briefly looked at the other factors that aid the Rs.100 crore phenomenon.

Secondly, we note that the number of prints have tripled in the last four years. Indu Mirani, film writer and journalist, remarks that “The earlier hits cannot be compared to today’s times with figures, as those films released with barely 500 prints vis-à-vis the 1,500 prints of today”. It is evident that most of the films that have entered the Rs.100 crore club have to their credit 2000 plus prints. (According to media statistics *Barfi* is an exception as they achieved the Rs.100 crore mark with just about 700 prints). Aiding this trend is the preference for digital prints which are cost effective as well as flexible.

Thirdly, the increase in the number of screens has been equally stupendous. With the arrival of multiplexes, each theatre can afford more than one screen, sometimes up to five and six. The number of multiplex screens has increased across the country over the last two to three years. At the end of 2007, there were a total of 93 multiplex properties and 367 screens across India between the six national chains namely Big Cinemas, Cinemax, Fame Cinemas, Fun Cinemas, Inox and PVR. As per the latest figures, that number has grown to a total of 223 multiplex properties and 785 screens as of June 2010. The number of multiplex screens across India has thus seen a growth of approximately 213 per cent in the last three years, which has been a major contributing factor to the growth in box office collections. Accordingly, made at a budget of Rs. 150 crore, Shah Rukh Khan’s superhero flick “RA.One” was released in more than 3000 screens, and Salman Khan’s blockbuster hit “Bodyguard” was released in 2,250 screens.

The factors discussed above, incidentally, are also extensions of the new economic order. The growing number of multiplexes and the ability to afford the steep hike in ticket prices are typical of an urban elite lifestyle facilitated by the onslaught of globalization. How can we then possibly celebrate a phenomenon that conveniently sidelines the so-called non-elites and the suburban and rural population?

Doubtlessly, the media and entertainment industry in India is poised to witness momentous growth. Unlike the earlier decades, in the recent years, the entry of players such as Adlabs, Reliance and UTV in filmmaking have rendered movie making the status of an industry. There is an unprecedented interest in the production activities and post-release revenue generation. At the same time, it is important to interrogate some of the projected figures that have come to dominate the media.

Notably, most movies reach this coveted figure within a week of their release. Describing the change in movie business, Delhi-based distributor Joginder Mahajan says unlike previous years, the fate of the film is now decided in three days. "The days of running a film for 25 weeks in a theatre are over. Today, the first three days of the film predict its fate at the box office. Even if the reviews of the film are bad, but it has a powerful star cast and is promoted well, then it easily recovers it costs in first three days," remarks Mahajan.

The following table would help us understand the processes involved in the production of a film and the revenue streams at various levels.

Production			Distribution			Exhibition
Pre-shooting	*Shooting*	*Post-Shooting*		*Theatrical*	*Non-theatrical*	*Around 12,900*
Idea & Concept	Planning	Editing	**Domestic**	Bombay Presidency, Delhi-UP, Eastern Circuits, MP & Rajasthan, East Punjab South & Nizam	Satellite, Music, Video/Cable/ DVD/VCD/, Internet, Others	screens in India (not to be confused with theatres) With a population of more than 1 billion 12,900 screens translates into a measly 13 screens per million of the population Nearly 36,000 screens in US and 65,000 in China
Script & its breakdown	Matching dates of the cast and crew	Background music	**Overseas**	Earlier-Single distributor for different ountriesNow multiple distributors for different countries	Satellite, , Music Video/Cable/ DVD/VCD/, Internet, Others	

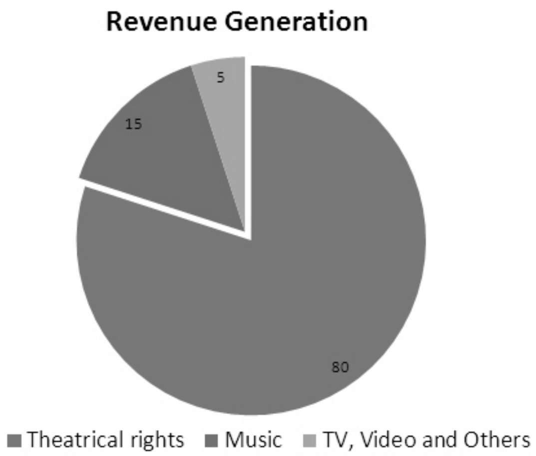
Crew and Casting	**Erecting sets**	**Dubbing**	**Revenue Generation**		
Location identify Budgeting, Scheduling	Hiring locations Arranging equipment	Negative cutting Other post production	**Theatrical Rights** Producer sells rights to distributors / exhibitors for a certain amount	**Music Others** Producer sells rights in favour of music company for a sum based on: -Minimum guarantee plus royalty	**TV, Video and** Producer sells rights to TV Channels directly or through distributors
Market analysis	Shooting	Printing	**Terms of Distribution:** - Minimum guarantee plus royalty-Advance (Refundable/ Non-Refundable) -Distribution on Commission -Outright Sale	- Distribution on Commission - Outright Sale	- Rights of broadcasting may be limited by number of usage in a year
Funding	Music recording	Publicity			
Contract with cast and crew		Distribution & Release			
Insurance					

Given these significant change in trends, the Rs.100 mark seems almost inevitable in terms of revenue generation. Whether it could be made equivalent to the success of a movie is, however, a different question altogether.

Movie	Cost of Production	Collection (in crores)	Date of Release	Role of Inflation-% change from net collection to adjusted net collections
3 Idiots	55	202	2009	201.6 (0%)
Don 2	85	110	2011	110 (0%)
Bodyguard	80	145	2011	145 (0%)
Ra.One	150	118	2011	118 (0%)
Hum Aapke Hain Kaun	35	69.8	1994	115.4 (151.4%)
DDLH	33	61	1995	153.4 (151.4%)
Gadar Ek Prem Katha	45	75.5	2001	166.1 (120%)
Ghajini	75	114.7	2008	126.1 (10%)

Adapted from The Economic Times Supplement, dated 26th September 2012

Revenue generated from different sources is given below:



Adapted from The Economic Times Supplement, dated 26th September 2012

At a time when the number of cinema goers is going down and the ticket prices are going up, the growth rate of film industry is way below that of Television and other new media. The so-called 'masses' who have no access to the multiplexes are further alienated from the contemporary Bollywood movies due to the exotic thematic content and the flashiness associated with upwardly mobile urban population. In this context, the right kind of managerial intervention is a must in order to smoothen the creases and arrive at actual, rather than exaggerated, figures of success.

The following table indicates some significant variables in the success rate of the entrants of Rs.100 club.

Movie	Revenue (Crores)	No. of days
Ek Tha Tiger	120	6
Bodyguard	100	7
3 Idiots	100	9
Dabangg	100	10
Agneepath	100	11
Ra.One	100	11
Golmaal 3	100	14
Ready	100	15
Don 2	100	15
Bol Bachchan	100	20
Singham	100	50

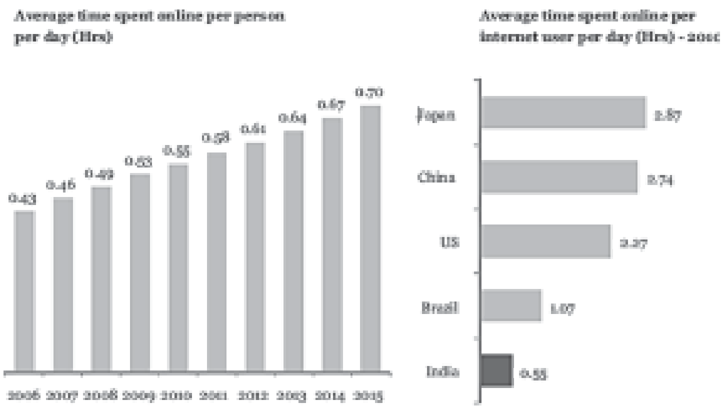
Adapted from Rediff.com

The recurrent obsessive focus on the Rs.100 crore phenomenon could be understood as part of the media hype that tends to assert that the Bollywood industry is in an expansion mode. Conversely, the market is contracting due to overpriced tickets and alienated themes that force the non-elites to stay away from movies.

An insightful comment made by the filmmaker Shekhar Kapur during the CII Media and Entertainment Summit 2012 further problematizes the above discussed factors. He said, “Our film industry is a contracting market, contrary to the belief that it is an emerging market”.

More importantly, if one compares these figures with the burgeoning growth witnessed by the new media, social media and TV, the film industry is less likely to fare well.

Time spent online by Indian users



Source: BCG — The Internet's New Billion (September 2010)

If we look at the medium of internet/social media in comparison with medium of cinema, we could attribute the huge growth in new media/social media due to ‘dialogue’ or ‘interactive process that happens there. Audience seems to be in control of the content, they can react instantaneously and their gratification seems to be instant. A new way of interacting – ‘engagement’ in the complete essence seems to be real reason.

Also if we look at the advertisement industry in India and their focus on different medium, we could see a steady change from the conventional medium (read cinema and Print) to new media and the internet.

Year	TV	PRINT	OOH	RADIO	INTERNET	CINEMA	TOTAL
CY10	2.10	2.00	0.28	0.18	0.14	0.02	4.72
CY11	2.30	2.16	0.26	0.18	0.20	0.02	5.12
CY12(E)	2.52	2.28	0.28	0.18	0.30	0.04	5.60

Source: Pitch Madison Media Ad Outlook 2012, Edelweiss research

The figures are in $ billions

Combining this with the net growth rate of the advertising industry across media, we could see that the growth in shifted clearly towards the new media which primarily internet based.

Year	TV	PRINT	OOH	RADIO	INTERNET	CINEMA	TOTAL
CY10	24	24	27	30	50	15	28
CY11	9	8	(10)	2	45	17	8.2
CY12(E)	10	6	5	5	50	15	9.5

Source: Pitch Madison Media Ad Outlook 2012, Edelweiss research

Figures given in percentage growth rates

This scenario brings forth the inevitable question. What could be way forward? In a shrinking market it is almost a necessity to increase revenue using the controllable variables – that is something that the distributor/producer can exert control on. The uncontrollable variable viz., the *consumer* is someone unpredictable and hence the possibility of 360 degree branding emerges as a method of realising as much as revenue from the movie within the shortest time period. The possibilities includes:

a) Poster, Teaser trailer and Theatrical trailer - to generate the right kind of buzz.

b) Nationwide tour - to build awareness about the project and direct platform to communicate with the stars of the movie.

c) Promotional events – Conducting events with international celebrities roped in.

d) Comic Book and Amarchitra katha format.

e) Brand Tie-Ups.

f) Merchandising – Toys, computer accessories, T-Shirt, Apparals, stationary, coffee mugs, wrist watched, wrist bands etc.

g) Social media.

h) Games, Aps based on the theme of the movie.

i) Outdoor Advertising – Railway stations, Trains, KSRTC, Reality Shows.

j) Realising the movie in 2D and 3 D in multiple locations across the globe using digital print and on the DTH platform.

Mature players are increasingly looking to build scale across the media value chain and explore cross media synergies. The governments thrust on digitalisation and addressability of cable television is expected to increase the growth of the Indian entertainment industry and even more dollars from foreign players and private equity players.

As Kamal Jain, group CFO of of Eros says (Ra.One)," We have recovered a major portion of our investments through in –film branding, media endorsements and through pre-licensing of cable& satellite rights, music and other rights".

The idea seems to be on the move.

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