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Indian Multiplex: Drivers for Growth in Tier-2 and Tier-3 Cities

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Abstract: **- Being India is one of the highest spending and fastest growing advertising market globally, has a wide scope for expansion of multiplexes. The Indian market is currently dominated by the four major players in multiplexes. A multiplex is a multi-screen entertainment complex projecting different films in same time under one roof with other supporting businesses such as food courts, shopping, video games, etc., Indian cities are classified based on the size of population, income levels, infrastructure in X, Y, Z categories. There is more room space for development of multiplexes in tier-2 and tier-3 cities as people from different streams with capability in spending amount for recreation are ready to enjoy the experience of multiplexes. There are key benefits to look for tier-2 and tier-3 cities in business development and drivers for growth are discussed in this paper.**

Key Words: **Multiplex, Entertainment, Cities, Recreation, Growth Drivers.**

I. INTRODUCTION

Multiplexes are being the significant growth opportunity for the film industry. India is in need of 20000 screens to cater the needs of entire movie viewing population. But only 2000 screens across the country are available as of now. Being India is one of the highest spending and fastest growing advertising market globally, has a wide scope for expansion of multiplexes. The Indian market is currently dominated by the four major players in multiplexes. Of those, PVR Cinemas leading with 516 screens followed by INOX Leisure limited with 420 screens, 341 screens by carnival cinemas and Mexican chain Cinepolis positioned with 215 screens.

A multiplex is a multi-screen entertainment complex projecting different films in same time under one roof with other supporting businesses such as food courts, shopping, video games, etc., In olden days people use to watch a movie in the evening or in selected show timings of maximum four shows a day. Time being, it has been changed with the emergence of multiplexes as people can go and watch movies at about anytime and find something to watch. It is not so simple to just watch a movie and come back home now-a-days. During weekends people especially prefer to shop, eat and play along with watching movies.

II. CLASSIFICATION OF CITIES

Indian cities are classified by the Government of India based on the recommendations of sixth central pay commission and Reserve Bank of India, population census to allocate House Rent Allowance (HRA), Compensatory City Allowance (CCA) to public servants in 2008. Earlier the cities are classified into A-1, A, B-1, B-2, C, Z depending on the infrastructure available, population living, etc., Later it has been categorized into X, Y, Z and are commonly referred to Tier-1, Tier-2, Tier-3 Cities respectively.

The Reserve bank of India classifies centers into 6 tiers based on population as follows:

City Classification	Population
Tier-1	1,00,000 and above
Tier-2	50,000 to 99,999
Tier-3	20,000 to 49,999
Tier-4	10,000 to 19,999
Tier-5	5,000 to 9,999
Tier-6	Less than 5,000

Classification of cities based on population (group wise) by Reserve Bank of India as follows:

Name of the Centre	Population
Rural Centre	Up to 9,999
Semi-Urban Centre	10,000 to 99,999
Urban Centre	1,00,000 to 9,99,999
Metropolitan Centre	10,00,000 and above

Tier-1 Cities

The following are the cities that cover under the Tier-1 classification which are highly commercialized and having a population of above 10,00,000 with better infrastructure:

- Ahmedabad – 72,50,000
- Bangalore - 84,43,675
- Chennai - 46,46,732
- Delhi - 1,63,68,899
- Hyderabad – 68,09,970
- Kolkata – 44,96,694
- Mumbai - 12,442,373
- Pune – 31,24,458

Tier-2 Cities

The following are the cities that cover under Tier-2 classification which are basically smaller compared to the metropolitan cities and usually the regional hubs such as state capitals or industrialized centers now looking for growth:

Agra, Ajmer, Aligarh, Allahabad, Amravati, Amritsar, Asansol, Aurangabad, Bareilly, Belgaum, Bhavnagar, Bhiwandi, Bhopal, Bhubaneswar, Bikaner, Bokaro Steel City, Chandigarh, Coimbatore, Cuttack, Dehradun, Dhanbad, Durg-Bhilai Nagar, Durgapur, Erode, Faridabad, Firozabad, Ghaziabad, Gorakhpur, Gulbarga, Guntur, Gurgaon, Guwahati, Gwalior, Hubli-Dharwad, Indore, Jabalpur, Jaipur, Jalandhar, Jammu, Jamnagar, Jamshedpur, Jhansi, Jodhpur, Kannur, Kanpur, Kakinada, Kochi, Kottayam, Kolhapur, Kollam, Kota, Kozhikode, Lucknow, Ludhiana, Madurai, Malappuram, Malegaon, Mangalore, Meerut, Moradabad, Mysore, Nagpur, Nashik, Nellore, Noida, Patna, Pondicherry, Raipur, Rajkot, Rajahmundry, Ranchi, Rourkela, Salem, Sangli, Siliguri, Solapur, Srinagar, Surat, Thiruvananthapuram, Thrissur, Tiruchirappalli, Tiruppur, Tirupati, Ujjain, Vadodara, Varanasi, Vasai-Virar City, Vijayawada, Visakhapatnam, Warangal.

Tier-3 Cities

All the other cities in India are under tier-3 classification. Those are such cities under formation stage and comprising population of less than a million. These cities are having a large scope for development.

III. BENEFITS OF TIER-2 AND TIER-3 CITIES

The following are the key benefits that are pertained by the Tier-2 and Tier-3 cities:

- Essentials are available and are affordable in creation of Special Economic Zones, promotion of small towns in to cities in future.
- Required facilities are provided by the respective state governments in terms of infrastructure, capital support in setting up of industries ranging from real estate to pharmaceuticals, financial institutions to automobiles, IT and IT Enabled Services.
- Due to lack of space available in the metropolitan cities, companies from industries such as IT, ITES, BPO's, Automobiles, Hospitality, Aviation and other industries in service sector are eyeing on the smaller cities that had state of the art facilities, office space, better infrastructure and skilled man power.
- As housing is affordable, real estate is in booming state in the Tier-2 cities with the positive approach from Government, availability of man power, property in reasonable rates.

LEADING THE SHOW

Company	Revenue FY15 (₹ crore)	Cities FY 15 (nos)	Screens FY15 (nos)	Additions average/ year (nos)	Average ticket price (₹)
PVR	1,485	43	464	43	177
INOX Leisure	1,016	52	372	28	164
Carnival Cinemas	850	89	327	60	140
Cinepolis	na	35	217	75	176
UFO Moviez	479	1,400	4,932	300-400	na

Note: The model for vendors of digital screen technology such as UFO and Real is completely different from that for PVR or Inox. They are included only for an overall perspective. Carnival's revenues are an estimate for FY 2016
Source: INOX Investor Presentation, Company websites and annual reports

SCREEN PRESENCE

	US	China	India
Films released	707	342	1,778
Tickets sold (mn units)	1,268	830	1,930
Total screens (units)	40,158	24,317	10,167
Screen density (per mn people)	125	17	8
Average ticket price ($)	8.17	5.5	2
Box office gross ($ bn)	10.4	4.8	1.7
Other revenues ($ bn)	26	0.3	0.4
Total film revenues ($ bn)	36.4	5.1	2.1

Source: Variety.com, IHS, MPAA, Film Federation of India, Inox Investor Presentation, EntGroup

Over the years, multiplex chains such as PVR Cinemas, INOX Leisure Limited have grown at a fast pace. The initial growth that came from metros and from large cities is now plateauing. Focus of these chains has been diverted to tier-2 and tier-3 cities because of the development initiatives in such cities.

China had about 9000 screens in 2011 and when government decided to push investments into building screens, by 2014 it had about 24000 screens and the box office revenues have been doubled. It is now the second largest market in films after the United States. In India, the market size is of more potential but screens are about just 2000 and hardly at least 10000 screens are immediately enough to double the market revenues at box office spreading across the country but not restricting to Hindi, English, Telugu and Tamil genres. Major players in the market are even not able to tap the market in right time as there is more space to enter especially in the Tier-2 and Tier-3 cities. The single screen theaters that are existed in several cities are already in alarming stage with the emergence of multiplexes.

IV. GROWTH DRIVERS FOR MULTIPLEXES IN TIER-2 AND TIER-3 CITIES

- Demographic changes in terms of population, age, income levels are favorable to attract more room space for multiplexes.
- Expansion of the Indian middle class people with an increase in disposable income, multiple earning capabilities of the families also indicating scope for developing multiplex chains.
- Organized practices of retail industry.
- Quality of movies in different genres and changing life style of people.
- Change in the approach of people towards watching movies and spending money on recreation purpose also indicating a booming scope for multiplexes.
- Exemption/ Reduction of entertainment tax in some of the states also provide a scope for companies to look for growth.
- Increase in the source of revenues from multiple sources such as parking, food and beverages, video games, etc., also enables the companies to look for further expansion.
- Growth in the Indian film industry also leads the multiplexes to set up and expand.

V. CONCLUSION

Overall India is having a potential market to look for further growth in setting up of new screens and expansion, there are few pitfalls even from various state governments in the way they frame their policies towards films and multiplexes, delay in obtaining licenses restricting the players to meet the recreational needs of customers in right time.

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