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Chindia: Innovation in Online Film Distribution

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'Chindia' offers fascinating challenges, both empirical and theoretical, for explanatory frameworks seeking to understand rapidly changing media production, distribution and consumption patterns and possibilities. Our focus here is part of a larger project with two dimensions. The first is empirical: a study of online screen distribution worldwide as part of the 'Dynamics of World Cinema' project initiated by Dina Iordinova at St. Andrews (http://www.st-andrews.ac.uk/filmstudies/dynamics.php). Our contribution charts the 'career' of online film distribution and its first publication (Cunningham *et al* 2010) concentrates on Hollywood - where innovation and experimentation is occurring most intensively with iTunes, Hulu and YouTube.

iTunes has been a major disruptor of the 'premium content' or 'content is king' model on which Hollywood has based its business models since the early 1950s with the beginnings of competition with television and with audiovisual product differentiation. The iTunes download model, with a lower unit cost than Hollywood has ever been comfortable with, exemplifies this. Its 'open-closed' intellectual property control model - iTunes is platform-agnostic and can be deployed on PCs as much as Apple hardware and on any mobile device, but has strong and relatively efficient digital rights management content control - has made it the most successful market-based audio and audiovisual content provider in the online world.

Hulu, Hollywood's answer to iTunes, adopts a streaming, advertiser-based and thoroughly geo-blocked approach, and has migrated to a subscription model as there is not enough advertising revenue to sustain it. It suffers from the 'analogue dollars to digital cents' conundrum typically faced by all actors in the emergent online media market.

YouTube is evolving rapidly, clearing rights, doing deals with some of the Hollywood majors, engaging in take-downs where IP infringements have been identified by rights holders, installing whole screen 16:9 ratio cinema dimensioning, and high definition 'screening rooms', setting up revenue and sharing deals with pro-am (professional-amateur) content providers within the YouTube offer, and mainstreaming its offer such that it is beginning to bid as a broadcaster for such global content as worldwide rights to Indian Premier League cricket.

The other dimension is a theoretical one. We seek to intervene in academic media and communication studies debate dominated by exaggerated oppositionalism between the

'digital sublime' and the 'digital abject', between the utopian and the dystopian, between the glass half full and the glass half empty approaches endemic to our discipline's approach to the social, cultural and political import of technological change. The preparedness of writers such as Clay Shirky (*Here Comes Everybody* - 2008) on the one hand, or Andrew Keen (*The Cult of the Amateur* - 2007) on the other, to jump to singular conclusions about the deeper social, cultural and political significance of change confuses students; shows gullibility because they take, or denounce, the positioning rhetoric of industry players at face value; and is based on selectivity about data and evidence.

Instead of the dystopian or the utopian, we pose the question of 'rates of change': how rapid is change happening? What are the differences among media? Are there new players, widening the offer at least on the supply side, together with major input from the demand side (user generated content)? To what extent is there 'creative destruction' of business models? Is there cultural change within major organisations, between, for example, the 'IT-innovation' model which we have suggested is challenging the 'mass media' cultures of the main media corporations (Cunningham *et al* 2010)? With lowered barriers to entry, cheap and widespread access to new technology platforms, and user-generated content, has there been any levelling of the playing field between the audiovisual hegemons and independents and the rest-of-the-world (ROW)? With this approach, the theoretical enterprise returns to, and turns on, empirical investigation.

Chindia

When Chindia is considered, we must immediately correct the now surely outdated notion of 'rest-of-the-world'. Our brief review of Chindia here is definitively not as dependent satellite systems of Hollywood's online distribution strategies. 'ROW' is a term that can henceforth only be used very advisedly, given the multi-polar centres of gravity in the audiovisual world today.

In Hollywood's entirely free enterprise dynamics, and incredibly rapid flares of creative destruction, the 'burn rate' of venture capital and other investment in online distribution has been very high over a 15 or more year period. In Europe, you must overlay on the Hollywood majors' interests and strategies the powerful mix of public service broadcasters, telecommunication players, the established mix of cable and direct-to-home-satellite, and uneven broadband penetration. Online distribution is at this stage a peripheral supplement.

There is no question that the vibrancy, sheer size and scope of screen activity in Chindia justifies the pairing of the two most populous nations on earth. But the actual playing out of online distribution puts India and China at opposite ends of the spectrum of change,

although each have as a determining presence in their systems the challenge of pervasive informal audiovisual markets.

India has very low broadband penetration (see Table 1). It has extremely high domestic cinema engagement. Informal market substitution effects are countered with market innovation, not state intervention. The distribution company Moser Baer, for example, drastically lowered unit prices of DVDs and changed the DVD market from 2007 significantly as a way of dealing with cheap pirated content by competing head-to-head with street sellers (Davis-Jalayath and Baxter 2003). There is, as you would expect, a plethora of pirate download sites via portals, social networking sites, film blogs and torrent sites. There are, as well, several legal sites, mostly of the major studios: Rajshri.com, ErosEntertainment.com and BigFlix.com (which is part of the huge distribution concern Reliance). But the key point about these sites, whether formal or informal, is that they are both accessed principally outside India by non-resident Indians (NRIs) and other South Asian expatriate communities desperate for the rich cultural content that is often unavailable or underserviced. Most action around the online distribution of Indian cinema is outside India, both from a consumption point of view and, indeed, from a distribution point of view. This is another powerful overlay of the story of the globalisation of India cinema in general and a useful synergy for Indian-based distributors for whom online distribution (overwhelmingly overseas to NRIs and others) and domestic release do not conflict.

The three most significant online distributors are Saavn.com, Filmaka.com, and Jaman. Saavn.com was founded by Paramdeep Singh and Vinodh Bhat; it is based in New York with offices in Mumbai, London, Toronto and Los Angeles. Saavn claims to be the world's largest distributor of South Asian content, with 50% of all Bollywood output in its catalog (Saavn.com, 2010). It has partnerships and output deals with all the major US interests: iTunes, Hulu, Amazon VOD, Netflix, Time-Warner Cable and Verizon Wireless. Filmaka was founded by *Bend It Like Beckham* producer Deepak Nayer. It is based in the US but has a mirror Indian site. It is an online talent incubator.

Jaman was founded in 2007 by IT entrepreneur Ghaurav Dhillon and is based in San Mateo in Silicon Valley. Jaman has a very strong social network-user engagement strategy. It has been set back to some extent by the global financial crisis and the consequent difficulties of sourcing venture capital to support continued growth.

Whereas the informal market in India is as much about Indian film as Hollywood, in China it is mostly about Hollywood but also film and television from Europe, Japan and South Korea. In contrast to India, China has the biggest broadband user base in the world (see Table 1). And the data show that 80% of web users watched video content in the last

6 months of 2008. Dramatically unlike India, there is low Chinese cinema consumption, but like India, the informal market is huge – about 93% of movies sold in China are pirated (Cavernelis 2008). As well as on the street, the informal online economy is also huge and dates from at least 10 years ago when E-Donkey was launched as a peer-to-peer file sharing forum in 2000. That was followed closely by the BTChina (aka Bit Torrent China) in 2003 and the two big YouTube imitators Tudou in 2005 and Youku in 2006. By 2008 there were at least 300 sites offering video to a voracious public.

Two factors work together to have produced an extraordinary explosion of online culture in China. Younger generation Chinese have been turning away from television and the very limited diet of film available through tradition legal outlets. Television is not highly differentiated despite there being 3000 TV channels, as most of them are local stations not available, and not largely of interest, to a broad population base (Epstein 2009). The second point is China's 'flying geese' model of industry development: to be a fast follower, a rapid imitator (Ozawa 2009). Youku and Tudou adopted YouTube user attraction aggregated strategies and built a massive base very quickly (see Table 2). But 2008 and 2009 brought a massive state-led restructure and shakeout of an online distribution scene which had grown like Topsy virtually overnight. SARFT, the regulator, issued new regulations requiring all providers to be licensed. The authorities shut down 162 unlicensed online video sites, and lawsuits – like those threatened by Hollywood against YouTube - were issued against Youku and Todou.

The 2 major Chinese 'geese' following YouTube, Youku and Todou, are imitating YouTube strategies but have been more successful than the leader. 'Heidou' is a high definition viewing site, established by Todou, which has had good uptake plus the rapid development of a good advertiser base, unlike the less than optimal uptake of the YouTube high definition viewing site. 'Youku Originals' features self-produced online video and was launched in April 2010. Voole features low cost premium foreign content, and deals have been negotiated with Warners and Sony for this legal initiative, and is geo-blocked outside China to ward off piracy and address the unmet demand for such content.

Conclusion

We don't want to give the impression of audiovisual autarky in Chindia. True, the size of their domestic markets mean the two countries do create their own internal dynamics which themselves exert greater and greater global influence. But each is responding to and creating its own distinctive global influence. India, largely without state strategising,

is creating a model of 'soft power' through music and film globally that China cannot in any sense emulate at this stage. There is a significant industry model of the synergy of domestic and emerging (NRI-based) global markets which combine standard film distribution and online distribution in non-competing ways. The online screen culture of China, on the other hand, has provided an unprecedented platform for personal expression and the flowering of vernacular creativity which will, in time, influence the quality and impact domestically of film in China.

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Table 1 Internet and broadband penetration in India, China and the U.S.

Country	Population 2009	Internet Users 2009	Internet penetration rate as percentage of total population 2009	Rate of Broadband Penetration as percentage of Internet users 2009
China	1,338 million	384 million	28.7%	90%
India	1,156 million	81 million	7.0%	6.5%
USA	307 million	227 million	74.0%	30%

Source: www.internetworldstats.com

Table 2 Comparative Internet Rankings: Indian & Chinese sites v Major players

OLD service	Internet ranking June 2nd, 2010	Type of site
YouTube	3	Video sharing site
Amazon (Amazon VOD not ranked individually)	18	e-commerce store
Youku	50 (9 in China)	Video sharing site
Tudou	79 (12 in China)	Video sharing site
Netflix	153	Free films streamed to DVD rental subscribers
Ku6	164 (22 in China)	Video sharing site

Hulu	173	Hollywood studio backed catch up TV offering free streaming + ads
BigFlix	10,365	Major studio online store
Rajshri	27,608	Major studio online store
Jaman	29,230	World cinema platform (US Indian backer)
Eros Entertainment	30,024	Major studio online store
Babelgum	31,245	World cinema platform (UK Italian backer)
iTunes	55,845	Online digital media store
Voole	147,682 (9,480 in China)	Online video store
Saavn	183,531	Bollywood entertainment portal
Filmaka.com	363,079	Online digital studio & talent incubator
Filmaka.in	7,568,535	Online digital studio & talent incubator
UTV.in	15,585,904	Indian film/TV distributor
FoxStar.in	Not Ranked	Hollywood-Indian studio

www.alexa.com   2.30pm June 2nd, 2010