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Brands and the big screen

Advertisers are waking up to the potential of in-cinema advertising as the clutter on other media grows. Digitisation and transparency have helped

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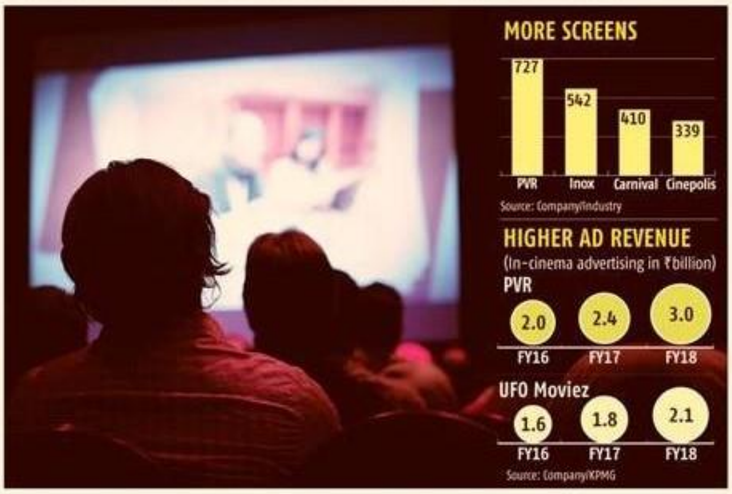

While calendar year 2018 has been a trying period for multiplex exhibitors, what with ticket and food prices becoming a political flashpoint between state governments and theatre owners, the growing revenue from in-cinema advertising has been a cause for cheer. A recent report on media and entertainment by KPMG said that in-cinema ad revenues rose 23 per cent in the financial year 2017-18 (FY18). The report also says that the segment has the potential to grow in the future, provided advertisers shed their inhibitions around the medium. Some appear to be doing just that.

Despite the increase seen in in-cinema ad revenues during FY18, barely 20 per cent of brands opting for an audio-visual medium to advertise, do so on the big screen, said KPMG. Exhibitors, the report said, are using only 20 per cent of their ad inventory, implying there is room for growth. Also, the total expenditure on in-cinema advertising is just 1-2 per cent of the total ad spend by brands, pointing to its future potential. Brands are enthusiastic about the medium but are often held back due to logistical and procedural issues involved.

For the film industry, earnings from in-cinema advertising add to its ancillary revenue basket. If the sale of digital rights to over-the-top (OTT) players are included in the list, the share of the ancillary revenue pie will grow, experts said. For multiplexes, in-cinema advertising opens up another big non-ticket revenue stream apart from food and beverages (F&B). According to KPMG, F&B and in-cinema advertising are the fastest growing revenue streams for multiplexes, contributing around 35-40 per cent to their overall revenue.

"In-cinema advertising expenditure in India is growing at a CAGR of 15-17 per cent. This is second only to growth seen in digital rights revenue and higher than the overall average growth seen in ancillary revenues," says Gautam Dutta, CEO, PVR Cinemas. Industry experts say that PVR, a key in-cinema advertising player, generated revenue of ₹3 billion from the segment in FY18.

UFO Moviez, another key in-cinema advertising player, says its business from the segment rose by a CAGR of 25 per cent to ₹2.13 billion in FY18, a three-fold jump in five years. KPMG says that total revenue from in-cinema advertising of all multiplex operators and digital distribution platforms (such as UFO Moviez) in FY18 was ₹9.5 billion. PVR and UFO's contribution alone constitutes 54 per cent of the pie. While the two players could improve their contribution in the coming years, rivals are eyeing the space. The jump has come about as exhibition infrastructure has grown, number of multiplex screens has increased at 8-9 per cent a year. And advertiser interest has also inched up.

"In-cinema advertising enables advertisers to deliver a targeted campaign in selected geographic areas, for specific weeks around key movies to suit their captive audience and marketing calendar," Siddharth Bhardwaj, chief marketing officer and head of enterprise sales, UFO Moviez, says. According to him, advertisers have become more confident with the medium after having abandoned it for a few years, because there is more transparency in transactions due to digitisation of processes.

"Cinema is next to religion in India and the big screens have the potential to captivate and make an impact on the audience. Moreover in today's cluttered and often self-controlled media environment, cinema offers you un-interrupted viewing of your commercial to the right audience," says UT Ramprasad, head (marketing communications), Tata Motors CVBU, which advertises with UFO Moviez.

According to Dutta, earlier (pre-multiplex era) cinema as a medium of advertising was an afterthought among marketers, coming last on their priority list. With the advent of multiplexes, exhibitors offer advertisers greater bang for the buck. The ad revenue model comes with many layers and can be used to leverage both above-the-line and below-the-line solutions.

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"Today revenue streams are multilateral which are essentially divided between on-screen and off-screen models," Dutta says and adds, "For PVR, at present, ad revenue (in-cinema advertising) contributes on an average 13 per cent of overall sales turnover. It's pivotal to our business economics and its dependence has significantly increased. It contributes almost 70 per cent of our EBITDA margin today. Looking back two years ago, ad sales contribution to overall revenue was at the level of 10.8 per cent whereas its EBITDA contribution was at the range of 58 per cent approximately." EBITDA margin is a measurement of a company's earnings before interest, tax, depreciation and amortisation as a percentage of its total revenue.

Advertisers are drawn not just to the expansion of opportunities in the space, they are also reassured by the digitisation that has enabled a more transparent transaction mechanism. Earlier if an advertiser wanted to advertise he needed to speak to screen owners individually and send everything physically to them. Also, most brands had to start planning at least 10 days before the campaign was to hit other media, if they wanted an in-cinema release. Now it takes less than three hours. Earlier campaigns were stipulated to run for a month and the film or insertion had to be a minute long. Today there are no restrictions, ads can run for couple of days, weeks and they can be 5-15 seconds long, sector experts said.

Bhardwaj says that in-cinema advertising works better because the audience does not have remote power. Besides, multiplex viewers are young. Nearly 80 per cent of the audience is in the age group of 15-35 years, which makes this medium an attractive one for a cross-spectrum of players including companies in automobiles, consumer goods, media, telecom, retail and electronics.

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