



Movies @
Home

The online movie rentals business is growing rapidly in India, with several new companies having started operations. A report by **Aradhana**.

THE going for movie buffs in India has never been better. While cable TV and DTH (direct-to-home) operators slug it out, offering the best of services to customers, online DVD rental companies are slowly stealing the show. The business of online movie rentals is booming, drawing in the big boys of entertainment, who are investing huge sums in the home entertainment sector, which is all set for a makeover.

Says Kamal Gianchandani, coo, BigFlix.com, one of the leading players in the online movie rental business, and part of the Anil Dhirubhai Ambani Group (ADAG): "Entertainment has proven to be a fairly recession proof industry, as in the midst of a slowdown people seek escapism. What better than hiring a movie to chase away their woes."

An analyst points out that the value proposition that the new players bring to the table is convenience in the process of renting movies. Subscribers can order/queue the movies they want to watch, which saves them the hassle of going to a movie rental shop and browsing through loads of photo albums with film covers. The consumer can browse the online library, making the task of selecting movies easier.

The movie rental company will deliver the film (in DVD/VCD format) by courier to their home or office. In fact, the company even arranges to collect back the same.

Many venture capitalists have been attracted by the buoyant sector. The online movie rentals business has a clearly defined and proven revenue model and there is a huge demand for movies in India. With the growing popularity of broadband connectivity – and an increasing number of Indians opting for online bookings of air and railway tickets and even indulging in online shopping – consumers are eagerly accepting newer services available on the net.

"This business is bound to do well as the costs associated with out of home entertainment are increasing," explains Gianchandani. "Simultaneously, with a multitude of films being released, the shelf life of the movies is decreasing, so viewers like the idea of renting a movie."

The larger players in the business include Seventymm, BigFlix, Nimbus's Showtime, Moviemart, Clixflix, Cinebox, CineSprite and Catchflix. Seventymm is among the older players in the industry and has been in the business for the past two years. It has a subscriber base of more than 70,000 customers.

Says Subhanker Sarkar, coo, Seventymm: "The household DVD penetration is increasing steadily and today nearly 50 million households have their own DVD sets. It is estimated that by the end of 2012, this will more than double."

The demand for online movie rentals is being driven by the sales of DVD players. Entertainment is increasingly becoming homebound and by 2012 this business has the potential to reach a turnover of \$3 billion. Buoyed by these numbers most online movie rental companies are in for a major expansion drive. For instance, MovieMart, which had earlier restricted its rental services to Delhi and the National Capital Region (NCR), has now launched services in 300 cities in India and is planning to expand its customer base to one million in the next five years.

It has also tied up with TNT, a logistics company, to enable delivery of DVDs to its customers. Earlier, MovieMart used



KAMAL GIANCHANDANI: Recession-proof business

Even if consumers buy these movies, the habit of viewing movies at home is being encouraged; so we welcome the initiatives of these players.

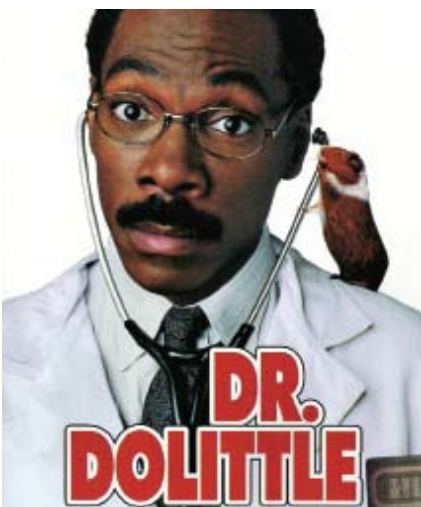
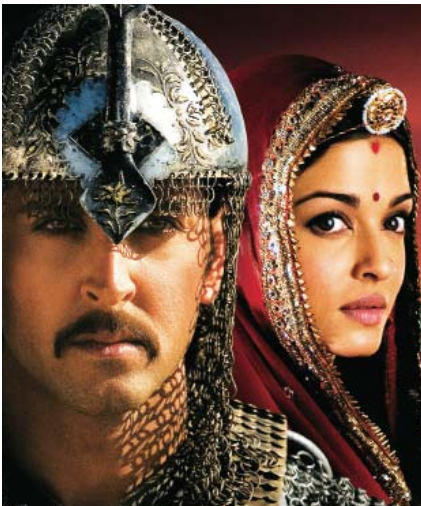
to handle the delivery on its own. The company has around 10,000 customers. Says Suresh Mansharmani, chairman, MovieMart.in: "Currently, MovieMart is based on an online model, but we have plans to take our services offline in cities where we expect an increased demand." It is planning to set up company-owned outlets in Mumbai, Bangalore, Chennai and Kolkata, and is also looking to set up outlets in Tier II cities using the franchise route.

Seventymm, which is currently present in Mumbai, Delhi, Chennai, Hyderabad, Bangalore and Chandigarh, is planning to expand its network to cover Kolkata, Ahmedabad and Pune by the end of 2008. It aims to be in the top 40 cities, by the end of 2009. Says Sarkar: "We will

invest \$15 million and target four million customers over the next five years." Nimbus' Showtime plans an investment of \$35 million over the next three years. The company will open 140 stores in 40 cities in the next one year and is aiming at 500,000-750,000 subscribers in the first year itself. BigFlix, which has 95 stores today, plans to more than double them to 200 by the end of this financial year.

Many in the DVD rental business realise that online stores would be more popular than physical ones. Says Gianchandani: "Once the customer visits the store, he is introduced to the benefits of online service, as that is where he would gradually move to." According to Sarkar, "The physical store would have a market only as long as broadband penetration is low

CATERING TO A WIDE VIEWERSHIP: Consumers have a wide choice of films to select from





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AND NOW DOWNLOAD MOVIES

THE online DVD movies rental business is a relatively new one, with the likes of Netflix and Blockbuster Video, both from the US, dominating the segment. But already, the industry is facing formidable challenges, with digital video download services likely to make it redundant.

The digital entertainment business is in a constant state of flux, with new technologies replacing older ones. The movie rentals business, which got a boost after the introduction of films on DVDs, is now facing stiff competition from companies that plan to stream films directly on to your television sets. Interestingly, Netflix, which has nearly seven million subscribers in the US, is among the top three players in this new business, the other being Amazon (the e-retailing giant) and Apple.

Netflix aims to stream 10,000 of its titles to subscribers who have the Roku and the Xbox 360. Amazon has launched its video-on-demand service, offering to stream 40,000 movie and TV titles to internet-connected Sony Bravia TVs and other devices. Apple, which revolutionised the PC and music business – with its Macintosh and iTunes respectively – now plans to do the same to movies through its Apple TV, set-top boxes that pipe iTunes directly to the TV sets. It plans to rent or sell 50,000 movies a day through iTunes. About

half a million Apple TVs were sold last year. When movies are streamed into the consumer's living room – into a television set, a set-top box, a games console, or some other device – where it cannot be copied and reproduced, it will save a lot of bother of making an online purchase, couriering the DVD to the subscriber and getting it collected.

Some direct-to-home (DTH) operators in India offer a limited number of movies to subscribers, but the consumer has no choice. Only the movies that are being screened can be watched, unlike renting out DVDs from a vast collection.

Digital video downloads will transform this business, offering a huge repertoire of films to subscribers. The new technology has excited several other players, including Hewlett-Packard and TiVo. Game consoles are also emerging as devices through which subscribers can access movies. Companies like Sony and Microsoft are eyeing this segment, hoping to cash in on the growing popularity of streaming videos through the devices. Sony has launched its video service for the PS3, while Netflix is streaming videos through the Xbox 360.

The movie rentals business will grow rapidly, though the media – DVDs, cable or internet – will keep changing, making life simpler for consumers.

in India. Even now, almost 70 per cent of members prefer using the online store." As the market gets increasingly competitive, existing players say service will be the key differentiator. BigFlix, in fact, plans to start a call centre for queries or issues that the customers may have. What is the business model that these companies employ? Says an analyst: "The business model is of course revenues from rentals of VCDs/DVDs. It can be expanded to selling books/music/movies online." Currently the biggest cost for an online rental company is of 'rolling stock,' which is the cost of VCDs/DVDs. Many of the firms aim to get customers to subscribe to monthly unlimited packages.

Customers can choose online movie libraries as it offers the convenience of ordering from home, and also ensures better print qualities. In addition, customers also have the advantage of ordering online, through phone or through sms, and are able to queue requests.

But with rental libraries in the unorganised sector operating in many neighbourhoods, won't the organised players face a major challenge? "It is a big challenge, but with the industry making a concentrated bid to weed out piracy, I'm sure we should see some good results this year," says Gianchandani. With many leading companies like Moser Baer and T-Series selling DVDs and VCDs of films at relatively low costs, it could again affect the business model of movie rental companies. Sarkar of Seventymm says, "Right now we are all trying to grow the market. Even if consumers buy these movies, the habit of viewing movies at home is being encouraged; so we welcome the initiatives of these players."

Another hindrance could be that the authorised DVDs take a long time to be released and some customers opt for pirated versions. Says Sarkar: "The time-lag between a theatrical and a DVD release has come down from six months to between one-three months today. So we are quite optimistic about customers wanting to stay with us."

These are exciting days for the online movies rental business in India, as thousands of fans discover that it is indeed more convenient to stay at home and watch high-quality DVDs, than having to venture out on a much awaited weekend. 🌈