

**REMINISCING THE DAYS OF FRIDAY BLOCKBUSTER BOLLYWOOD
RELEASES: ARE WE WITNESSING A BEHAVIOURAL SHIFT IN VIEWERS'
PSYCHE OF A NEW INDIA?**

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The most powerful person in the world is the storyteller. The storyteller sets the vision, values and agenda of an entire generation that is to come, said Steve Jobs.

And, nowhere is the power of a story more impactful, or sticky than told through the silver screen perhaps. The Hindi film industry aka Bollywood, after decades of story telling that has made us elated and exuberant, or sad and thoughtful at times seems to be at an inflection point unlike any other disruption it has faced before. We try to outline the chief reasons and embark on some suggestions for this vital industry that gives a lot of 'soft power' to the idea of India;

- ◆ **Firstly**, In the context of Hindi movies post pandemic it seems that content may be acting as double edged sword in impacting earnings. A popular tool to measure the impact of content is the rating of a movie. It is generally assumed that a "GOOD" movie will be bestowed with "GOOD" rating and also with "GOOD" collections (*exceptions are also there*). The average rating of 43 Hindi movies since Jan 2021 was just 5.9, way below the 7.3 rating of 18 Hindi dubbed movies. **A simple regression exercise indicates that an extra one point IMDB rating leads to Rs 17 crore more collections.**
- ◆ **Secondly**, there has been a decline in single screen theatres and films are now released in multiplex audiences. At a multiplex, the ticket cost is three to four times more than single screen theatres. **The costly ticket prices are also due to the high entertainment tax for Hindi movies.** Interestingly, 62% of the single screen theatres are in South India, with North India having a share of only 16% followed by West with 10% of all single screen cinema halls. **This could also be the reason why South Indian movies (in local area) are generating more revenues than Bollywood movies recently.**
- ◆ **Thirdly**, the demographic profile across states may be impacting moviegoers. Online platforms come up with different genres like action, horror, drama, thriller, and comedy. **The millennials uses more of these platforms to watch genres they prefer the most.** South Indian states have higher share of elderly people compared to North Indian States who would still prefer watching movies on big screen in theatres than on OTT platforms.
- ◆ **Fourthly**, a major disruption in Indian entertainment industry is the emergence of OTT (over-the-top), which shares around 7-9% of the entertainment industry, and is constantly growing with over 40 odd players and offering original media content in all languages. **As per reports, there are 45 crore OTT subscribers in India and it is expected to reach 50 crore by end-2023.** The rise in OTT is expected to eat into cinemas viewers and profits, as more than 50% of the people use OTTs more than 5 hours in a month. Also options like Smart TV, Chromecast coming into the picture have impacted the traditional mode of entertainment the most. These developments have helped to bring movie theatre experience at home, with seemingly unlimited choices spoiling the viewers!

We end with an interesting tidbit regarding a shift in human behaviour that could hold the aces for movies going forward! This shift in human behaviour reminds us of the power of human civilization to embrace the past but aligned to future! As an example, the fashion industry is witnessing that Bell bottoms are a rage, again! Their retro inspired aesthetic and flare shape are re-founding the connect with the young ones, from tony by lanes of Colaba to industrious and enterprising town of Coimbatore as the term resonated more with youngsters post the last year's big release in theatres, the first such post pandemic, *Bell Bottom* in August'21. **The Banking Industry is now embracing the DFI model for lending to infrastructure which was in vogue almost 3 decades back. The list could actually be endless.....**

Lets fast forward to the movies. The 80s saw the exponential rise in Video Cassette renting (VCR/VCP) that for the first time challenged the established modes and models. The ubiquitous neighbourhood corner man, renting the different genres of movies, cleverly accommodating the taste, and liking of the viewer group ensured that collective binge was available for the first time from the comforts of the home. The rise of the multiplexes since early 2000s across metro/urban areas effectively killed the DVD industry and single screens. **However, the onslaught of OTT seems to have taken us back to the good old days of watching moving at home just like the DVD era, only with enhanced choices!**

We have a small suggestion though! It's rather surprising that no merchandise industry centred around films was created in India unlike Hollywood. There was some attempts though like **the cap from the 90s *Dil Hai Ke Manta Nahin*, or Friendship badges from *Maine Pyar Kiya* that were a rage.** We hope that a blockbuster Friday is just around the corner!

COVID AND BOLLY(HOLLY) WOOD

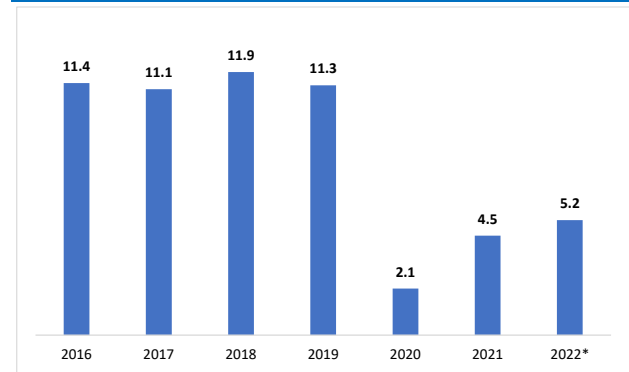
- ◆ Covid-19 did something that two world wars couldn't do: it closed down cinemas. Hollywood heavyweights like James Cameron and Martin Scorsese called the shut-downs an existential threat to the cinema, stating the industry would not survive without government assistance. Thankfully the bailouts came, and cinemas are once again welcoming cinemagoers though quite slowly.
- ◆ But has the situation improved? Have we reached the pre-pandemic levels in movie collections? Are movie-buffs going to cinemas? This study loiter around these issues with particular reference to Bollywood (Hindi Movie Industry). However, the findings may be true for any language movie industry, even for Hollywood.
- ◆ Bollywood was being considered as one of the top movie industry in the world in the pre-pandemic world. But the pandemic has changed its course. Not only the number of movie releases declined but their collection faltered significantly. In the pre-pandemic world on an average 70-80 movies were released per year in Hindi language with the collection ranging between Rs 3000-5500 crore.
- ◆ However, since Jan 2021, a total of 61 movies have been released in Hindi language (Original + South/English dubbed in Hindi) till 11 Aug'22 with total collection of merely ~Rs 3200 crore and 48% of this collection came from 18 dubbed movies. The situation of original Hindi movies is unsatisfactory.

UNDERSTANDING BOLLYWOOD MOVIES SINCE PANDEMIC

The Problem of Content/Story

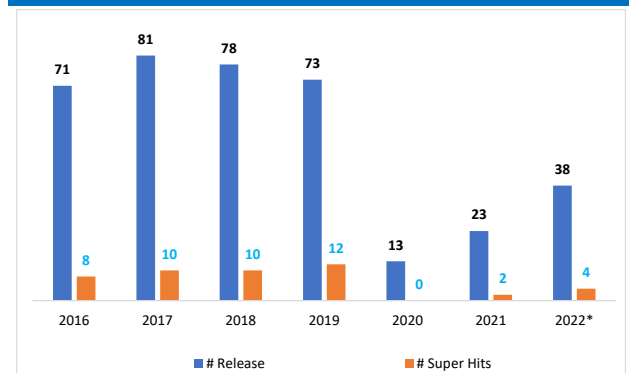
- ◆ The content is simultaneously the most and the least important element in a movie. Most important because it provides the viewer with a guide rope; least because, in the best movies, it doesn't actually matter that much, which is why we can watch them repeatedly, even when the ending no longer packs the element of surprise. In the context of Hindi movies post pandemic it seems that content may be acting as double edged sword in impacting earnings.
- ◆ A popular tool to measure the impact of content is the rating of a movie. It is generally assumed that a "GOOD" movie will be bestowed with "GOOD" rating and also with "GOOD" collections (exceptions are also there). The average rating of 43 Hindi movies since Jan 2021 was just 5.9, way below the 7.3 rating of 18 Hindi dubbed movies. **A simple regression exercise indicates that an extra one point IMDB rating leads to Rs 17 crore more collections.**

Hollywood Domestic Collections (\$ Bn)



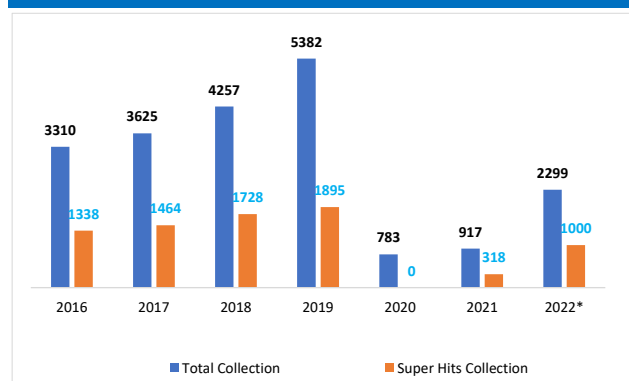
Source: IMDB; SBI Research; *Till 23 Aug'22

Number of Hindi Movie Released (Original + Dubbed)



Source: Koimoi.com; SBI Research; *Till 11 Aug'22

Collection of Hindi Movie Released (Original + Dubbed): Rs Crore



Source: Koimoi.com; SBI Research; *Till 23 Aug'22

Movies released since Jan 2021 (Collection in Rs crore)				
	Number of Movies	Total Collection	Average Collection	Average IMDB Rating
Hindi Original	43	1664	39	5.9
Hindi Dubbed	18	1553	86	7.3
Total	61	3217	53	6.3

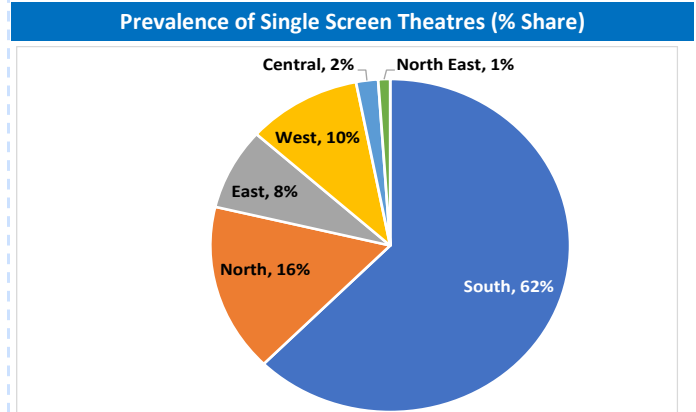
Source: Koimoi.com; SBI Research; Till 11 Aug'22

Costly Ticket Prices & Low Small Screen Theatres

- ◆ There has been a decline in single screen theatres and films are now released in multiplex audiences. This in turn may preclude a large number of the cinema-hall audience, who clamour for single screen and reside in rural areas. Interestingly, 62% of the single screen theatres are in South India, with North India having a share of only 16% followed by West with 10% of all single screen cinema halls. **This could also be the reason why South Indian movies (in domestic area) are generating more revenues than Bollywood movies.**
- ◆ At a multiplex, the cost is three to four times more. **The costly ticket prices are also due to the high entertainment tax for Hindi movies.** Except for few states (like HP, Punjab, Rajasthan), in all other remaining states the entertainment tax falls in the range of 15-60% (Mumbai a major centre has tax rate of 45% for Hindi movies).

Behavioural Changes & Demography

- ◆ Another possibility for the decline in popularity of cinema is the demographic profile across states. Online platforms come up with different genres like action, horror, drama, thriller, and comedy. **The millennials uses more of these platforms to watch genres they prefer the most.** They prefer to wait for some days and watch their favourite stars and movies in the comfort of their homes at any time.
- ◆ **For example, South movies are doing better compared to Bollywood movies. South Indian states have higher share of elderly people who would still prefer watching movies on big screen in theatres than on OTT platforms.**
- ◆ According to the report of the technical group on population projections the contribution of the five southern states, namely Andhra Pradesh, Karnataka, Kerala, Telangana and Tamil Nadu, to the total increase in population size of the country during 2011-2036 is expected to be 2.9 crores – 9% of total demographic growth of the country. The population in these five states together is expected to grow at 0.4% per annum during 2011-36. The median age in these states is projected to increase from average of 28.7 years in 2011 to 39 years in 2036 (compared to all India median age of 34.5), further indicating the prominence of elderly population in South India going forward.



Source: SBI Research

Entertainment Tax across States	
State	Entertainment Tax
Andhra Pradesh	20% (15% for Telugu Films)
Himachal Pradesh, Punjab, Rajasthan	Nil
Bihar	50%
Delhi	40%
Gujarat	20%
Haryana	20%
Karnataka	30% (Nil for Kannada Films)
Kerala	30%
Maharashtra	45% (Nil for Marathi Films)
Tamil Nadu	15% (Nil for Tamil Films)
West Bengal	30% (2% for Bengali Films)
Uttar Pradesh	60%

Source: Deloitte Analysis; SBI Research

Age wise distribution in Population 2011 Census (% Share)				
States	15-18	18-44	45 to 60	Above 60
India	5.9	41.9	13.9	10.6
Kerala	4.7	41.2	19.3	16.5
Himachal Pradesh	5.5	43.8	15.7	13.1
Rajasthan	6.4	40.1	12.4	12.6
Andhra Pradesh	5.6	44.7	15.3	12.4
Karnataka	5.4	45.1	15.4	11.5
Uttar Pradesh	7.0	38.5	11.7	11.0
Gujarat	5.7	43.7	14.6	10.2
Haryana	6.3	43.6	13.0	9.8
Chhattisgarh	6.1	41.7	13.6	8.8
Maharashtra	5.5	44.4	14.6	8.5
Jharkhand	5.9	39.3	12.7	8.4
Punjab	6.0	44.3	15.2	8.3
West Bengal	5.8	44.4	15.4	8.1
Bihar	5.6	36.6	11.5	7.7
Madhya Pradesh	6.1	41.0	12.7	7.3
Uttarakhand	6.7	41.3	13.3	6.9
Tamil Nadu	5.1	44.9	17.7	6.0

Social Media Influences

- ◆ In the age of social media influencers, do stars have the same appeal to sell goods, as well as movies as before...does cinema need social media influencers to succeed, creating a buzz before and after the release.. does good marketing fill the gap an average movie has and helps in reconnecting with intended audience... is the 'fixated mindset stereotype' costing Bollywood industry more than anything....Time to hit 'refresh' and 'reboot' definitely with dwindling footfalls to screens are foretelling something.

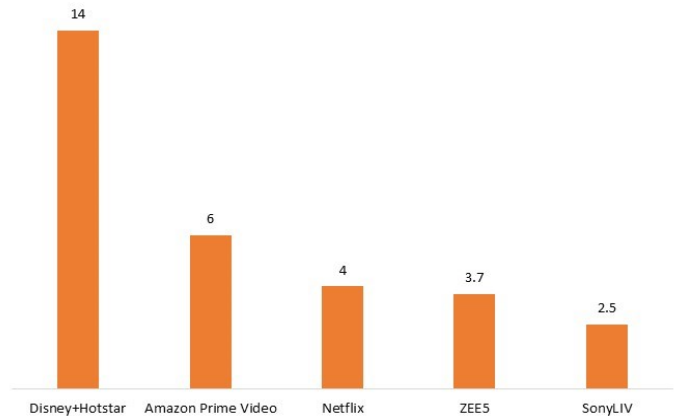
Technology

- ◆ The improved technology is another factor that has led to reduced footfall in movie theatres. Options like Smart TV, Chromecast coming into the picture have impacted the traditional mode of entertainment the most. These developments have helped to bring movie theatre experience at home.

The Competition from OTT

- ◆ Another major disruption in Indian entertainment industry is the emergence of OTT (over-the-top), which shares around 7-9% of the entertainment industry, and is constantly growing with over 40 odd players and offering original media content in all languages. **As per reports, there are 45 crore OTT subscribers in India and expected to 50 crore by end-2023.**
- ◆ This strong growth is led by affordable high-speed mobile internet, doubling of internet users, increased adoption of digital payments and discounted price offered by global players such as Netflix, Prime Video, Disney+Hotstar offering plans in India at 70-90% cheaper than the US. The OTT space is also seeing number of local and regional OTT players, like SonyLIV, Voot, Zee5, ALTBalaji, Hoichoi etc to cater to regional demand with a "strong focus on Hindi due to untapped market potential".
- ◆ The rise in OTT is expected to eat into cinemas viewers and profits, as more than 50% of the people use OTTs more than 5 hours each month. What's more, major studios have realized creating streaming series and movies is far more profitable than traditional filmmaking, especially if they build their own streaming platforms.
- ◆ Around 20-30 Bollywood films had a digital premiere during the pandemic. However, now regional web series and films are focussed more even by global players.

Number of Subscribers of OTT Players in India 2022 (in crore)



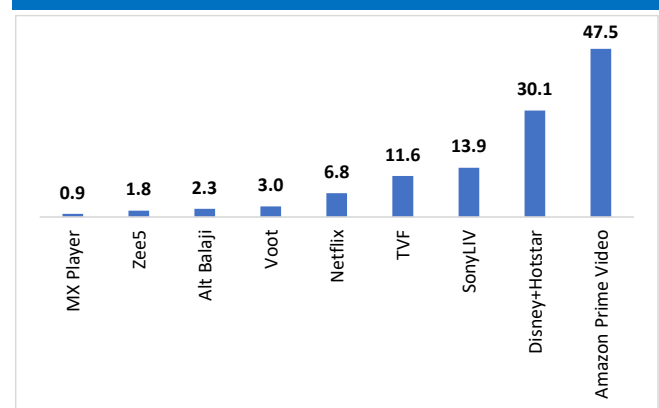
Source: Statista, SBI Research

OTT Users in India (in mn): July 2022

Type of Users	2017	2020	2021	2022	2027
Free (Ad-Supported) OTT	184	318	348	351	466
Pay-per-View (TVoD)	35	76	87	89	117
Video Downloads (EST)	42	66	75	77	86
Video Streaming (SVoD)	19	46	59	68	108

Source: Statista, SBI Research

Average Hours per month per Visitor



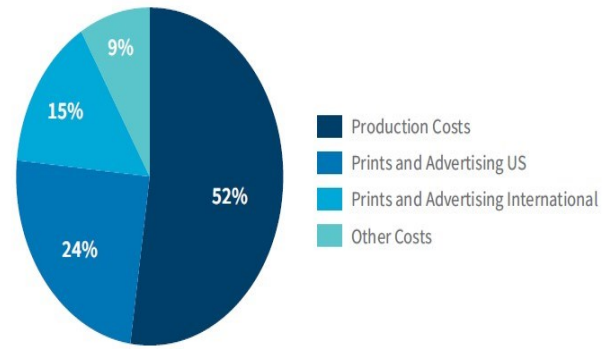
Source: MICA Indian OTT Platforms Report 2021; SBI Research

- ◆ Going forward, it is expected that OTT's expansion in education, health, and fitness has additionally cemented its future. It has unlocked new routes for content creators, and the Indian audience has begun to understand it as more than just a medium of enjoyment.
- ◆ In India, the OTT market is expected to reach Rs 11,944 crore by 2023, up from Rs 2,590 crore in 2018, according to independent estimates. This represents a compound annual growth rate (CAGR) of 36%.

LOOKING AHEAD THROUGH A REAR VIEW MIRROR

- ◆ The 80s saw the rising costs along with the advent of the Door Darshan streaming from shiny boxes, occupying the place of pride in households, putting brakes on the different streams of parallel cinemas though the family movies streamed on lazy Sunday afternoons were a great meeting point and melting pot for the neighbourhood gossips and chutzpah. But the real challenge to theatres’ business came from Video Cassette renting (VCR/VCP) that for the first time challenged the established modes and models. The ubiquitous neighbourhood corner man, renting the different genres of movies, cleverly accommodating the taste, and liking of the viewer group would ensure that collective binge was available for the first time from the comforts of the home (again, quite different from the American set-up where a few large chains of stores would control the video renting industry, with differential pricing). Theatres were no longer the only fiefdom doling entertainment, though they retained the charm of the 70mm. Launch of seemingly infinite string of satellite channels, with soap operas running for years hooking the eager audience and satiating their right to entertainment competed with cinema hall’s occupancy ratio.
- ◆ The rise of the multiplexes since early 2000s across metro/urban areas effectively killed the DVD industry and single screens. However, the onslaught of OTT seems to have taken us back to the good old days of watching moving at home just like DVD era!
- ◆ This shift in human behaviour reminds us of the power of human civilization to embrace the past but aligned to future! As an example, the Bell bottoms are a rage, again! Their retro inspired aesthetic and flare shape are re-founding the connect with the young ones, from tony by lanes of Colaba to industrious and enterprising town of Coimbatore as the term resonated more with youngsters post the last year’s big release in theatres, the first such post pandemic, *Bell Bottom* in August’21.
- ◆ Movies have always a two-way connect with the audiences, inter-alia the society. *Dil Chahta hai* made the pristine beaches of Goa a household bucket-list travel destination, *Uri* reinforced the valour of our gallant armed forces with very *High Josh*, *Baahubali* broke the feeble wall between the north and south, paving way for later years’ tentpoles!

Cost of making and Promoting a Film Budget >70mn(USA, 2016-19)



Source: FTI Consulting Analysis, SBI Research

- ◆ It’s rather surprising that no merchandise industry centred around films was created in India despite the strong connect and sway movies have had on film goers. There was some attempts though that like **The cap from the 90s *Dil Hai Ke Manta Nahin*, or Friendship badges from *Maine Pyar Kiya* though was a rage.** This is quite divergent from Hollywood that has a strong product placement (a manufacturer placing its product in the film for grabbing eyeballs) as also the production house entering into licencing agreement with manufacturers to use names/characters/art-works for spin-off products. Universal’s Marvel and Warner’s DC characters have become a billions dollar industry in a flat world, hooking the young and adults alike.

THE FUTURE OF BOLLYWOOD

- ◆ According to various industry estimates nearly 40-45% of the lifetime box office collections of hit Bollywood films used to come from non-multiplex zones in India. Thus, with declining share of single screen theatres and South Indian movies taking a larger share through dubbed versions, Bollywood film makers should rethink their content and distribution strategy. **But who knows, one blockbuster could again set the cash ringing at box office!**

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