Bollywood in Hollywood: Value Chains, Cultural Voices, and the Capacity to Aspire

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Introduction

The Indian film industry provides an important case study for examining the rise of cultural expressions from the developing world and an interesting counterpoint to the analysis of global value chains that locate core coordination or production activities in the developed countries. The increasing importance of the Indian film industry globally both in terms of its revenues and its cultural impact is counter-intuitive despite its large size. India produces the highest number of films, over 1000 in 2009. It has a large domestic audience, over three billion tickets sold per year, providing a per capita consumption of nearly three films for every person in India. Nevertheless, the film industry in India historically consisted of family-run businesses or partnerships with precarious sources of financing, low budget films with predictable plots, and uneven distribution practices. The government of India did not recognize films as an industry until 2000. It is hardly the kind of case study to examine how sophisticated value chains from the South would begin to parallel or challenge those in the North. The growing success stories from Bollywood do not parallel the industries, especially from East Asia, touted for global success with a mix of government incentives, protectionism, and sophistication of the low-end product cycle that allowed these countries to utilize a mix of low-wages and capital to make a mark in a variety of manufacturing industries.

The Bollywood case shows that slight changes in domestic regulation and policy combined with global market opportunities can allow a film industry to flourish, especially if the films constitute an important cultural narrative about the country. This essay outlines three factors for the success of the Bollywood value-chain: a cultural 'capacity to aspire', increasing opportunities to exploit global value-chains, changes in domestic incentives.[1] These factors now allow Bollywood to undertake arms-length

[1] Bollywood refers to the Bombay/Mumbai based Hindi film industry in India. This essay mostly attends to Bollywood, which is the dominant film industry in India. However, India also produces films in various other languages and has regional film industries located elsewhere. Increasingly, a number of Indian Diaspora film directors produce films in Hindi or other languages that have a Bollywood-like feel to them.

contractual relationships, replacing the highly personal, even criminal, hierarchical relationships that limited its potential in the past. After detailing these factors conceptually, the paper presents a historical case study of Bollywood that underscores key changes in its value chain. The paper traces the evolution of Bollywood, the Bombay/Mumbai-based film industry, from a family-driven and financed business to one that not only harnesses global production networks but is itself becoming a key node in this network. Bollywood and India challenge Hollywood's hegemony in various ways. India is the largest producer of motion pictures. Instead of Hollywood films dominating the Indian markets, Hollywood majors such as Disney, Sony, Miramax and Warner Brothers are producing Bollywood-type films in Mumbai in local languages. On the other hand, Indian media firms such as Reliance Entertainment are investing in Hollywood productions and co-producing films alongside a who's who of Hollywood heavyweights. Both industries are also sharing talent these days as Hollywood directors such as Woody Allen are casting popular Bollywood actors and Hollywood producers and executives are advising their Mumbai counterparts on production, distribution, and marketing practices.

The Conceptual Plotline

The Bollywood-Hollywood value chain with core production activities located in the periphery forces a rethink of analyses predicated around global divisions of labor, production, and exchange wherein the global South plays a secondary role.[2] The Bollywood value chain does not seem to fit the parameters of the world system and dependency analyses. Wallerstein (1979 & 2009) notes that core-periphery relations are governed through an international division of labor where the periphery specializes in labor-intensive practices but takes its marching orders from the core. Dependency theory conceptualizes the core-periphery in terms of exchange relations but again the control lies in the North (Cardoso and Felatto 1979).

[2] For reasons described later, this paper follows the value-chain terminology instead of international division of labor or global commodity chains. See Bair (2009) for an overview of these debates.

A value chain analysis is important for several reasons in this paper. First, it helps to break down the production structure of an industry into various phases and pinpoint the relative strengths or weaknesses of various links. Figure 1 offers an insight into the value chains governing most creative industries such as films, television, or music. Thus, for example, it is often argued that French film industry cannot compete with the global distribution networks governing Hollywood that have been in place since the 1920s. Second, most analyses that assign relative disadvantages to products from the developing world do so in terms of the dependency inherent in such chains. Agricultural and primary product value chains are classic examples. Third, value chain analysis, as the following discussion shows, has come a long ways from its dependency theory ideological bent to now being deployed in business schools worldwide to illustrate industry structures.

Gereffi and Korzeniewicz's (1994) global commodity chains, although rooted in dependency relations, go beyond labor and exchange to include a panoply of economic practices. In producer driven commodity chains, powerful vertically integrated firms, usually in the North, locate low-end sourcing activities in the South. In consumer driven commodity chains, brand name retailers and wholesalers, again usually in the North, locate their sourcing practices in the South but their 'buying' power is such that they can dictate their economic terms to the periphery. Thus, a clothing brand or a Starbuck's can indulge in sourcing practices that provide minimal revenues to the lower ends of the value-chain. The fair trade movement or corporate social responsibility paradigms are but a drop in the bucket to reverse such causation. At a more general level, the Prebisch-Singer terms of trade hypothesis affixes developing countries in a commodity trap wherein increasing production levels eventually lead to a decline in the terms of trade as prices drop. Jagdish Bhagwati calls this 'immiserizing growth.

Evidence of cultural value chains exhibiting control from the North is not hard to find. Miller and Yudice (2002) write of an international cultural division of labor where most cultural content either gets produced or packaged in the North and is distributed to the South. Miami thus emerges as a Latin American cultural center, especially for music.

Music industry itself is an oligopoly of four major firms that control over three-fourths of the market share. Despite the rise of sub-Saharan African music from places such as Angola, Ethiopia or Mali, no music major has production facilities in the region (Pratt 2008). Most audio-visual producers must travel North to access production studios. In general, the idea of cultural imperialism evokes the domineering influence of Hollywood's value-chain – if Hollywood can be taken as a euphemism for films, music, and television producers located in the North -- in squeezing out cultural producers even in their local markets.

Concerns expressed around dominant cultural value chains from the North have resonated within the developed world itself. Hollywood's push for liberalizing "audio-visual markets" through the World Trade Organization met with resistance from powerful producers, especially France and Canada, who organized a global coalition to thwart Hollywood's incursions by making a case for preserving localized cultural expressions (Voon 2007). Interestingly, in West Africa, France itself is viewed as the cultural hegemon that destroyed local cultural production bases to favor those located in Paris! The political economy of these measures includes both the threats to the economic viability of creative industries but also the politics of the preservation of cultural identities: the mobilization and collective action was often more in terms of the Hollywood and Americanization of cultural globalization. This led to Unesco's Convention on the Protection and Promotion of a Diversity of Cultural Expressions in 2005. 148 countries voted in favor of the Convention. Only the United States and Israel voted against it. However, underneath the votes is a more nuanced story. In the WTO, cultural producers from Brazil, China, India, and Mexico support the United States in liberalizing cultural flows (Singh 2010).

Cultural value and the 'capacity to aspire'

The first clue to Bollywood's global ascent is provided from considering notions of value that are *not* embedded in price or governance mechanisms. Cultural economists have long shown that price is an imperfect mechanism for revealing the value of a cultural product because of its symbolic significance that is variously described as intrinsic value, aesthetic value, and social value (Throsby 2001). A community may, therefore, consume Hollywood's cultural expressions, because it possesses limited technical capacities to produce its own but it might value its own expressions highly. Alternatively, even though the market value of its cultural expressions might be limited, the latter may be preferred over 'external' expressions precisely because of the former's intrinsic value to the community. Even after economic liberalization allowed foreign films to be marketed without restrictions in India, 95 percent of the market share in India belongs to Indian films. The non-economic value of cultural expressions also explains the success of Nollywood in Nigeria.

In considering a cultural value chain from the global South, therefore, the importance of cultural expressions to the identity of that society or nation-state is important. They are not merely an embodiment of economic practices governed through hierarchical control or market coordination, but they also represent a cultural value for groups. As an industry type, Bollywood historically offers a rather rag-tag affair of production practices close to featuring great degrees of hierarchical control. Nevertheless, the industry also occupied a larger-than-life place in the Indian social and cultural imaginary. Its cultural value has always been greater than its market value. Indian films remain a dominant form of entertainment: social and cultural practices in India are frequently tied to Bollywood. To cite a few random examples, Indian weddings are becoming Bollywood-like just as a Bollywood film frequently features a wedding song and a dance, even in an 'art film' such as *Monsoon Wedding*. Conversations in India often reference films, many of the country's greatest historical moments are captured in film, or films themselves have made cultural history.

In describing a cultural value chain, it is, therefore, important to be sensitive to the cultural aspects of value. Figure 1, depicting a possible value chain starts in the minds of the cultural producers. A Dakar or a Senegal might be lacking in production studios but may not view itself as lacking in cultural expressions. Even when its singers or filmmakers produce and market their expressions aboard, the Senegalese or the Malians may view these productions as 'domestic'. Or vice versa: most cultural expressions tend to be hybrid but may be presented as ‘local’ connoting a fixed cultural origin on them. Ali Farka Touré from Senegal sings a version of African blues that pays homage to the blues in the United States, themselves descendents of forms of singing inherited from African Americans.

[FIGURE I HERE: SEE END OF PAPER]

Value and commodity chain analyses struggle with describing links to development and agency. In most cases, agency is circumscribed in the peripheral nodes and links to development are through movements along a product cycle that first engages developing countries in primary production and then low-end manufacturing. Cultural products, however, belong to the high-skilled end of the service economy. While it may be hard to transplant high tech components of the global services economy in many developing countries, yet when it comes to cultural expressions, all developing countries can claim some value from one end or the other of the value chain. Interestingly, as cultural producers they participate in global value chains as ‘producers’ whose value added is always at the forefront. It may not be obvious to a Hollywood star that the cotton for her Oscars gown came from a farm in Senegal, yet there would be no mistaking the origins of the value chain if a Senegalese singer were to take the Oscars stage to sing a song in Wolof or Pulaar.

Cultural products embody a cultural voice in giving expression to a community’s practices. In Paulo Freire’s (1970) terms, a cultural voice allows the interlocutors to name their world and endow it with meaning. It also allows them to emancipate themselves by questioning the locus of material, usually capitalistic, practices that affixes them in an inferior position. Elsewhere, one of the authors of this essay (Singh 2008B) has argued that Paulo Freire’s insights are equally valuable in a market driven context. In fact, the proliferation of information technologies in liberal economies may even encourage cultural voices. A Bollywood film, or its imitation in various forms such as Baz Luhrman’s *Moulin Rouge* or Andrew Lloyd Weber’s *Bombay Dreams*, may be a source of cultural pride for cultural consumers in India and make way for other types of cultural voices.[3] Development economists in the 1950s used to write of achievement motivation and X-factors, rooted in human beings, as counting for the social and individual elements of the development process. Recently, Appadurai (2004) has spoken of a 'capacity to aspire.' The production of cultural expressions from the developing world is an especially rich avenue to explore notions of cultural voice and capacity to aspire.

Opportunities in high-tech global value-chains

Global value chains are neither singular nor linear. They intersect with other value-chains and infrastructures, especially in the production and exchange of global services. They may also not be so linear: a product may consist of value-added from various destinations in each stage of the value-chain. In many ways, other value chains in complementary goods or value chains in transportation also affect commodity chains such as those for coffee. The difference is that in service goods, other service products may form part of the value chain of the product in question or provide new opportunities for growth.

Services consist of intangibles such as telecommunications, finance, hotels, and tourism. Most entertainment industry products such as films, music, television programming are services. With the expansion and intensification of information technology networks, and the accompanying rise in skill levels, services have become standardized and modular allowing for outsourcing and off shoring practices.

Initially, India was a reluctant suitor in the push, mainly from the United States, for a global liberal services economy (Singh 2006). In the 1990s, it began to leverage its

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[3] There is also a mini industry of people in India that continues to speak of 'trashy' Bollywood films and call attention to its lack of production values, and the preponderance of melodramatic narrative structures. The bias seems exaggerated when a Bollywood film garners favorable attention worldwide on precisely these grounds. These critics also have no objections to films like *Moulin Rouge* or *Slumdog Millionaire*. There is similarly a mini-intellectual industry forever decrying the patriarchal, nationalistic, sexist, and other stereotypical portrayals in Bollywood films.

services potential with an educated workforce working in sectors such as software, business processes, accounting, telecommunications, and banking. The service portfolio continues to expand with exports of legal services or health services. The interesting thing with service exports is that that they may be supplied through cross-border transactions such as those governing non-service trade, but service exports can also be 'exported' when for example a tourist visits that country, a business moves a subsidiary abroad to provide cellular service, or when professionals travel to provide services in another country.

Bollywood has capitalized on India's status as a services powerhouse. Information networks, both physical and electronic, have allowed it to increase its presence in global markets. Financial liberalization has allowed for new sources of investment financing but, interestingly, Indian firms have also begun to invest abroad. One such example is the $500 million investment from the Indian business house Reliance in DreamWorks Pictures.

The growth of services networks is also important for the disaggregation of value chains in films (and other industries). Films are inherently risky – only in ten films in Hollywood might generate a profit (Vogel 2007). In the past, studios vertically integrated to control for their risk. They signed long term contracts with an array of creative labor, including scriptwriters and stars, which worked on multiple films. The studios owned their own distribution networks. At present all aspects of the value chain are disaggregated and each node makes its own risk calculations, thereby spreading the risk across a variety of players rather than just one studio. Caves (2000) writes that although relationships among various producers are hardly arms-length and depend a great deal on reputational effects, the disaggregation does allow for high degrees of technical and creative innovation through an expansion of incentives beyond the vertically integrated firm.

This disaggregation of the value chain benefits Bollywood. It can hire scriptwriters, actors, or technicians from abroad. The film can be produced in various locations and it can utilize local production and creative talent. It can tap into existing distribution chains for its films rather than being excluded from them by vertically integrated firms. Financial or portfolio capital from India can also invest in Hollywood production facilities. In an era when Hollywood studios were vertically integrated in all aspects of the value chain, it would have been difficult for Bollywood to make the kinds of inroads into global markets and Hollywood that it is making at present.

Value chains, domestic incentives, and property rights

Value chains analysis has made great strides in connecting markets and hierarchies with the social and governance contexts within which they operate. The concept of a value chain traces the production, distribution, and consumption of products. Importantly, it also traces the coordination and control mechanisms that enable this chain to function. In terms of this paper, value chain analysis illustrates the shift from hierarchical to arms-length transactions that allow for a growing confidence in creative production.

Sturgeon (2009) goes beyond the producer or consumer driven commodity chains to write of their social organizational context, varying from the arms-length relationships of markets in which little coordination is necessary to hierarchically organized firms in which a high degree of control must be necessary.[4] Thus, for example, a family owned film production firm must use its relationship to raise financing from various sources. Independent film producer might need to use their personal resources to exhibit the film in various venues, especially if networks of distribution do not exist. In highly developed markets, financing can be raised through banks or stock listings. Existing distribution practices and networks may be available, even if accessing them takes trust and personal capital. Directors with known reputations might find it easier to have their film picked up for distribution than a new name. Sturgeon posits three forms of governance that exist between a pure market and hierarchy. Close to markets are

[4] Sturgeon builds upon Williamson's (1975) thesis about markets and hierarchies and Granovetter's (1985) critique of Williamson, which noted the social contexts under which both markets and hierarchies operate.

modular linkages that allow various aspects of the value chain to be governed or sourced out to various places through standardized information. Close to hierarchies are captive linkages in which network nodes need to be provided with detailed information that resemble hierarchical control. In between captive and modular linkages are relational governance types in which tacit social understandings allow for value chains to operate. Sturgeon also specifies three key variables that affect each of the governance types: the complexity of transactions, ability to codify transactions, and the capabilities in the supply base. These variables allow him to note that markets require low degrees of coordination. Up until the present day, Bollywood features relationships in the value chain that would fall between hierarchies to relational. At face value, such hierarchical positioning is not particularly well suited for taking advantage of global markets.

Sturgeon's (2009) analysis referenced above builds on both transaction cost economics and the social context within which they operate. Transaction cost economics outlined asset specificity as the reason that firms would turn toward internalizing either all transaction costs internally through hierarchies or toward arms-length transactions in markets. The Hollywood Studio until the 1950s and the family owned film houses in India are similar in that they internalized these transaction costs. Granovetter's (1985) critique of transaction cost economics pointed out the social context of arms-length transactions with over socialized agents performing their roles seemingly automatically, and the undersocialization of agents in hierarchical firms wherein the firm incurs high transaction costs because the roles of the agents are not well understood. Timothy Sturgeon synthesizes transaction cost economics and sociological analysis of business practices to posit various governance types and the types of coordination and control that may be necessary.

We can now move another step in specifying the effects of small changes or "nudges" in property rights and transaction costs that may induce further changes in various aspects of the value chain. Caves (2000), for example, shows that the Department of Justice (DoJ) versus Paramount case that lasted from 1944-49 ordered the divestiture of the movie studios. This changed the way asset specificity of films, controlling risk through vertical integration, defined its organizational forms. In order to make revenues, Hollywood firms turned to technological sophistication and also began producing blockbusters.

Similarly, a couple of small changes in property rights have induced greater changes in the way Bollywood operates.[5] First, the government finally classified films as an industry in 2000, which in turn enabled the industry to gain from a variety of tax and other incentives. The 2002-03 Union Budget allowed a 50 percent tax exemption for profits for constructing multiplexes in non-metropolitan areas. A variety of tax incentives also benefited film exports and the imports of inputs for films. Second, another set of incentives allowed foreign firms to play a role in India. In 1992, the government of India began to slowly lift the restriction that foreign firms must enter into investment agreements with the government owned National Film Development Corporation (NFDC) to operate in India. This restriction also applied to imports of films. By 2002, FDI in films was allowed up to 100 percent. The description provided later of Hollywood and other foreign studios operating in India would not be possible without the lifting of FDI restrictions.

Taken together, the rise of cultural voices, the increasing opportunities offered by global value chains in film and related service industries, and the liberalizing set of property rights in India are fast changing Bollywood from fragmented and proprietor owned film production studios to important players in global value chains governing films. Just as the presence of software programmers in India dealing with Y2K fears raised the profile of Indian outsourcing, similarly a domestic industry that had the capability to produce a great number of films can now be linked with global value chains and reduce the transaction costs for its value chain.

Bollywood: From Small Business to Global Player

[5] This paragraph builds upon Mukherjee's (2008) excellent summary of India's audio-visual industry.

Indian cinema, which only in the latter part of the last century acquired names such as Bollywood, has now acquired global importance propelled by changes in domestic policy and regulation and maturation of the value chain, paralleled by growth of Indian business in general. Domestically, though, the film industry and its narratives – particularly the melodrama and the musicals – have been an indelible part of Indian social life. While producing the highest number of feature films in the world, it is hard to imagine that until a mere decade ago, cinema was not even classified as an industry.

Legacies of Early History: Mostly a Domestic Business

In the early days of Indian cinema, foreign films flooded the market and dominated the industry. However, 1913 witnessed the release of D.G. Phalke's *Raja Harischander*, the first Indian feature film with a production cycle that lasted seven months and 27 days (Jain 1960). Phalke was a key figure in securing the cultural independence of Indian cinema thanks to his early productions and willingness to mortgage personal assets in the absence of legitimate financing. Indian film industry nonetheless suffered greatly from a lack of state and institutional interest. The lack of institutionalized financing coupled with wartime shortages in WWI and WWII paved the way for alternative sources of funding, particularly that of "black money" --- financing from the Indian underworld. With the influx of "black money" into the industry, more capital became available to launch productions and production companies; hence, the beginnings of what Shoesmith calls India's "studio era" that lasted between the mid-1920s and the mid-1940s.

Sound and the Studio System

India's "studio system" accompanied the advent of sound in motion picture technology, much in part because Indian film was able to be a major player in this cinematic revolution. While some say this claim is overstated, *Alam Ara*, India's first "talkie," overshadowed *The Jazz Singer,* for *Alam Ara* had sound throughout the entirety of the film in contrast to *The Jazz Singer*'s mere snippets of sound. According to historian Mihir Bose (2006), the introduction of sound also created two divergent paths for Indian and Western cinemas because as song-filled films like *Alam Ara* (it boasted nearly 30 songs) showed, music became an essential part of Indian cinema and "Indian film songs sometimes interrupt, sometimes they are part of the story…but the whole thing is that they are interludes. They are not musicals in the Western sense [whereby musical numbers 'take a story forward']."

The success of talkies in Indian cinema increased the demand for films, which, in turn, led film entrepreneurs to recognize the need to adopt a more structured system. As Shoesmith notes (1987: 68), sound proved to be a turning point in for Indian cinema as it "created conditions that favored an integrated, securely capitalized film industry…India was undergoing major changes in its social and political composition…creating a massive pool of unemployed who drifted to the burgeoning urban areas and…constituted a new audience for Indian-produced films which required a more systematic mode of production if the demand was to be met."[6]

Indian film pioneers such as Phalke sought to legitimize Indian cinema by financing productions with funds from moneylenders and state banks; these legitimized institutions nevertheless viewed an investment in film production as both risky and wasteful, for most institutions felt it was better "to support 'nation building' industries rather than entertainment" (Subramanyam 2002: 45). According to a 1951 *Report of the Film Enquiry Committee* (Government of India 1951: 12), demand increased during WWII due to "the greater purchasing power of all classes of the population" given the "expansion of employment both in the army and in industry." Production of Indian films fell from 170 per year prior to World War II to 100 per year during the first year of the War; between 1939 and 1945, total film production in India dropped 48% (Jain 1960: 14). The most notable success story of the studio era is that of S.S. Vasan, who shifted his business interests from publishing to film in the 1940s and ran Gemini Studios, a vertically integrated film studio in the same vein as his Hollywood contemporaries like movie mogul Samuel Goldwyn.

Production

Because fewer films were produced during World War II, there was less competition and therefore more profits accrued by the industry, which, in the post-War era, proved to be an impetus for greater involvement in distribution and exhibition and also gave rise to the independent producer. Shoesmith defines the post-War era in Indian cinema as the "star as commodity era" with star power from actors as well as reputable directors and producers as well. Beginning in the 1950s and continuing into the present time, many Bollywood films secured financing based on star power alone and actors routinely evolved into producers, for "the lack of a well-defined division of labor among the principle players means that most people play multiple roles, so the industry is filled with people who are both producers and directors, writers and directors, editors and directors, actors and producers, actors and writers…" (Ganti 2004: 55). And unlike the various mediating intermediaries in Hollywood i.e. the casting and talent agents and agencies, Bollywood contains fewer "non-value added people."

Production in the post-War era has been concentrated in the hands of individual production companies known as "banners," often family-run, with studios existing mainly as venues for production. In her discussion of the Indian film industry, Subramanyam (2002: 47) identifies the key types of producers: 1) the Ad Hoc independent producer who operates through "well-established organizations 2) the director who finances and produces his/her own film 3) the "alternative" producer(s) that act in a collaborative interests of a "cooperative of filmmakers, technicians, or artists." During pre-production, producers and their production companies begin negotiating with distributors, and the terms for the either party depend largely on individual bargaining power. Distribution as a separate entity on the Bollywood value chain virtually did not exist until the post-War era, for producers previously worked directly with exhibitors. In *The 'Bollywoodization' of the Indian Cinema: Cultural Nationalism in a Global Arena*, Ashish Rajadhykaksha (2004) defines this post-War era as a particularly "low moment in Indian film history" during which the "leading stars, exacting financiers and calculating distributors…forged ahead at the cost of the industry and the taste of the public."

Because of high taxation rates in India and the significant presence of "black money" in the film industry, relatively little transparent data is available that relates to the financial agreements as many of these contracts are oral agreements --- this "parallel economy" exists, in part, because a significant amount of industry business dealings occur in cash as to avoid the stringent government regulations and taxes. Producers are otherwise forced to borrow money at interest rates of three to four percent per month or 36-48 percent per year (Ganti 2004: 56).

Most Bollywood films from the last decade are budgeted between $300,000 for a small budget film to $13,000,000 for a Bollywood extravaganza with sumptuous sets and A-list actors. The salaries of the cast and crew comprise roughly 45% of the budget; production costs are roughly 35%; the last 20% is allotted for post-production, marketing and publicity (Ganapati 2009). One of Bollywood's cost-saving and timesaving measures is to de-emphasize the screenplay as many directors write the scripts themselves or commission assistants to pen them; "screenwriting is not generally regarded by members of the industry as a specialized craft that requires training or specific skills" (Ganti 2004: 67). Moreover, some productions forgo having a script altogether and instead, rely on the director or producer to "narrate" the film's story to the cast and crew. But some point to this informal, "family-run affair" nature of Bollywood as the reason why the Indian film industry has yet to attain the same level of financial success as Hollywood --- India releases 1,000 movies a year, but makes a tenth of what Hollywood rakes in for half the number of films (Ramesh 2008).

Distribution

Unlike in Hollywood, means and methods of distribution are relatively decentralized among independent "contractors," but there are several distribution prototypes that evolved in the latter half of the 20th Century. Distributors often serve a dual function as distributor and film financier, for many productions cover costs through the pre-sale of distribution rights. Distributors who might, in turn, raise money by borrowing capital from private financiers and other lenders, will likely enter into one of the following agreements with a producer or production house:

1. "Outright lease or sale" system: A distributor purchases the rights to distribute a film into certain territories; the distributor agrees to cover all costs incurred during distribution, but is also the recipient of all income earned. This is the least popular of the three options, but prevalent for international territories in the 1990s (Subramanyam 2002: 47).
2. Commission system: This is the least risky for the distributors, for they will advance money for publicity and some production/print costs, but then command a commission of 25-50 percent of the box office revenues (Ganti 2004: 58).
3. The Minimum guarantee system: Distributors and producers agree on an amount and the distributor pays 30-40 percent outright during production and the distributor pays the rest once the prints are released. Distributors will incur the costs for publicity and exhibition space; once those costs are covered and distributors take a 25 percent commission, the rest of the box office revenues are split evenly between the producer and the distributor. This is by far the riskiest for the distributor, but the most popular distribution system employed in Bollywood (Ganti 2004: 60).

Exhibition

Exhibitors in India have been subjected to a relatively high level of government taxation and regulation --- more so than any other agent on the industry's value chain. Much like distribution, exhibition practices lack a systematic, centralized coherence, but there are several standard exhibition practices: 1) The exhibitor can rent the film's prints from the producer or production company for a certain amount agreed upon or for a percentage of the box office receipts over a certain period of time. 2) The exhibitor can rent out "exhibition time to a third party," which may or may not be the distributor (Subramanyam 2002: 48). Costs incurred for exhibition roughly break down to the following: 22% for "House" expenditure (rent, mortgage, etc.), 17% for staff salaries and uniforms, 44% for the show itself (print rentals), 6% for advertisements, and 11% profits (pre-taxes) (Jain 1960: 196). Producers and distributors are taxed through import duties, excise duties, and censor certification fees paid to the central government, but exhibitors must pay electricity tariffs, license fees (to open a new theater and then annually), entertainment taxes, and publicity taxes to the state government (Ganti 2004: 44). In addition, exhibitors must pay show taxes, house taxes and water taxes to the local governments every six months.

Ticket prices themselves are not standardized and can vary from theater to theater, state to state, and film to film, but are generally higher in the first weeks of release for a big budget production. Admission prices are significantly higher at multiplexes, which explains why multiplexes account for 10% of India's screens, but 37% of its box office revenues (*India Today)*. Indian film scholar Mittal (1995: 72-73) notes that admission prices have increased more slowly than the rates of other commodities (roughly 79% between 1960 and 1989), but the entertainment tax on admission has increased since independence at a far greater rate than admission prices themselves. Maharastra, the state housing Mumbai and thus Bollywood, still has one of the country's highest entertainment taxes of 45% that was reduced from 55% after a statewide strike in 2004 (Lorenzen and Taeube 2007). Critics within the film industry accuse states of using the entertainment tax as an "infinite source of revenue," for it transfers a significant portion of the industry's earnings into state exchequers" (Ganti 2004: 66). Interestingly, cable, television, and satellite markets are not subjected to entertainment taxes.

Industry Changes and the Road to Internationalization

In the last decade, Bollywood has emerged out of Hollywood's shadows to challenge its global reputation as a "third world cinema" and instead, assert itself on the international stage. Studies of Third Cinema "assume a non-commercial, minority cinema" as its subject and First Cinema, with Hollywood as its leading example, is defined as "big spectacle cinema financed by big monopoly capital" (Tyrrell 2004). Bollywood, as recognized by the Indian press and film theorists, has historically straddled both Third and First Cinema as it is at once a thriving cultural industry with nearly three billion tickets sold per year as well as a family-run business with an unstable financial and production structure, vulnerable to Hollywood's influence and Western values.

Tyrrell (2004) notes the tension surrounding a clearly defined category for Bollywood as its films are "not solely politically motivated, nor are they entirely devoid of nationalist/anti-colonialist content. They are at once 'escapist' and ideologically loaded."

In 1992, the Indian government lifted a ban on foreign films dubbed in Hindi, leaving many Bollywood players and defenders fearful of Hollywood's potential hegemonic reign at the Indian box office. Some argue that such a flooding of Hollywood films could occur at the expense of Bollywood's own homegrown films --- particularly given stalled film revenues in Bollywood between 1985 and 2000 with just $1 billion annually, which is just 1/3 of the revenue of *just one* major Hollywood studio (Overdorf, 2007). Moreover, television and lack of investment into its infrastructure, stole much of Indian cinema's middle-class audience; in its place, "cinema had suddenly become a staple form of entertainment for the poorest people, for people who were recent immigrants to the city" (Bose 2006).

Recognizing the need for content beyond that of the traditional Bollywood song and dance number, Bollywood abstained from producing the very action-laden spectacles it feared from Hollywood in the 1990s (*Jurassic Park* and anything starring Stallone or Schwarzenegger) and instead expanded its portfolio to include films that would appeal to its diasporic audiences across the globe and the upwardly mobile Indian middle class. Earning industry status from the Indian government in 2000 helped position Bollywood as a major player in the global film market as "eased access to funds" from legitimate lenders has incurred an expansion of film offerings within Bollywood and attracted Hollywood studios in search of local language co-productions. The industry recognition also, as Rajadhyaksha argues, proved its ability [through the threat of Hollywood products flooding their markets] to "*use* Hollywood in order to battle its delegitimization at the hands of the Indian state" (2009).

Foreign titles still comprise only five percent of the slate of films screened in India's theaters. The era, if it ever existed, of Bollywood *versus* Hollywood is long past as the two industries engage in a "courtship dance" and partnerships within both industries. With an increasingly internationalized value chain outlined in the subsequent pages and the formidable presence of Indian conglomerates like Reliance Entertainment in Hollywood, Bollywood is not necessarily contending for Hollywood's crown, but instead, asserting itself as Hollywood's peer in the global film community, evolving in the structure of its industry and the content of its offerings. Some like Rajadhyaksha take issue with the new international market that opened when the industry received industry status, for it jeopardizes populations from Nigeria to South Africa who "flock to Indian films…precisely for what Hollywood cannot be seen to offer," mainly an understanding of the "complex realms of identification in these places" (2004).

Bollywood's globalized value chain in the last decade derives much in part from the 2000 decision by the Foreign Investment Promotion Board to allow for 100% Foreign Direct Investment on all links of its value chain. This open door policy for foreign investors occurred alongside a rise in powerful Indian companies like Adlabs, Balaji Telegilms and Mukta Arts who seized the opportunities presented by this now legitimate industry "to raise funds by making public offerings" thereby "showing the way forward" in marketing Bollywood films to audiences worldwide and gauging receptiveness domestically and internationally. With Bollywood's compound annual growth rate estimated at 13 percent (compared to Hollywood's 3 percent), the Federation of Indian Chambers of Commerce and Industry expects the Indian film industry to grow from a $2.2 billion industry (2009) to a $3.3 billion industry in 2013. Bollywood's presence at box offices worldwide will increasingly play a factor, particularly since the shift to digital prints helps thwart piracy and allows for simultaneous releases of Bollywood films worldwide --- a study from India's *Business Today* estimates that the international box office will account for 25% of Bollywood's revenue in 2015 compared to 18% in 2009 and 6% in 2000 (Chattopadhyay and Subramanian 2009; 134-138).

The Globalized Value Chain

With global audiences in mind and mindful of the 25 million Indian people living outside of India (Timmons 2008), Bollywood filmmakers are paying greater attention to the conception and casting of its films. Manas Ray (2004) notes the importance of

Bollywood in the lives of diasporic youth communities as Bollywood "offers Indian diasporic youth a platform for organizing their cultural life which is 'acceptable' to the West and at the same time retains a measure of difference." Diasporic filmmakers like Mira Nair, who sits on the faculty at New York's Columbia University, and the Kenya-born, but U.K.-based Gurinder Chadha. Appealing primarily to Western audiences, Nair and Chadha have served as a "bridge between Western and Indian popular cinema" with the global success of their "crossover" films such as Nair's *Monsoon Wedding* and Chadha's *Bend It Like Beckham*, which sought to illustrate the "U.K. disapora experience" (Bhushan 2008); Chadha also helmed *Bride and Prejudice*, a Bollywood song and dance version of Jane Austen's *Pride and Prejudice*. As these films catered primarily to Western tastes, a more notable success for India's film industry and evidence of global respect for its Hindi-language cinema was the critical acclaim that surrounded *Lagaan*, released in 2001.

Lagaan was neither the plotless Bollywood spectacle Western audiences came to expect of Bombay's "Masala" films nor was it of the avant garde Indian filmmaking from arthouse favorites like Satjayit Ray. *Lagaan* ushered in a new era for Bollywood films as its story centers on a 19th Century North Indian village under British occupation and a local cricket team that challenges the colonialist regime with the help of a British captain's sister. *Lagaan* broke the mold of traditional Bollywood marketing and premieres as it premiered in London to a box office top 10 position and was simultaneously released in the U.S. (40 theaters), Japan, China, Malaysia, Hong Kong, South Africa, the Middle East, Australia and New Zealand (Thussu 2008: 107). The film garnered critical acclaim with a total of 63 award nominations at festivals and ceremonies across the globe, including an Oscar nomination for Best Foreign Film and "indie darling" status among film buffs from New York to London and among Asian elites. With British actress Rachel Shelley providing a Western face and an innovative blend of "action, comedy, melodrama, song-and-dance sequences, stereotypical pantomime villains and love triangles," *Lagaan* is doing what Florian Stadtler deems a "very subtly…not doing everything as usual and is pushing the boundaries of Hindi cinema" (519). Its success demonstrates not just the international viability and bankability of

Bollywood films, but the shift in tastes of Indian audiences at the hands of a booming 21st Century economy, which "has produced a better-educated middle class that demands more sophisticated stories, as well as the Indian diaspora worldwide that is used to more complex plots (Lovgren 2004)."

In the same year as *Lagaan's* release, there were clear indications of Hollywood's interest in Bollywood in the form of Baz Luhrman's *Moulin Rouge* and the slew of Hollywood musicals released in its aftermath (*Chicago*, *Nine*). A musical song-and-dance mash-up of songs ranging from the Beatles to David Bowie, *Moulin Rouge*, which grossed $177 million worldwide, was Lurhman's whimsical brainchild that was heavily influenced by a 1993 trip to India and decades of exposure to Bollywood films. The direct influence of Bollywood's "musical language" on the film is clear during *Moulin Rouge*'s climactic sequence in which there is a "cross-fertilisation of the 1950s showstopper 'Diamonds are a Girls Best Friend' with a techno beat courtesy of Steve Sharples and Anu Malik's hit song 'Chamma, chamma' from the film *China Gate*" (Stadtler 2005). Film critics argued that with the success of Hollywood musicals like *Moulin Rouge* and *Chicago*, Bollywood's influence helped revive the musical genre in Hollywood and infused tiresome Western tropes with "masala-style song and dance extravaganzas." Stadtler notes the irony of this particular Bollywood influence on Hollywood given how "it has been seen as difficult to Hindi cinema to Western audiences *because* of these song-and-dance sequences." As shown through the influence on *Moulin Rouge*, these song-and-dance spectacles are exactly what is attracting "non-Indian audiences across the world" at the same time that they are crafting the "specific narrative and mode of presentation" for Bollywood (Rajadhyaksha 2004).

Casting and Content

The "capacity to aspire" of Bollywood's national audiences and the recognition of international tastes of filmgoers of both Indian and non-Indian origins continues to exert influence on the visual as well as scripted face of Bollywood. The success of *Lagaan* marked a new era in Bollywood in which fanciful storylines crafted around the music and choreography have been sidelined for smaller, plot-driven films reminiscent of the reign of Miramax and the independent film in Hollywood in the early 1990s. Bollywood filmmakers have taken note of a more "discerning" tastes, particularly among the educated, urban middle and upper classes, that is no longer satisfied with the "old school, formulaic Hindi movie" after "more than 15 years of satellite television, multiplexes and economic liberalization" (Chopra 2009). A pioneer in the revamping of Bollywood's film is Ronnie Screwvala, head of the Indian multimedia conglomerate UTV Software Communications, a $435 million company with a seat on the Bombay stock exchange and stakes in production and distribution nodes on the value chain. Screwvala, who's "studio efficiency" led *Newsweek* to liken him to Hollywood titan Jack Warner, has led the charge to "cut three-and-a-half hour marathons to between 90 and 120 minutes" and hiring Hollywood screenwriters to pen "watchable" features. His successes include the Mira Nair-helmed *The Namesake*, based on the book by Juhmpa Lahiri, which raked in an estimated $14 million at the box office; while other Bollywood films have outperformed the film, almost 95% of its revenues were from the film's U.S. theatrical release, a record-breaking figure in Bollywood history (Overdorf 2007).

Moguls like Screwvala and a new generation of Bollywood directors are attempting to eliminate longstanding Bollywood traditions of filming without a script and a pre-production that would consist of "20-minute meetings;" now studios may spend up to two years in the preproduction phase as directors carefully cast their films and select, adapt and refine scripts. The recent attention to scriptwriting recalls an interim period in the Indian film industry in the 1940s and 1950s during which "films were made to a script" and not the other way around; the rise of the star system positioned the star, not the script, as *the* "valuable property" (Bose 2006). Bollywood production companies are wooing Hollywood talent with demonstrated success and timeless appeal such as writer-director Paul Schrader of *Taxi Driver* and *Raging Bull* fame, who is currently at work alongside Bollywood director Anubhav and writer Mushtaq Sheikh on *Xtreme City*, a film about the slums of Mumbai and the Indian Mafia. Hoping for global acclaim like the Scorsese-backed Italian mafia film *Ghomorrah*, *Xtreme City* is part of the "new wave of competent, realistic, story-driven films" like 2009's *Dev.D* and *Kaminey* that "is beginning to overshadow the big-budget projects at the box office" (Overdorf 2009).

Despite this shift toward complex and coherent stories, Bollywood is not entirely free, nor does it want to be, of its trademark song-and-dance "kitsch." A film such as *Kaminey* includes musical numbers, but forgoes the lip-syncing, and its dance sequences occur "naturally" --- writer Jason Overdorf goes so far as to call the film "a revolutionary manifesto" in that it "treads the tightrope between comedy and camp" using "classic Bollywood tropes" against a "Hollywood-style realism instead of Bollywood's wink-nudge mix of melodrama and posturing." *Kaminey* made 43.75 crore (about $100 million) at the box office and garnered rave reviews in the international press; in *Variety*, Joe Leydon (2009) wrote in his review, "multihyphenate Vishal Bhardwaj's slick and stylish musical dramedy could claim respectable coin internationally as well."

Alongside the trend toward thoughtful, carefully crafted scripts is a move to cast international faces in Bollywood films --- a stark about-face in an industry traditionally driven by Mumbai star power. The longstanding star system in Bollywood has kept international films from usurping native products in the theatres, but in recent years, Bollywood itself is moving to cast foreign actresses, formerly seen as backstage dancers if at all, in leading roles, most notably with British actress Rachel Shelly playing the female lead in *Lagaan*. Particularly with "top-bracket talent" booked for up to two years at a time, Bollywood producers and directors are casting Mexican and Brazilian models in hopes of going "global and appealing to the United Kingdom and U.S. markets" that expect "higher production values" and thereby more diverse casting (Sharma 2008). The internationally acclaimed film *Kites* stars Barbara Mori, a Mexican model and soap opera actress, alongside Bollywood actor Hrithik Roshan. The film's director, Rakesh Roshan underscores the need for international faces in this particular film as it is "the first Bollywood movie with a global theme [love story about a Latino dancer and a con man], which meant an actress like Mori was a must" (MacIntyre 2010). Brazilian model Giselli Monteiro and Australian *Baywatch* cast member Tonia Zaetta are also making names for themselves in Bollywood with roles in *Love Aaj Kal* (2009) and *Salaam Namaste* (2005) respectively. Yet Bollywood studio chiefs are careful to showcase these foreign actors in pre-release marketing, fearing a box office boycott of those sensitive to foreigners replacing Bollywood royalty. Moreover, actresses like Monteiro are learning Hindi in hopes of making an "authentic" bid at Bollywood stardom.

But Bollywood's star system of Indian actors has been the common thread of the "typical Bollywood film," piecing together its disparate elements (action, dialogue, special effects, song-and-dance, etc.). Bollywood's star culture is therefore an important cultural signifier for the industry through its "retinue of reviews, magazines…biographies, fan clubs, enormous billiboards…[that] display the stars in larger than life proportions, dotting the urban [Indian] landscape" (Ray 2004). Internationalizing the casts of Bollywood films has therefore been met with its share of controversy. Long-since known as an industry grounded in star power as its most lucrative and recognizable commodity, Bollywood is facing internal threats from "non-value added players," who have been historically overlooked and underpaid. Amidst the "international boom" brought about by the international success of *Lagaan* and *Slumdog Millionaire*, film productions in Bollywood came to a halt as "minor players" from "dancing girls to carpenters, lighting technicians to cameramen, and soundmen to script writers" went on strike in March 2009. Comprised of a 22 union federation with 147,000 members, the strike was precipitated by an estimated $11 million in unpaid wages by production companies. Compounded with this are recent complaints from India's 2,000 "unionized extras," who claim that Bollywood has virtually stopped casting Indian extras in an effort to fashion a more globalized face on its cinema content. Instead, Bollywood producers are employing vacationing Americans and Europeans, plucked off the streets of Mumbai (Sharma 2008).

Production

In addition to diversity in casting, Bollywood has also taken to shooting in locales across the globe to further globalize the content of its films. In the past, extravagant musical numbers have been filmed outside of India, often in mountainous terrains such as the Swiss Alps. Filmmakers have used the music video-style footage to attract buyers and sell advanced music rights before production on the rest of the film is completed. But in the last decade, an increasing number of Bollywood films are being set and filmed abroad, including *Kal Ho Naa Ho* set in New York, *Salaam Namaste* in Australia, and *Dostana* in South Florida. Swiss Alps, which began to replace the Kashmir mountains after civil strife and conflict in that region, continues to be a favorite for shooting many song and dance sequences. Much like casting non-Indian faces, globalizing the backdrop of the films adds an international flavor that "injects Bollywood further into the mainstream" (Carr 2009). Manas Ray (2004) notes both the regionalism and globalization involved in Bollywood's use of Western settings in catering to "a diasporic *imaginaire"* at home and abroad. And while Bollywood situates India as both a national and global community, its narratives often involve, as is the case with *Dilwale Dulhaniya Le Jayenge*, "returning to India and seeking sanctions from the original patriarchal order" (1994).

India's Ramoji Film City, which first opened its gates in 1996 in Hyderabad, allows Bollywood productions to acquire an international background without ever leaving the country. Modeled after Hollywood's Universal Studios, Ramoji Film City calls itself "the Land of Movies" and has now eclipsed its Western peer to become the world's largest integrated film studio, resting on 2,000+ acres of land. It is, as Stephen Alter writes in *Fantasies of a Bollywood Love Thief*, a "giant playground where fantasies can be erected and torn down like sandcastles at the beach" (2007). The complex, a self-branded "transnational" studio, has hosted productions from film industries across the world, including several low-budget Hollywood films: *Quicksand*, *Crocodile 2: Death Swamp*, *Nightfall, Dollar Dreams, The Return of Thief of Bagdhad*. Ramoji presents a similar opportunity as Eastern European and Latin American studios have in the past for Hollywood executives looking to trim their budgets by filming outside expensive U.S. and European studios and locations. Shanti Kumar at the University of Wisconsin-Madison notes that it is "fantasy" and "theme park cities" like Universal Studios and Disney World that "contribute to the globalization of a postmodern culture based in a capitalist system of profit and pleasure;" yet Ramoji Film City complicates the equation, for it "represents a new kind of entertainment-based culture in India that is partly invested in claiming a share in the transnational enterprise of film and television production, and partly interested in creating a postcolonial alternative to the Hollywood-centered world of capitalist profit and pleasure" (Kumar 2006). The size, success and ability of Ramoji to attract international productions fuels Bollywood's global image as a major player among Western film industries. It also further aligns the industry with Hollywood's legacy of producing an "international product made for domestic and international consumers" and negates any sense of "nationalism" that makes a cinema unique to its own cultural roots (O'Regan 1990).

Bollywood has long held a presence in Western consciousness whether through its influence on *Moulin Rouge* or through the hit diasporic narratives of *Bend It Like Beckham* and *Monsoon Wedding*. But it was the critical and financial success of 2008's *Slumdog Millionaire* that turned the world's attention to Bollywood. The film itself embodies the more global Bollywood product (though some dispute if it at all has Bollywood roots) as it features Indian actors and actresses and was filmed in Mumbai, but helmed by British director Danny Boyle (of *Trainspotting* fame) and produced by British companies Celador Films, Film4, and Pathe Pictures International, the British arm of the French corporation. *Slumdog* earned eight Academy Award nominations and garnered $250 million in global box office receipts, capturing worldwide attention and causing Hollywood to pursue its fledgling relationship with its Mumbai counterpart and court the nearly 14 million Indians who go to the cinema every day (Lovgren 2004). Speaking to *Washington Post* writer Rama Lakshmi, Indian media titan Uday Shankar noted that *Slumdog* would not have enjoyed the same level of success had it been a truly "authentic" Bollywood production, "When an Indian makes a movie for an international audience, he has to first sell himself and then the movie. A few Indian investments here and there will not shake Hollywood into accepting Indian content and talent" (Lakshmi 2009).

Yet the success of *Slumdog* coupled with the corporatization and professionalization of Bollywood since it received industry status in 2000 has ushered in a new era in Bollywood's history, for its audiences and its purse strings now command respect and even reverence among Hollywood studios and power players. To cash in on Bollywood's cache and recognizing that foreign films account for only five percent of the

3 billion tickets sold in India per year, Hollywood studios began setting up local-language production shops beginning with Warner Brothers in 1999 --- Sony Pictures Entertainment, the Walt Disney Company and 20th Century Fox followed suit shortly thereafter. Yet their efforts have been met with mixed reactions and less than stellar box office performances thus far; Sony's *White Nights* made just $9 million in 2007 while Bollywood producer Shah Rukh Khan's *Om Shanti Om* raked in $27 million during the same time frame. Walt Disney has fared better in its co-productions with the Indian animation production house, Yash Raj Films, with their first effort*, Roadside Romeo*, recouping the $3.5 million production costs during its box office tenure. Disney bought a 15 percent/$14 million stake in Ronnie Screwvala's UTV in 2006. In his *New York Times* piece "Stumbling Toward Bollywood," Anupama Chopra (2009) notes the cultural barriers that Hollywood studios face simply by even when making local language films: "Though the industry (Bollywood) has become more corporate and organized over the last 15 years, it is still very much about relationships and family…thriving in India will ultimately require the studios to display a little more humility than they're accustomed to showing."

Similarly, Bollywood studio honchos and media mavens have set their sights on Hollywood to create a "crossover cinema" that would enlist Indian and American talent, from screenwriters to actors to business consultants. At the forefront of this movement is Anil Ambani's Reliance Entertainment, which, in 2008, brokered production deals with Hollywood A-listers Brad Pitt, Jim Carrey, Nicholas Cage, Tom Hanks and George Clooney as well as directors Jay Roach and Chris Columbus. Ambani and Reliance's chairman, Amit Khanna, a Bollywood producer and director, made their intentions clear to the international and domestic press --- they "envision nothing short of remaking Hollywood" (Timmons 2008). In 2009, amidst India's economic boom, Reliance took advantage of America's faltering economy and Hollywood's dire financial situation by forming a new $1.2 billion company with Steven Spielberg and his Dreamworks SKG Chief Executive, Stacy Snider; at this time, the company is slated to produce six films per year. The deal allowed Spielberg and Dreamworks to leave Viacom's Paramount Pictures as Reliance fronted $500 million in equity and additional $700 million in debt. Moreover, it garnered Reliance and Bollywood headlines in newspapers across the world as this Indian media titan, from an industry that churns out more than twice as many films as Hollywood every year yet grosses 1/10 of Hollywood's box office receipts, essentially saved one of Hollywood's premiere talents and most respected studios (Timmons 2008). With the Reliance/Dreamworks deal in place, Hollywood is increasingly turning to Indian investors "to replace some of billions of dollars that Wall Street poured into film financing in recent years but has since evaporated with the crumbling credit markets" (Shucker 2008). In 2010, Reliance was rumored to be in the running to purchase MGM.

While Bollywood enjoys its new role as a "financier and marketer of global products" abroad, significant financial changes have occurred within its borders. Since earning an industry status from the government in 2000, Indian cinema has sought financing from non-traditional, legitimate sources such as institutional lenders, venture capital and private equity firms and IPO offerings (Menon 2009). In fact, some experts estimate that now, only ten percent of financing comes from illegal sources in sharp contrast to the 1990s and 1980s when black money was estimated to account for nearly 60% of film financing (Lorenzen and Taeube 2007). This "eased access to funds" has allowed production companies to expand their film offerings and use more rigorous marketing methods and research tactics to best gauge audience receptiveness. In the case of 2006's *Rang De Basanti*, "the marketing budget was equivalent to the cost of production" (Shah 2008). Some Indian film scholars also pinpoint the industry status and shift to "legitimacy" as the "final triumph" of "Bollywoodization of the Indian cinema" while the "cinema itself gets reduced only to a memory" (Raja 2004).

Marketing & Distribution

The marketing and exhibition practices described earlier are now transforming in two significant ways through digital technology and links with global distribution networks. First, digital distribution has allowed for national and global distribution of films that was not possible when analog film reproduction was costly. One estimate notes if film reels cost RS 60,0000 (approximately $1300), then a release in 100 theaters would cost $130,000, which was beyond the reach of most distributors (Chattopadhyay and Subramanian 2009: 136). However, digital reproduction costs are minimal and thus films can now be released widely. This estimate notes that as a result of digital distribution, box office receipts from small towns grew by 30-120 percent. An interesting side-effect, or even a cause, of digital distribution is that piracy rates that were extremely high in the early 1990s dropped significantly as films got wide releases. The second major transformation is that Bollywood is either increasingly expanding its own distribution networks, such as Eros International, or connecting with Hollywood distribution to capture market shares in global markets. For example, Fox Searchlight Pictures, a division of Twentieth Century Fox, distribute director Karin Johan's film *My Name is Khan* with Indian superstar Shah Rukh Khan in 2010. The story is about a Muslim man of Indian origin living in San Francisco who travels across the United States. The film addresses issues of race, religion, and immigrant identities in a post 9/11 world.

Other segments of the film industry are also moving up the value chain in India thanks to technological innovations --- this is most evident in the animation industry within Bollywood, which is growing at a "compound annual growth rate of 27 percent" and is expected to account for $1.16 billion of industry revenues by 2012 (Prasad 2009: 2). In the wake of Pixar's success with family-friend hits like *Finding Nemo*, Bollywood production houses are enlisting animators to create "original intellectual property, which they can leverage in terms of merchandising and TV broadcast revenues." Bollywood has also embraced technology as a defense mechanism against piracy, which "bleeds" the industry of roughly 42 percent of its revenues each year, by digitally transmitting films to theaters via "satellite delivery techniques," thus eliminating much of the risk of duplication (Shah 2008: 4). The Motion Picture Association of America recently established a Mumbai office to help combat piracy as well as represent Hollywood's interests in Bollywood.

Bollywood is also taking advantage of these ancillary developments to sell its products to larger audiences and endear the world to Bollywood. Eros International, the world's largest distributor of Hindi films, is collaborating with Intel to make these films available via broadband to households across the globe; Eros also intends to team with the digital service RTL to make its films available on-demand throughout Europe --- there are plans for a similar venture in the U.S. with Movielink (Thussu, 2008). There has also been an exponential increase in Bollywood-dedicated satellite and premium channels such as the UK's *Bollywood for You,* a 24-hour Hindi movie channel currently available in more than 100 countries. Rupert Murdoch's STAR-TV helped "transform the field" and its success has helped attract "serious financial investment from a range of international investors" (Raja 1994).

Bollywood production companies and moguls are accruing alternative sources of revenue in recent years that include international broadcast rights, theatrical previews, merchandise, gaming content based on film content, and copyright to film content used at events or during theatrical performances, at home and abroad (Shah, 2008). Rajshri Group, which owns one of India's oldest production houses, took an alternative, and lucrative, approach to piracy and the global market by premiering its film *Vivah* in Indian theaters while also making the film available on its website for $9.99. The company now hosts "an online library of hundreds of Bollywood movies and Hindi songs through its own website" while other Indian companies have followed in its footsteps (Timmons, 2008).

In addition, Indian company Pyramid Saimira bought theater chains in Malaysia, Singapore in the early 2000s and acquired a U.S. chain in 2008. But Indian entrepreneurs aren't just capitalizing on Bollywood's popularity abroad --- they are facilitating the rise in popularity of Hollywood films in India. Adlabs Films, E City Entertainment, and Shringar Cinema are three such companies operating multiplexes and IMAX theaters in India where tickets sales for American films underwent a 10% growth in the last year (Shah, 2008). These mediums and Bollywood's heightened presence in the world market not only caters to new audiences, but to the Indian Diaspora across the globe.

Production houses and individual producers are also mitigating risk through merchandising, advanced sales of cable and satellite broadcast rights as well as the most lucrative link on the Bollywood value chain --- music sales. Much of Bollywood's domestic *and* international popularity is rooted in its music and dance spectacles and "more than 90% of all Indian music is film music" (Carr 2009). Some Bollywood production houses have therefore diverted their attention away from investing in traditional forms of production, distribution or exhibition and toward smaller, niche segments of the Bollywood value chain like that of ringtones. Instead of shying away from these potentially threatening technological advances, Bollywood has embraced new mediums and encouraged interrelationships between the film industry and ancillary markets. In a recent example, Roamware and Hungama Mobile, two of India's largest mobile entertainment companies, have partnered with the GSM Association to launch a "Mobile Bollywood Initiative." Capitalizing on the estimated 140 million cell phone users in India, this initiative will showcase short films made exclusively for the mobile phones (Trusca 2008).

Conclusion

Bollywood, growing up as family run businesses with vertical integration, is now intermingling with and taking advantage of global value chains in film especially that of Hollywood. This essay outlines three factors that have enabled Bollywood's ascent. First, Bollywood is examined as a cultural product whose value must be understood in both economic and sociological terms. The industry was well situated in the Indian context. In the last decade, while connecting with the Hollywood value chain it has benefited from asserting its cultural style and voice rather than compromising it. For sure, Bollywood has refined its scripts and modified its narratives to reach global audiences, but the culturally hybrid Bollywood style remains inimitably Bollywood, whether showcased in *Moulin Rouge* or in the recent top grossing Bollywood film of all times *3 Idiots*. Second, small changes in domestic laws or property rights have ushered big changes to the Bollywood-Hollywood value chain from production collaborations to linking of distribution chains. The classification of films as industry, for example, has institutionalized sources of finance and led to corporatization of the industry. Third, Bollywood has leapfrogged in taking advantage of India's growth rates and availability of financial capital to forge important links with Hollywood. Big Hollywood studios have invested in Bollywood to produce Bollywood films and Indian industry is investing in Hollywood to produce Hollywood films. Nevertheless there's also some exchange of creative teams, actors, and narrative styles as in films such like *Slumdog Millionaire*. Access to Hollywood's distribution networks may be Bollywood's biggest asset in the future. To reach audiences beyond the South Asian diaspora, Bollywood will require this access.

Counter critiques could note that Bollywood is merely moving up from the periphery to the semi-periphery. However, world systems, dependency, and commodity chain analyses that make such claims seldom assign agency to the periphery or understand the cultural context of periphery's efforts. This essay has tried to provide an empirical context for making a counterclaim for an industry that was easily dismissed a decade ago. Furthermore, the conditions making this industry a success are located in the 'periphery' whereas in core-periphery analyses, they are located in the core.

Another critique could be that Bollywood is merely another node in late-capitalism's intensifying consumption and commodification practices in a country with 400 million people who live below the poverty line. Such critiques miss the 'capacity to aspire' that Bollywood films offer and the connection of Bollywood films to everyday life in India at a level that is hard to classify as mere commodification. Furthermore, this essay is about how Bollywood-Hollywood nexus is evolving. While important unto themselves, issues of commodification and consumption are of secondary concern.

A final question might be to ask if Bollywood's case is unique. However, cultural products from the developing world continue to increase not only in export numbers but also in terms of their imprint on cultural spaces around the world (Singh 2007). This is not just the case of a BRIC/newly industrializing India with an advantage: Tiny Uruguay has a film industry and production facilities that make it a great outsourcing location for global cinema; Colombia in recent trade negotiations with the United States modified its knee-jerk reaction to protecting against Hollywood products once it realized its own comparative advantage in music, films, and telenovelas. Unless we take due note of these cultural voices from the developing world and the way they connect with, modify, or dominate global value chains, we would have missed the economic and cultural agency from the 'periphery'.

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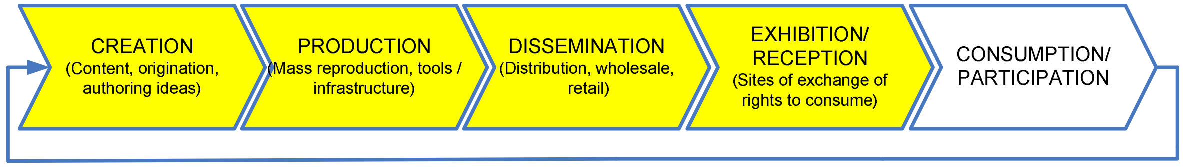
Figure 1: Analytical Model of the "Cultural Production Chain" or "Culture Cycle"



Source: UNESCO Institute for Statistics. *The 2009 UNESCO Framework for Cultural Statistics: Draft*. December 2007, p. 24