



Will single-screen theatres in India become history?

Mumbai, known as the entertainment capital, has seen many single-screen theatres shut shop. The list will soon include Chandan Cinema, which is likely to reopen with multiple screens.

Just before 2018 came to an end, an 80-year-old theatre screened its last show on December 31. Bengaluru's Rex theatre on Brigade Road has met the same fate as many other single-screen theatres like Empire, Liberty, Galaxy, among others.

Mumbai, known as the entertainment capital, has seen many single-screen theatres shut shop. The list will soon include Chandan Cinema, which is likely to reopen with multiple screens.

According to a 2017 KPMG report, on an average 3-4 percent of single screen theatres have been closing every year. Some media reports estimate that as many as 250-300 single-screen theatres have pulled the shutters down in last five years.

So, why are single-screen theatres shutting shop?

Talking to Moneycontrol, Rajesh Mishra, Chief Executive Officer, India operations, UFO Moviez, who believes cinema is a business of passion, said: "First of all the way the entire cinema industry and the regulation is structured it is all state level. While they are under a central act the Cinematograph Act, every state has the right to frame their rules and regulations. And every city town has their own licensing authority so what is happening is that they have moved on to a sort of over regulation the way I see it.

"Today they (cinema owners) have to get their licenses renewed on a yearly basis that becomes a challenge. I am not saying don't put the rules in place but there can be a single window clearance which will be a great boon. Depending on the city you operate in, you could meet up to 50-90 permissions. I am not talking about those who are running 400-500 screens. So I hope they de-regulate it and bring it under one umbrella," he explained.

In terms of government support for single-screens, he said: "The government needs to support single-screens by way of some form of tax holiday or subsidies so that they are able to reposition themselves. How the multiplexes were helped in the beginning they had 5 year holiday. If something like this is given to single screen like a three year holiday then it will really allow them to come up and improve themselves, there should be some ease of business in the cinema space," added Mishra.

Presenting another view on the difficulty of running single-screen theatres, Preetham Daniel, Senior Vice President-Asia, Harkness Screens, feels there are two reasons behind it. First, this was run by an older generation (single-screens) and the second and important reason is real estate.

"Some of the properties on which they are located are prime properties. Rex had been dabbling on the fact of converting into a retail sort of format for the last 4-5 years or even longer. They have had other challenges which now they have overcome. So, it is not even a fresh start of shutting down. It is a 5-6 year old thought. Real estate has become such a prime property that running a cinema business in that format doesn't make sense. Some of them have converted into shopping malls," Daniel said.

He opined that in order to compete against big multiplex operators, they need to invest in upgrading screens.

"One way for single screens to adapt is to provide the best movie viewing experience. Single-screens have to invest in upgrading screens. I have walked into theatres where screens are 14-years-old. The life of a screen is 4-5 years old. They have to focus on maintaining the carpet, quality of ushers, etc. As the standards have shot up, single screen owners have to raise the bar," he said.

According to a 2018 EY report, single-screen cinemas have reduced from 9,710 screens with 91 percent share of total screens in India in 2009 to less than 71 percent share in 2017 with 6,780 screens.

At the same time, multiplexes have grown at a steady rate of over 10 percent over last three years due to rising urbanisation resulting in higher footfalls, higher propensity to consume films with rising per-ticket realisation, operational synergies and a shift to experiential led film watching by the Indian audience, the report added.

Another challenge for single-screen theatres according to Daniel is "how to get consumers out of their house to watch a movie as people are watching content on OTT platforms. Consumer behavior and expectations have changed – earlier we used to go for movies only to watch movies but now people expect parking space, they would also go for shopping or maybe dinner. This requires multiplex or shopping mall kind of setting."

UFO is doing its bit in bringing about a transformation in the cinema space. The company came up with the concept of Nova Cinemas which is an asset-light franchisee model. The model has been envisaged to stabilize the demand-supply gap in the local cinema business. It encourages local entrepreneurs to own and operate NOVA branded theatres in various parts of the country. The arrangement includes the franchisee making the primary investment, and then UFO ensuring that the theatre is set up at a competitive cost.

Throwing more light on this concept, Mishra said: "We started Nova Cinemas with a view to increase the screen density across the country what we have seen is that lot of people want to invest in cinemas but for a variety of reasons they shy away from it. One is over regulated environment. There are stories of national cinema chains not opening up for one-two years because of licensing issues. Here we thought of this as an opportunity to walk on both sides of the fence wherein we are able to help land owners or investors to get into the cinema business and help them across the

spectrum of designing the cinema, guiding them on the licensing issues and even going forward having a scenario help them at the operational level also. And the way we wanted to do this was make them a partner with us. And ultimately after we have reached a mass of 50-60 cinemas we wanted to go for franchise route as a model."

He also said that Nova Cinemaz helps in revamping single-screen cinemas and get their bearings right. Last year, Nova Cinemaz refurbished Nagpur's iconic single-screen cinema Rajvilas Talkies.

Nova Cinemaz is now present in 13 cities with 26 screens, across India.

So, does this mean single screens have a chance to survive in India?

"In the long-term, it will not be a multiplex scenario because there are certain good single screen theatres like New Excelsior, Liberty which will continue. Single-screen theatres will survive. In the smaller towns also, single screens are surviving. But they have to change," he said.

On the other hand, Daniel offers a different opinion. According to him, "There is short-term and long term future for single-screen theatres. In the short-term you are going to see single-screens still alive in the long-term we still see the debate that multiplexes will take over the business," he said.

But presently, what is helping single-screen theatres stay in the game?

Digitisation has helped cinema space as whole but single screens have been huge benefactors of this change. So, before digitization to advertise in individually owned theatres an advertiser would have to meet that many theatre owners. This changed after digitization as companies like UFO Moviez and Qube centrally perform the selling, display and serving of advertisements to their respective networks.

Explaining this further, Mishra said: "We have helped single-screens with the entire investment in equipment, maintenance and replacement of the equipment. So that they start getting the films in the digital format. The way we are able to do this is by aggregating the cinemas under one umbrella for the purpose of selling advertising."

According to Daniel, lower taxes and rise in ticket prices are boosting the single-screen theatres.

"Tax has actually gone down. There was a point when Bangalore had a 70 percent entertainment tax. The tax structure for entertainment before GST was anywhere between 20-75 percent. And when GST came in it (tax) came down to 28 percent bracket and that got revised a month ago to 18 percent bracket. Tax has definitely come down. The ticket prices have substantially gone up. When 8-10 years ago I was working on financial business models, we used to take an average ticket price of Rs 100 and in about 8-9 years, we are looking at Rs 200 average ticket price. From a percentage growth, we have seen average ticket prices gone up substantially and taxes have gone down. In case of Karnataka, tax has gone down from 70 percent to 18 percent. The lowest tax was 25 percent, which was Chandigarh," said Daniel.

He also said that “the strongest component single-screens have is that they have the real estate to have the largest screen which is not something a shopping mall can provide today. They have to understand what their USP is and play to their strengths. And play to their strengths by putting in technology, the right projection system, the right sound system, good seats. If these things are taken care of then single-screens can stay in the business and people would still go to single-screens to watch movies.”

Whether online video platforms are a threat to the movie business, Mishra said: "I strongly believe that OTT (over the top) will grow the system. Look at the sheer number of talent coming on OTT platforms- the actors, directors, production houses, etc. These are all your future filmmakers."