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CASE STUDY

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A stich in time: the story of Konark Cinema

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Abstract

The case describes the dramatic journey of a movie theater 'Konark Cinema' from an oligopolistic to monopolistic competition, with an enormous opportunity to skim the market today. The primary concern for the owner and management is to revive the business in order to recover the huge losses, and to prepare the organization to meet the challenges from organized and unorganized sectors. The top management of Konark Cinema now has to focus on overhauling the company's strategy in order to improve service quality to achieve sustainable profitability. The issue requires urgent attention since as the overall company performance is deteriorating with every passing day making the situation even worse.

Keywords: Entertainment industry, Repositioning, Market dynamics, Competitive strategy, Differentiation

"The length of a film should be directly related to the endurance of the human eye. A good film is when the price of the dinner, the theatre admission and the babysitter were worth it". ~A. Hitchcock

Even after his retirement, Mr. Rameshwar Modak was holding the position of a manager at Konark Cinema, Rourkela, India and to due surprise his dedication for work was still strong even though he himself was in his 60's but today that smile was missing which was his mark when he joined the company. Rourkela, one of the most popular city of Indian eastern state of Orissa (now Odisha) which not only boasts of its very famous Rourkela Steel Plant (RSP) or one of the country's most premium educational institute National Institute of Technology (NIT) rather which also gave famous international personalities like Mira Nair who is the owner of Mirabai movie production house in New York, USA.

Background

Konark cinema was inaugurated in the year 1968 on 14th April in the proximity of Rourkela city: known as Bondamunda¹ and was formally known as "Rupam Talkies". Initially it was started as a partnership firm between Mr. K.C Singdeo and his three brothers. K.C Singdeo was the senior most IAS² officer and in local language his family was known as "The raj family" (the superiors or royals). The then chief minister of the state Mr. Biju Patnaik³ also helped in making this concept of movie hall really take a ground reality.

The reasons of shift from initial base

Two very important decisions taken by two eminent players of industry forced Rupam to move from the outskirts of the city towards the central town area. The first decision came from the steel plant which stated that they wanted to build a sector area for the residents of the city having good facilities and whose maintenance will be looked after by the plant itself. The second decision maker was “The Railways” which demanded that there was a huge requirement of land including the immense forest area for the development of yard at Bondamunda and hence forced Rupam to get transferred.

The business

Even though there were six movie halls in the city (see Fig. 1 for location), each one of them were generating a good amount of revenue and their collection was very good because they were not facing any serious competition in this business. During the period from 1985 to 1995, the theatres were able to release double movies at a time and boasted on their success but after 1995 when the so called internet technology started spreading its roots all over the country no one knew that it will severely damage the business of these movie halls and will create a break on their future growth.

The internet impact

Internet helped users download movies of their choice. This service was the mother of a very serious problem in the entertainment industry which later came to be known as “piracy⁴”. The CD/DVD-piracy groups started flourishing in the city like mushrooms and went out of administration’s control. India is ranked fourth in the world when it comes to Illegal downloads, behind US, UK and Canada. This is the finding of the



Fig. 1 Konark Cinema Hall- A Snapshot

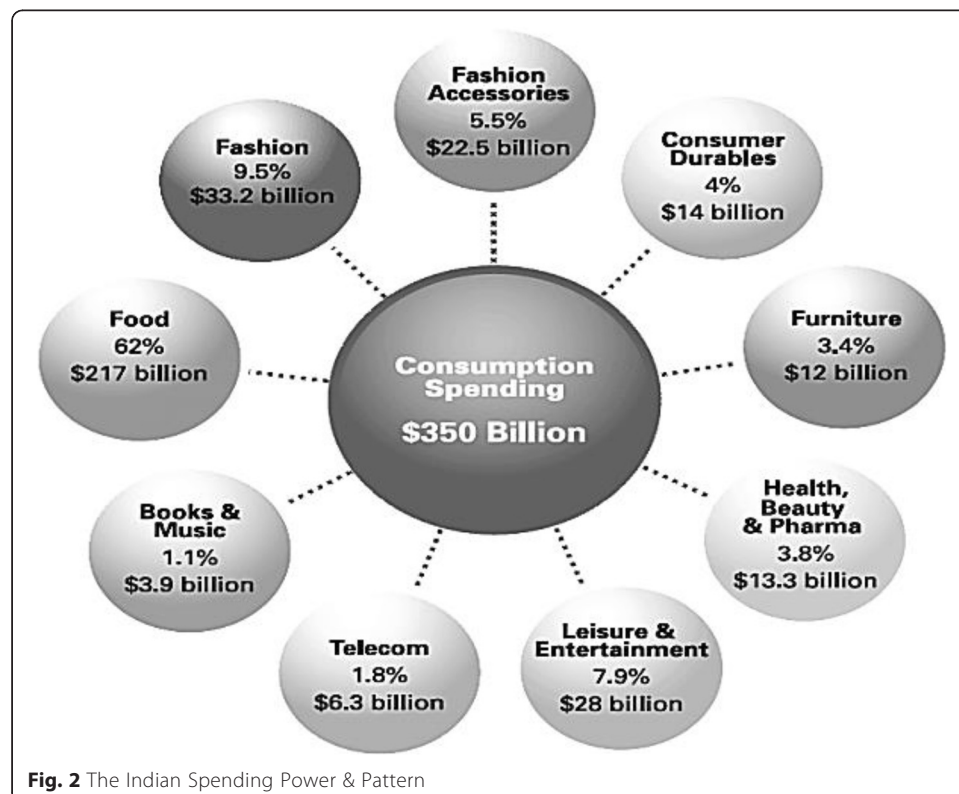
survey conducted by Motion Picture Distributors Association (MPDA) in conjunction with Envisional and DtecNet, two global firms engaged in providing software solutions to track and prevent piracy of digital content and online business.

The human capital

Since the day of its inception, Mr. Modak took charge of the company as a manager. Before joining the company, Mr. Modak completed his bachelor's degree in commerce stream from one of country's most prestigious and oldest college "Banaras Hindu University". Completing his education, he worked as an accountant in a company at city of Dhanbad (in state of Jharkhand, India). After sometime, he left the company and joined as a divisional office canteen manager in a company at Adra (in state of West Bengal, India) where he worked for four years. Following this he served as a secretary for three years of North Institute where railways ran movies.

India

A country not only famous for leaders fighting against corruption, the Rs 32/- per day expense rule defining new individual status for below the poverty line and extreme summer but also for its glorious history, culture, the never seen before promise for future development and Movies (see Fig. 2). The Indian film industry is the oldest and the largest in the world with over 1200 movies released annually. Many people, in today's day & age, remember the things that the British left for us. In a manner of speaking, the British paved the way for advancements in the fields of transport (Railways,

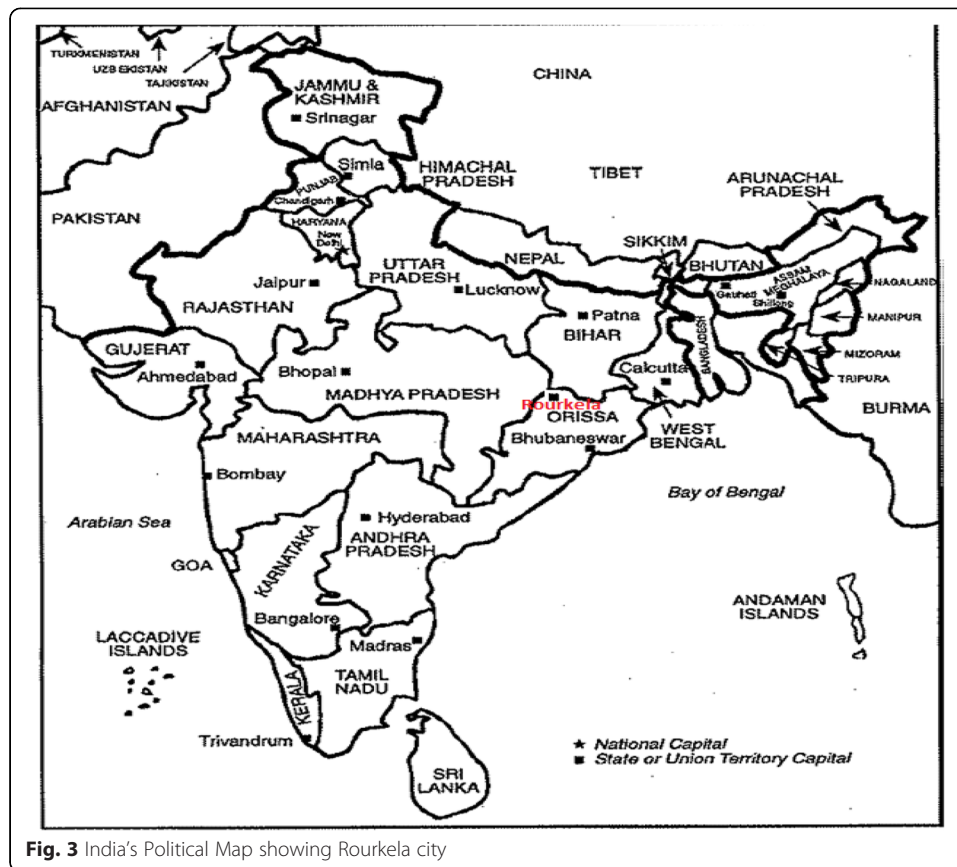


Airplanes & Cars), religious justice (banning practices like Sati & Child Marriage), administration etc. But, most people ignore the biggest contribution that they made to the Indian common man. The two major gifts the British bestowed upon the Indians are, without doubt, Cricket & Cinema. Over the years, India has made over two hundred thousand movies. So, one could understand the magnitude of the task at hand. Bollywood actors are very much popular not only in India, but also they are sharing same amount of popularity outside their boundaries too. They are treated like demy-gods by their admiring fans. Bollywood actors are no way less favourite than Hollywood actors. Because of the increasing popularity of Hindi films, they are now widely recognized in Western countries too. Another important thing that has made Indian actors much popular is that Indian films are male-oriented. They play the most important role. The majority of films are made in the South Indian languages mostly Telugu; Tamil and Malayalam, but Hindi films take the largest box office share. Mumbai (earlier Bombay), Chennai (earlier Madras), Kolkata (earlier Calcutta), Bangalore and Hyderabad are the main film production centers. With more than 12000 cinema halls, the Indian film industry turns out more than 1000 films a year to hugely appreciative audiences around the world. The history of Indian Cinema can be traced back to 1896 when the famous Lumiere Brothers' of France demonstrated six soundless short films in Bombay. By 1899, Harishchandra Bhatvadekar made India's first short film. This was one of the major milestone in Indian Cinema. As a country of immense diversity it balances everything, not only its interiors but also sets international examples.

Even then via a recent world survey it was conferred to be the most satisfied people's place on earth. People who are very optimistic (according to the Nielsen Global Survey of Consumer Confidence and Spending Intentions, 2011) and the reason stated for this was: people here are very much inclined towards entertainment. Indians are by default peace loving. Entertainment in India has many forms but movies grasp a stronghold of this segment and its strength can be determined by the statement that, "Every year in India more than thousand movies are produced and it stands second to none in terms of movies production". Apart from all this, the other regions of country are consumers of movies if not the producers. The eastern part of India reserves a special place in world history because of the city of Kolkata which was the first capital of British India. Just shifting a bit away from Kolkata, the city of Rourkela (meaning My Village) is present.

Case description

The steel city of Rourkela (see Fig. 3 for geographic location) is divided mainly into two sections: Old Rourkela (sections of the city near the railway station that were settled prior to RSP coming up) and the much larger Steel Township. The Steel Township till 1999 was divided into 18 Sectors, Sector 6 being the largest of them. The 23 kilometers long Ring Road, connects 18 sectors and some other parts of the steel city including old Rourkela. The Steel Township & Fertilizer Township are under the Steel Plant Administration while the other sections of the city are under the Rourkela Municipal Committee. Some rural areas of South Rourkela are managed by the Jalda Panchayat. Civil Township is very commercial area and hub to the business of Western Orissa.



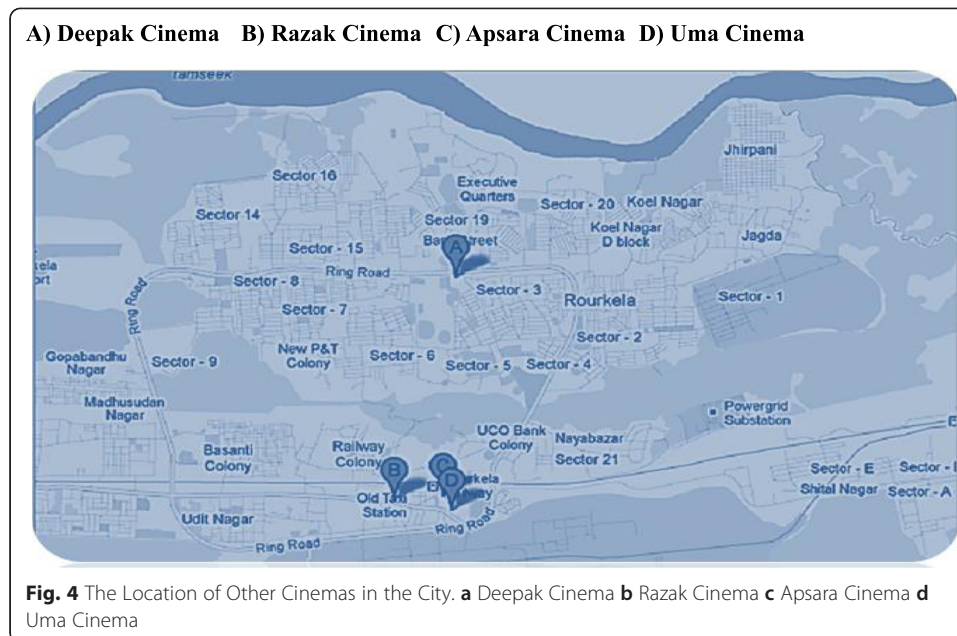
The good residential areas are Basanti Colony, Area 7 & 8, Koelnagar and Chennnd Colony.

Due to the presence of steel industry and being an industrial area, the temperature of Rourkela remained extremely hot throughout the year except for the months of December and January. There were six (apart from Konark) movie halls in the city (see Fig. 4) namely Deepak, Razak, Uma, Lila, Manjari and Apsara. The last one “Apsara” was located very near to the railway station and hence got a customer base of even those individuals who had to wait for boarding the train at station for more than two hours. Hence no doubt it was generating good revenue not only from the residents but also from the out-stationers.

Demography of the city

As of 2011, India census, Rourkela had nearly 7 lakhs of population. Males constitute 54 % of the population and females 46 %. Rourkela has an average literacy rate of 75 %, higher than the national average of 72 %. Male literacy is 81 %, and female literacy is 69 %. In Rourkela, 12 % of the population is under 6 years of age.

- ✓ Density of Population - 6696 per km². approx.
- ✓ Sex Ratio - 835 Female per 1000 male.
- ✓ Per Capita income - Highest in Orissa.
- ✓ Population (Census 2011) - 7 Lakhs approx.



- ✓ Main Habitations in Rourkela: – Civil Township, Koelnagar, Chhend Colony, Uditnagar, Steel Township (Eighteen Sectors), Fertilizer Township, Industrial Estate, Basantinagar, Jhirpani, Jagda, Panposh, Vedavyas and Kalunga. (See Table. 1 for Entertainment Hotspots at Rourkela).

Konark cinema

To run shows, the company purchased projector from Moscow. During initial days the workforce was not very large and in the late year of 2012 the employee strength was twenty-two in number. This strength included people who were either operators, gatekeepers, ticket-checkers or cleaners. There were three projector operators in the hall who worked on a time shift basis. Mr. Kinkar Modak was an operator who joined the company in the late 1990's and was the younger brother of Mr. Rameshwar Modak. In his young age, Rameshwar Modak signified the persona of a daring and risk taking individual who was not afraid of anyone. By the year 1989, one more person Mr. Mohan Sunder Mishra joined the company who did his studies till intermediate level. He mainly looked towards the financial works of the hall.

Twice or thrice, Mr. Rameshwar Modak helped local police in getting catch-hold of large number of pirated CD/DVD dealer networks in the city as he realized that piracy⁵ was hampering his business. Black ticketing was rising day by day which was operated and monitored by some criminals who used to purchase tickets from the counter at Rs. 30⁶ but sold to customers at three times higher price. These criminals had very high level of political linkages. The frequency of this activity used to increase on the opening day release of popular and awaited movies. All this activity was carried out in presence of city police.

Rameshwar also used to slap these black ticketers when he saw anyone of them indulged in this activity. Due to his heroic efforts and being not aware of the facts that these dealers not only possessed intense links at domestic level but also indirect international networks, Rameshwar got number of threatenings and was also attacked with a sharp knife but survived. At last Mr. Rameshwar retired in the year 2000 but

Table 1 Entertainment Hotspots at Rourkela

There are a number of places where the city residents can visit along with their entire family and can discover the true meaning of comfort, entertainment, peace and enjoyment.

Hanuman Vatika: It is a major attraction for the locals and visitors to the town. A 74.9 feet (23 m) tall full-fledged Hanuman statue welcomes the visitors to the steel city. Sri Laxmana Swami was the architect behind the statue. The Hanuman Vatika Trust Board has made a temple complex on 13 acres (53,000 m²) of land.

Vedavyas: A place of natural beauty also considered a 'Tirtha', is situated 9 km away on the confluence of the rivers Shankha, Koel and Saraswati. There is also a Vedic Ashram and a Gurukula system school here. It is at this site that the epic Mahabharata was purported to have been put down on paper by Maharishi Vyas. Another famous place i.e. Mandira Dam is situated at the lowest level, it is mostly used for Rourkela Steel Plant. If the dam were breached, the water would drown almost 100 villages.

Ghoghar Temple: The Ghoghar Temple, 30 kms from Rourkela dates back to antiquity. The temple is by the Ghoghar river, a gorge on River IB. The beautiful gorge with its sylvan background is also a popular holy spot and attracts visitors throughout the year. One naturally formed Shiva Linga of Black granite is present here. The renovated temple has a facility of community lunch and lodging for outstation visitors. Devotees from all over throng the place especially during the month of Shravan (July / August). Other than this during Kartika Purnima (a local festival) in the months of November and Shivaratri (National Festival) February / March, thousands of devotees visit this place.

Khandadhar & Darjin: The 244 m High Khandadhar is 90 km from Rourkela via Bonaigarh. It is formed by the perennial Korapani Nala which flows here throughout the year. It is the highest waterfall in Orissa and the 4th highest in India. Darjin is a picnic spot on the river Brahmani. Nearby is Deodhar, a gorge on the river. It is 51 km from Rourkela on National Highway No. 23. About 180 km from Rourkela, Junagarh has a fort of historical and archaeological importance with ancient caves. Another haunt of the tourists is the MirigKhog Waterfall, a picnic spot, 111 km from Rourkela.

Goddess Vaishno Devi Temple: It is situated on the top of the small hill with a beautiful environment of green tree and fresh air through the day. It is also visible from the Railway Station. The images of Goddess Kali, Goddess Lakshmi and Goddess Saraswati were found on the hill in the year 2000. Then Goddess Vaishno Devi Temple Trust was formed in the year 2000. The Temple was constructed and completed in the year 2003. Proper stairs were made and water tanks were arranged for drinking water. Goddess Durga Temple is another attraction near the cave to be worthy seen.

Parks: Rourkela has two recreation parks: Indira Gandhi Park in front of the Gayatri Temple hillock, and a smaller Jubilee Park abutting Sector-8.

remained at his position with due approval from the owner. In his service period Mr. Rameshwar framed good relations with his employees and workers. His hire to the position was expected to be Mr. Mishra.

Discussion and evaluation

There were around 55,000 labour class people working at the steel plant. Later, steel plant wanted to cut its expenses and thus revived this number as more automation took place and also eradicated the concept of overtime payment. Hence the strength got reduced to 18,000. A large chunk of revenue got generated by selling tickets to this working class. Financial performance of the company started declining after 1995 and the company started incurring losses from 2003 onwards.

To curb the losses, management decided to opt for an innovative strategy of "wait, watch and proceed" which meant that Konark will run the movie first for 1 week only and on the basis of collections made will decide for next week's operations. As the management was running in losses it didn't wanted to get movies on rent from the distributor by paying a fixed amount of total money rather wanted to procure it on an agreement basis. For this they made two different types of strategies:

- a) Fixed Rental: The distributor will sell a movie for 1 week only and wait for the results and next agreement renewal (if any) asked by the management.

Table 2 Three years balance sheet of Konark Cinema

	2011	2012	2013
Cash	64500	76000	95,650
Shop rent	120000	132000	141000
Ticket money earn	30232950	33445960	38434500
Total current asset	30417450	33653960	38,671,150
Fixed assets			
Land & building	22500000	19500000	17600000
Projector & sound system	1250000	1210000	1199000
UFO System	1875000	1795000	1710000
Chair & furniture	949000	934000	792400
Office equipment	30000	45000	46870
Other fixed asset	2400000	2345000	2250000
Total fixed assets	29004000	25829000	23598270
Total assets	59421450	59482960	62269420
Liability			
Bank borrowing	28756000	29375000	29865000
Creditors	17534000	18534000	16752000
Provision for taxes (Orissa GOVT.)	2418636	2675677	3074760
Accrued expenses	1571200	1120000	1451000
Total current liability	50279836	51704677	51142760
Long term debt	952200	874500	912300
Total liability	51232036	52579177	52055060
Net equity	8189414	6903783	10214360

b) Percentage Distribution: For the first week, management will share a revenue division of 30 % and 70 % with the distributor respectively. In the second week it will fall to 65 % for the distributor and 35 % for Konark and so on.

This strategy helped the company come out of loss but enter into a zone of “no-profit; no-loss” by the year 2010.⁷ According to the labour laws, salaries to working employees must be paid by the 10th of that month but in Konark’s case the workers had pending salaries of more than two months, even then they never rose their voice against the owner or the manager. There was an active union also known as CITU⁸ which worked to safeguard the interest of employees and workers of the company but the union never hold any grudge against the company.

The heterogeneity of population

The company paid more than Rs. 9000 (Rs. 10 per ticket sold) per month to the state government. Apart from this it was liable to pay a net of 20 % compounded amount on the size of revenue generated monthly whereas states like Andhra Pradesh or Tamil Nadu were demanding only about 5–10 % amount. The city of Rourkela was at the border location between two states Jharkhand and Orissa and its proximity also existed with other states like Chattisgarh and West Bengal. Apart from this the steel plant gave employment opportunities to people from different

states also. Due to the heterogeneity of population Bollywood movies were more successful than those of regional language movies. Initially the hall also tried to go for running Hollywood movies but wasn't able to attract a huge potential customer base. On the other hand, regarding business- the distributors used to provide the movie prints which were shown by Konark. For the whole eastern circuit which comprised of states like Bengal, Bihar, Assam, Manipur, Tripura, Orissa there was a single distributor which was then circumscribed to a single distributor per state. Initially Konark used to purchase from distributors of Kolkata but now was having its own local distributor contacts present within the state of Orissa.

Presence of facilities

The whole campus of the hall was given by the steel plant to Mr. Singdeo on a lease basis. Adjoining the boundary of the hall, Mr. Singdeo with help of manager opened a hotel which was having a monopoly in the area and was mainly meant for business professionals but due to lack of sufficient demand this was sold to OSFC (Orissa state finance corporation) on 14th September 1984 and was given the name of "Hotel Konark Pvt. Ltd" which achieved immense success thereafter as it got involved in business of booking for social events like weddings and parties.

The hall premises comprised of a small parking area for cycles and motorcycles which helped in generation of small amount of revenue. Inside the premises a small shop vendor of snacks operated which was given by the hall on contract basis and collected some amount from it each month. During the movie intermission, customers used to purchase snacks at a higher price than prevailing market rate. Tickets were sold at two different prices for two different categories: of Rs. 20 for the rear stall and Rs. 30 for the dress circle and balcony. Later this price was revived to Rs. 40 and Rs. 50 respectively. The cumulative seating capacity was of 987 of which more than 700 for the rear stall alone. This capacity was reduced to 749 overall with 514 seats for the rear stall and 235 seats for the dress circle. Even though Dolby Digital sound system made its presence felt way back and was a hit in theatres in India, Konark was devoid of this facility.

The advance ticket booking facility worked well till late 1999 but due to less demand this facility was removed. During heavy rush of customers for a particular movie show, there were not sufficient guards and caretakers to control the agitation and panic of people which sometimes resulted in stampede because everyone wanted a good seat and at a good visibility angle inside the theatre. Actually there was no numbering of seats in specific groups or columns. There were around 50 ceiling fans inside the theatre but none of them functioned well. The seats were not of good quality and their repairment went on those days when there was not a bulk rush. The overall interior atmosphere invited mosquitoes also to serve the customers and one was able to get a warm feeling in the winter seasons also.

Promotion

Promotion does play an important role not only in survival but also for growth. In case of Rourkela, the state government was strict in maintaining a neat and clean environment

and no one was allowed to paste posters of advertisement on the walls in the city and hoardings promotion was also restricted leaving some of the limited and specific locations. The management at Konark was struggling to find a solution to this generic problem.

The fate of other players

Due to immense losses, Apsara, Deepak, Razak were converted into a commercial building. Later Razak became one of the most popular shopping hotspot of Rourkela and came to be known as Indera's. Lila operated on lease of the steel plant but was later converted into a "Civic Center". The other two halls were closed. Now it was a situation of loss even in monopoly for Konark. To revive the business and looking at the need of hour, management at Konark decided to purchase the UFO concept equipments (satellite telecasting) over the old & forgone concept of movies running on reels and amounted the financial pressure on Konark even further as it was purchased on loan from the bank.

Conclusion

Looking at the fate of other movie halls, it was now time for the owner (after the death of Mr. Singdeo) Mr. Sanjeev Kumar Beora: son in law of Mr. Singdeo to take a strategic decision of either shutting down the hall or go for its revival and upgradation. The owner was a risk averse person and didn't want to invest any bit further in Konark and just wanted to maximize the profits. Despite of the huge losses, the management and the employees wanted the decision to be taken in favour of upgradation because they were very optimistic for future growth as there were numerous energizing examples from neighbouring cities; of useless theatres generating attractive revenues by successfully reviving and renovating themselves to multiplex cultures, which no doubt needed huge investments from construction to purchase of new equipments. The important strategies under consideration were-enhanced focus on core users and ensuring that suppliers are also happy doing business, finding a way of always talking to customers and hearing about what they're struggling with, excel at customer service, be fearless and acquire a fearless approach because with immense power comes greater responsibilities and with higher risks come higher returns. The condition of Mr. Beora was just like a player facing the Monty Hall⁹ problem, not able to choose which door to select and open out of the two doors as choices present before him, one having a goat and the other having a precious car inside. The problem here was that Mr. Beora knew the two offerings but the only thing he didn't knew was which door carried which offer for him. At this juncture, Mr. Beora wanted to divest the business as he was unable to generate profit since long time but was thinking seriously on the issue chewing betel in his mouth as he was standing on the crossroads of everything or nothing.

Endnotes

¹Asia's second largest railway yard is located here. The residents mainly consist of railway employees. People here are highly educated and well behaved. The residents here are multi ethnic and people of all religion live in harmony with each other.

²IAS- The Indian Administrative Service is the administrative civil service of the Government of India. It is one of the three All India Services. The officers of the IAS play

a major role in managing the bureaucracy of both the Union Government and the State governments, with its members holding strategic posts across the country.

³*A man with stupendous vision for development of state. His son Naveen Patnaik is the current chief minister of Odisha. When the then prime minister of India Mr. J. Nehru was criticized in the Parliament for his decision to provide more aid to Orissa Nehru replied, "Biju Patnaik has the courage, dynamism and zeal to work. So there is no blunder in giving more aid to Orissa.*

⁴*India had the highest level of film piracy in any English-speaking country. Hindi Movie "Kaminey" was downloaded over 350,000 times on Bit Torrent with around two-third of downloaders located in India alone. According to an Ernst and Young 2008 report on "The Effects of Counterfeiting and Piracy on India's Entertainment Industry", the Indian film industry lost \$959 million and 571,896 jobs due to piracy.*

⁵*The Indian film industry lost \$959 million (Rs 4,411 crore) in revenue and around 5,71,896 jobs in 2008 thanks to piracy, according to a report released on Thursday by the US India Business Council and Ernst & Young. The report, 'The effects of counterfeiting and piracy on India's entertainment industry,' estimates the piracy rate at 60 %.(Source 19th Mar' 2010: Financial Express).*

⁶*US \$ to INR 51.145 as on 04/10/2012.*

⁷*Three years (2010 to 2012) balance sheet is given in Table 2.*

⁸*The Centre of Indian Trade Unions (CITU) is one of the major Central Trade Unions (CTU) in India. The CITU is progressive trade union centre, opposed to imperialist globalization, championing the cause of working class and defending economic sovereignty of the country.*

⁹*The Monty Hall problem is a probability puzzle loosely based on the American television game show-Let's Make a Deal and named after the show's original host, Monty Hall. The problem, also called the Monty Hall paradox, is a veridical paradox because the result appears odd but is demonstrably true.*

Competing interests

The authors declare that they have no competing interests.

Authors' contributions

RKP has written this case study after collecting information from different stakeholders of the said enterprise through interview and personal interaction. Secondary information were collected from the company's data sources. SS helped in providing valuable inputs to the case and by editing the work. Both authors read and approved the final manuscript.

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