

REELING IN HOLLYWOOD



Blaise Fernandes, country head, Warner Bros. Pictures India

SUJATA SRINIVASAN

India's vibrant film industry catches Hollywood's fancy, with major studios queuing up to collaborate with Indian partners

THE hero of the usual Bollywood flick bashes up the villain, romances and woos beneath waterfalls, and after winning over his love interest, disappears into the sunset on his magnificent steed (or motorbike, if you prefer). In future, Bollywood heroes will continue to bash up villains, to romance and woo, and walk away into the sunset with their love interests. The difference? As Austin Powers of *Goldmember* would say: "It's Hollywood power, baby!"

Last year, industry heavyweights Warner Bros. Entertainment, Walt Disney and Sony Pictures signed multiple deals with Indian producers to make regional language movies in Hindi, Tamil and Telugu. Warner Bros. tied up with Ochre Studios and People Tree Films, Paramount Pictures with TV18, Walt Disney with Yash Raj Films, DreamWorks with Reliance Big Entertainment and Sony Pictures with Pritish Nandy Communications. The infusion of Hollywood professionalism has meant that the \$2 billion (estimated) Indian film industry, which releases around 1,000 feature films each year, has begun to adapt the two indispensable Cs — corporatization and collaboration.

The movie industry is likely to push toward a tighter legal framework surrounding piracy and infringement of intellectual property, in-

roduce Hollywood-style product placements in movies, make bigger budget films, and most important, turn the movie-making process from family-run projects into highly professional, entrepreneurial business ventures.

The biggest challenge, to begin with, is finding the right Indian partner. "A producer only funds the movie. The screenplay, direction, story etc. are all outsourced. It's just the question of hiring the right people. Anyone can make a film that appeals to any audience if the best local talent is employed. Localization is the keyword," said Lata Kumar, media and communications specialist and a guest faculty member at Madras University and Anna University in Chennai, India.

Partnerships, Corporatization and Collaboration

WARNER Bros. Entertainment, headquartered at Burbank, Calif., seems to have done well on this front. Last December, the studio, through its subsidiary Warner Bros. Pictures India, entered into a three-picture deal with People Tree Films Pvt. Ltd. This high-profile Bollywood firm is led by Mukesh Talreja, who co-produced *Chandni Chowk to China*, (CC2C) released in January 2009 in India and abroad by Warner Bros.

The partnership will cover the production and distribution of three films (other than CC2C) to be released this year by the Hollywood studio. *Jaane Kahaa Se Aayi Hai* starring Ritesh Deshmukh, Jacqueline Fernandez and Ruslaan Mumtaz under the direction of Milap Milan Zaveri, expected to be released this summer, is a romantic comedy about a Venetian woman's quest for love on earth.

Chandbhai, starring Akshay Khanna and Vidya Balan, slated for release this Diwali, tells the story of a struggling movie director. The third film, *Basra*, starring Akshay Khanna, is an action film about espionage, betrayal and revenge originating from the deserts of Iraq, moving through Mumbai's drug and flesh trade and ending at the corridors of politics in New Delhi. *Basra* is set to be released at the end of this year.

"Warner Bros. has been active in local productions in many markets so (entering India) is a natural extension of our global plan," said Blaise Fernandes, country head for Warner Bros. Pictures India. "India has a very vibrant film production and cinema-going industry and the time was ripe, given various macro and micro economic factors."

Fernandes said Warner Bros. is in the process of making five films in India this year. In addition to three Hindi films, two Tamil films in collaboration with Ocher Studios Pvt. Ltd. are on the cards. Ocher is owned by Soundarya Rajinikanth, daughter of the South Indian movie legend Rajinikanth. Fer-

nandes declined to reveal the studio's budget. "These films will range from small and medium to big budget films," he said.

Amy Schein, Hoover's Inc. industry editor and analyst, said CC2C reportedly cost between \$8 million and \$12 million, a fraction of the budget for most major Hollywood studio-produced films.

The Indian films in Warner Bros. pipeline are expected to be on a lesser scale than CC2C. "While many critics have not been kind to the film, Warner was reportedly happy with the box office results, which earned more than \$6 million in India alone during its opening weekend," said Schein.

According to a report published on January 19 in the magazine *Variety International*, CC2C opened with ticket sales worth \$6.8 million in India and \$625,000 in North America. In the UK, it grossed \$407,000.

"Warner Bros.' entry into India is a simple question of numbers. Hollywood movie-making is a business, and Indians are big moviegoers. One study shows that the average south Indian watches about 12 movies a year while Bollywood releases about 1,000 movies a year. About 95 percent of consumer spending in India is on local films, while the remaining 5 percent comes from the West," said Schein.

She said Hollywood has had its eye on emerging markets for a while. "The entertainment and media business in emerging markets such as China and India is forecast to grow at more than double the pace in developed markets, with India growing at the fastest pace. China's heavily regulated market makes India the natural choice. For Hollywood studios, expanding globally needs to involve more than just distributing its product in international markets. That means it has to make Indian films, work with Bollywood and other regions in India," she explained.

When asked whether the entry of Hollywood studios would lead to major consolidations and the demise of small Indian studios, Schein said there will always remain a place in India for smaller players, just as there is still a place for smaller players alongside the major studios in the US. "Hollywood will most certainly have the effect of raising the average budget of Bollywood films," she said.

Meanwhile, competitor Sony Pictures recently announced collaborations with Pritish Nandy Communications to make movies in India. "We see great potential in India, both because audiences have shown an abiding appreciation for movies, and because there are so many talented actors, directors and other creative people in the entertainment business in India," said Steve Elzer, a spokesman for the studio.

It's not a cakewalk

CAPTURING market share will be no easy task. A 2008 report titled 'Sustaining Growth' by PricewaterhouseCoopers and FICCI said film entertainment (both Hindi and regional cinema) would see a 13 percent growth through 2012, down from nearly 25 percent a few years ago.

The industry's destiny is directly linked to the buoyancy in consumer demand, which is expected to take a beating in 2010. According to Abheek Barua, chief economist at HDFC Bank, the growth in personal disposable income (at constant prices) will fall from 7 percent in FY09 to 5 percent in FY10.

This, coupled with credit freezes, has forced producers to cancel new projects and movie stars to take pay-cuts. Industry experts expect film distribution companies to merge and weather the storm.

Globalization of Bollywood

BRITISH filmmaker Danny Boyle's *Slumdog*

SWOT

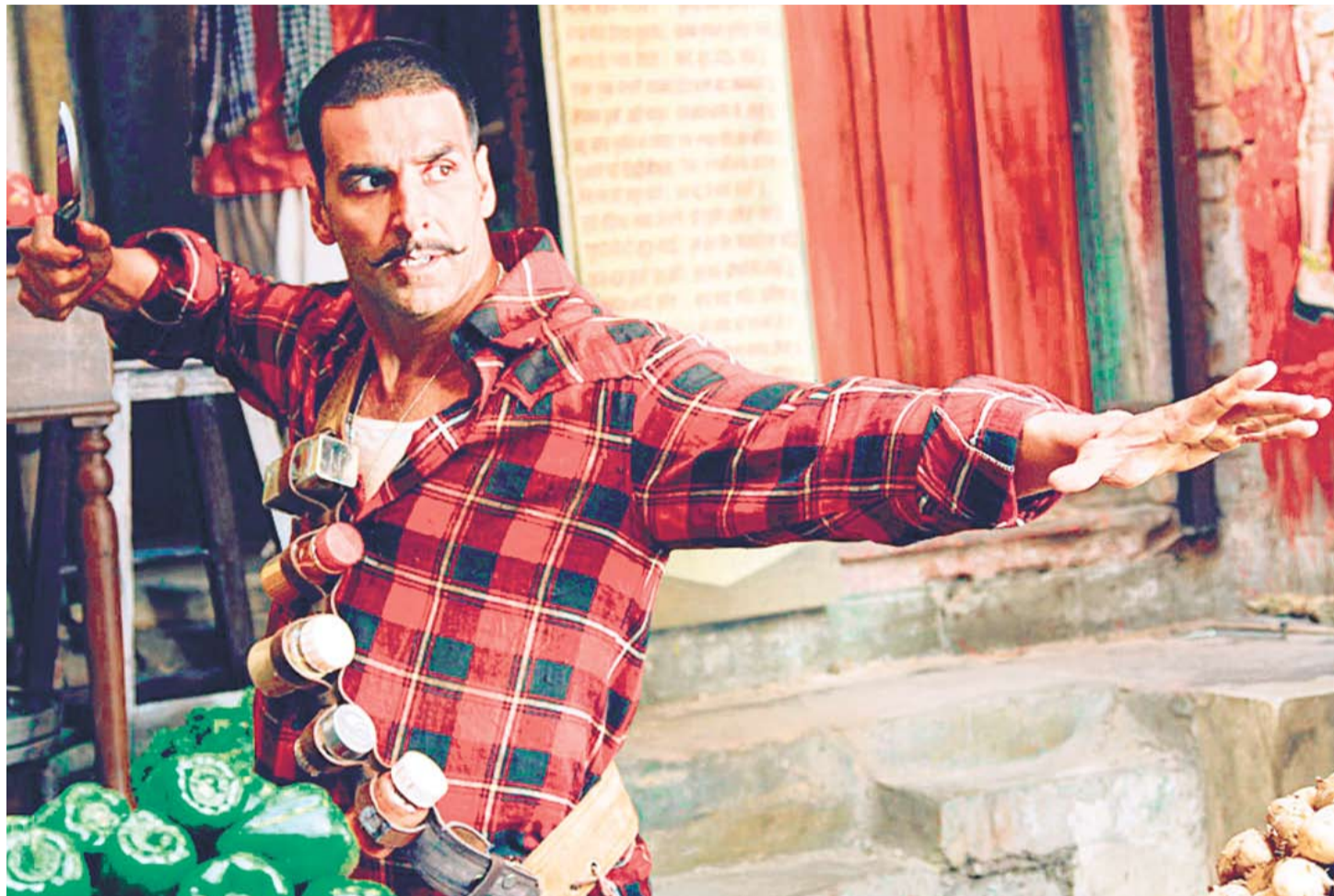
Strength: Deep pockets; strong distribution arm; solid local collaborations, powerful brand

Weakness: Currently lacks a well-defined unique selling proposition in light of strong competition in India

Opportunities: Big bucks from movie-loving Indian consumers; digitization and other factors leading to corporatization of the industry, creating a professional environment for Hollywood studios; globalization of movie content which will widen the market

Threats: Piracy, the global economic slowdown leading to a drop in consumer demand; credit crunch for the industry as a whole; stiff competition





A still from the movie *Chandni Chowk To China*

Millionaire, made in Mumbai and a rage in international circles, won five Critics' Choice awards, four Golden Globes and was nominated for 11 BAFTA and 10 Academy awards this year.

Indian businessmen are dreaming big. In 2008, Anil Ambani's Reliance Big Entertainment entered into multiple deals with Hollywood studios, including DreamWorks, to make 10 Hollywood movies for an estimated \$1 billion.

Making Hollywood movies is not new for Indian studios. Last year, UTV co-produced M. Night Shyamalan's *The Happening* with Fox Filmed Entertainment, while Indian production company Adlabs collaborated with MGM in making *The Other End of the Line*,

co-produced by Ashok Amritraj. In 2007, Mira Nair's *The Namesake* was distributed by 20th Century Fox and Fox Searchlight Pictures.

However, the biggest impact of globalization will no doubt be the best practices that Hollywood will bring. While this will help speed up Bollywood's corporatization, it will infuse the industry with professionalism.

Outsourcing jobs to India

HOLLYWOOD has a long history of outsourcing creative jobs to India, especially in the animation/motion-capturing field.

Now, Warner Bros. is set to axe roughly 10 percent of its global workforce, or around 800 employees. In a memo dated January 20,

Warner Bros. executives Barry Meyer and Alan Horn wrote: "The changing entertainment business landscape, shifting consumer demand and the overall state of the economy have affected companies around the world, and Warner Bros. is not immune to these factors. We have examined every aspect of our business to cut costs and to keep staff reductions to a minimum. One way to achieve these objectives is to outsource certain functions to a third-party company. To that end, we will be outsourcing the US-based components of certain parts of MIS and accounts payable."

According to Scott Rowe, a spokesman for the company, "Some jobs will be kept in Burbank (under partner Capgemini) while others go to India and Poland."

All the more reason for Indians to break into song and dance.

Pirates of the celluloid

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A MARCH 2008 report titled 'The Effect of Counterfeiting and Piracy on India's Entertainment Industry' by the US Indian Business Council (USIB) and Ernst & Young, states that the Indian entertainment industry loses as much as \$4 billion and 800,000 direct jobs each year due to counterfeiting and piracy.

The report identifies factors that impact piracy in the Indian film industry. These range from product pricing, technology, ease of content acquisition, industry support, legal framework and law enforcement to lack of consumer awareness.

The Indian industry has begun to invest in infrastructure such as distribution and delivery segments for setting up multiplexes and digital film distribution. The report states that the introduction and comprehensive application of these technologies could help mitigate piracy. This cannot be achieved without a pro-active government and an efficient judiciary. "These investments will enable the industry to plug the losses by making content more accessible to wider audiences and creating differential pricing across



LUCIA RANGEL, vice president, Latin America and Asia Pacific, Worldwide Anti-piracy Operations, Warner Bros. Entertainment

platforms. This would cater to the needs of different segments and also allow closer monitoring. What is required is that the industry is able to utilize and exploit new technology to earn revenues while making the product accessible. This would take the advantage away from the piracy business and take over the market that it tries to create and cater to," the report said.

Thus, Warner Bros. is leveraging Web technologies to monitor the Internet for infringements, as opposed to merely taking action against hard copies being sold on the street.

"We are committed to using our resources to help fight piracy that plagues not just Hollywood, but also all local productions we are involved in, including Bollywood," said Lucia Rangel, vice-president, Latin America and Asia Pacific, Worldwide Anti-piracy Operations, Warner Bros. Entertainment.

Rangel said Warner Bros. works with local law enforcement organizations to conduct raids, seize pirated products and take appropriate civil and criminal actions.

"We institute measures to inhibit camcording in theaters. We work with governments to institute laws and policies to protect not only Hollywood films but all intellectual property. We have created a set of policies and procedures for the use of our content in production and distribution. Finally, we believe strongly that consumer education campaigns such as the excellent anti-piracy ones being implemented in India, are an important way for people to learn the damage that is created by piracy," she said.

(With inputs from Shashidhar Nanjundaiah.)

'This is a long-term play for us'

SHASHIDHAR NANJUNDAIAH, managing editor of the Indian Express (North American edition), had a freewheeling interview with **RICHARD FOX**, executive vice president, International, Warner Bros. Entertainment, on the Hollywood studio's experience thus far in Bollywood and its plans for India.

■ **Chandni Chowk to China (CC2C) is Warner Bros.' first foray into Bollywood. At this time, how many Bollywood films is your company committed to releasing?**

It's our first Bollywood film that we've distributed outside India. Our first film, *Saas Bahu Aur Sensex*, was much smaller and was released only in India last fall. This is more of a tent-pole. We will probably have five more films this year, though not of the scale of CC2C. This is a long-term play for us. We hope to keep making movies in India for many, many years.

■ **How has Warner Bros.' experience been in dealing with the nuances of Bollywood? For example, Bollywood is typically close-knit, functioning more like an extended family rather than as a corporate.**

It has been a terrific experience. We knew this would be a learning experience for us. It's a complex market with many languages and many challenges. We rely heavily

on our local executives, led by Blaise Fernandes. Our philosophy when we go into a market (and we have nearly 250 local language films from France, Italy, Spain, Germany, Mexico, Brazil, Japan and China under our belt) is not to impose an American way but to exchange ideas, techniques and collaborate.

■ **How has Warner Bros.' experience been overall, considering it was preceded by a lawsuit against Hari Puttar?**

That was 2008, it has not had any effect.

■ **Can you describe your major Bollywood-related projects in the pipeline, and future plans?**

We expect to have five more films this year alone. We have deals in place with a number of producers (including a three-picture deal with CC2C's director Nikhil Advani) as well as dozens of projects in development. We are also making movies in the south in Tamil and Telugu.

■ **Anything else you'd like to add?**

I would just remind you that our company has been in India for more than 60 years, distributing our American movies there. Currently, imported movies represent a mere fraction, around five percent I believe, of total box office in India. It

makes sense to try and capture some of that 95 percent of the moviegoers. We are very excited about this and very proud of CC2C.

