



Movies Must Make Money

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Abstract: Almost 95% of movies made in India run into losses and fail to turn profit. The paradox is that movie stars are paid almost Rs. 30 crore per movie and some movie stars earn almost Rs. 300 crore per year. So a movie star could be paid almost 100 times as much as Prime Minister of India's salary per movie and some movie stars can earn as much as 1000 times Prime Minister of India's salary. This is absurd, ridiculous and preposterous in an industry where 95% of products make losses. The author suggests three ways to make movies more profitable. Firstly the total amount paid to movie stars should be reduced by one tenth. Secondly, a part of amount paid should be fixed and substantial part of amount paid should be variable depending upon the success of the movie. Thirdly there should be some sort of insurance where all movies pay 50% of their profit to some corpus which can be used to make up for losses of loss making movies. Lastly there is need to dub movies into all foreign languages besides Indian languages to capture global market and give competition to Hollywood.

I. Introduction

In most industries of business and sectors of economy one would expect 90% of the businesses to be profitable. Hence banks are willing and keen to give loans. However the movie business is rather strange and irregular. In the movie business almost 90% of movies make losses and only 10% of movies turn in profits. Hence banks are reluctant to give loans. Therefore the financing of movies is often shrouded in secrecy perhaps due to underworld involvement.

However movie industry should be like any other industry and turn profits regularly. After all any business becomes profitable if revenues are in excess of costs. And movie business is largely a service sector enterprise with most of expenses going towards salaries of artists. Hence should it not be obvious that by curtailing salaries of artists movies can be made profitable.

This paper explores reasons for movies making losses and suggests ways and means to make them profitable.

Atrocious Incomes Insulting Poverty in Socialist India

Constitutionally, India is a socialist nation. Hence one would expect greater parity in incomes. This of course is not the case. But irrespective of socialism, India is an extremely poor country where almost 50% of population is malnourished and until very recently nearly as much did not have access to toilets. The minimum wage in India is around Rs. 10000 per month or 100 dollars per month which, if divided for a family of 4 will give an income of around 60 cents per person per day, which is half of the international poverty line of 1.25 dollars per person per day.

However the movie industry which makes many movies that expresses empathy with poor, shows little regard when it comes to fixing incomes of artists in the movie industry. For instance in 2019, Akshay Kumar earned almost Rs. 400 crores. This amount is almost 1000 times Prime Minister of India's salary and 10,000 times starting salary of a Medical doctor with degree in medicine and almost 40,000 times the minimum wage of India.

Of course, Akshay Kumar is no exception. Shah Rukh Khan has a net worth of 770 million dollars. A movie star from Hollywood in same league Dwayne Johnson has net worth of 800 million dollars and Tom Cruise, another top movie star has net worth of 620 million dollars.

Thus Shah Rukh Khan has net worth almost same as Dwayne Johnson and far in excess of Tom Cruise. Everything seems to be fair until you realize that USA has per capita GDP that is almost 35 times that of India. Which means Shah Rukh Khan is effectively at least 10 times richer than Tom Cruise and Dwayne Johnson if you adjust income levels of nations for people with similar skill levels. Seen it from another view point after adjusting for purchasing power parity Shah Rukh Khan is 5 times as rich as Dwayne Johnson and Tom Cruise.

These levels of incomes are cruel mockery of poverty in an India which is constitutionally socialist. However what makes it worse is that these kind of incomes are given in an industry where 90%



of movies make losses and less than 10% of movies make profits.

It is not as if stars like Shah Rukh Khan, Akshay Kumar, Salman Khan or in early years Amitabh Bachchan, Rajesh Khanna and Dharmendra ensured profits. Indeed if one sees the record of all these top stars then one will realize that 50% of movies in which they have acted are flops or make losses.

Hence the question arises that is it worth paying such a hefty amount of money to these movies stars when they cannot ensure profits for a movie in a nation where 50% of people are malnourished and in an industry where 90% of movies make losses.

Limit Incomes of Movie Stars

The first step to bring sanity to these insane things is to limit the incomes of movie stars. If presently movie stars charge Rs. 50 crore to Rs. 100 crore per movie, then as a starting point a system can be created whereby a movie star will not be paid more than Rs. 3 crore per movie and in a year cannot earn more than Rs. 10 crore. This is rather reasonable because Rs. 3 crore per movie is almost 10 times the Prime Minister of India's income and Rs. 10 crore is 1000 times the annual minimum wage. By limiting the income of movie stars almost 50% of problems of movie industry will end immediately. At any rate these movies stars who command Rs. 50 crore or more do not guarantee profits since 50% of their movies are flops and make losses.

Fixed Income and Variable Income

In corporate world, there is a system of fixed and variable income. This especially applies to sales and marketing professionals. By this system a certain component of salary is fixed and remaining component is variable. For instance it is possible that a marketing executive's salary may have 50% of the component as fixed and 50% component as variable depending upon the sales made by the marketing executive.

This system is extremely well suited to the movie industry where fortunes of movies are extremely unpredictable. This way the producer can reduce cost of production of movie and the movie star can earn significantly higher income if the movie turns in a profit.

Hence besides limiting the incomes of movie stars as suggested above, only 30% of the income should be fixed and the remaining 70% of income should be tied to the profitability of movie.

Insuring Movies

Wherever there is a risk there is need for insurance. Since there is risk of health, there is health insurance; since vehicles can have accidents, hence there is vehicle insurance; and of course there is life insurance for death.

If 90% of movies make losses, it stands to reason that movies must be insured too. However nobody would insure a business where 90% of products make loss. Hence it is first necessary to ensure that less than 40% of movies make losses by steps suggested above of limiting the salaries of movies stars and having a fixed component to salary and a variable component to salary.

After that there is some scope for insurance. There could be variety of ways to insure movies. One way is for all movies to pay a fixed component of production cost to an insurance company. The next way is for companies to pay a fixed component of profits to an insurance company. Of course the best way if for producers to pay not only fixed component of cost but also pay a fixed component of profits to an insurance company.

Of course now if movies are thus insured, then should any movie make a loss, then the insurance company can pay the producer the amount of loss, so that the movie runs on no profit and no loss system.

Capture the World Market by Dubbing into Various Languages.

There are almost 7000 languages in the world and 70 of these languages are major ones with more than 50 million speakers. Why not dub the movie in many languages? This especially makes sense since dubbing cost per language is just 0.1% of cost of making the movie. So even if a movie is dubbed in say 100 languages then that would add only 10% to the cost of the movie. Of course not all movies need be dubbed; only major movies need to be dubbed – the kind of movies that can capture global market.

II. Conclusion

Almost 90% of movies make losses. Hence the only way to ensure that movies make profits or at least the losses are limited is to cut down on cost. The best way to cut down on cost is to limit the incomes of movie stars. The second way is to have a fixed component and a variable component. The final way is to insure the movie against losses. Besides movies made in India should aim to capture the global market by dubbing into international languages.