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INTERNATIONALIZATION OF ENTERTAINMENT INDUSTRY SERVICES – BOLLYWOOD

Master of Science thesis

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ABSTRACT

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Bollywood is the name given to the Hindi movie industry in India. It is one of the biggest film clusters in the country contributing to the maximum number of films produced in India. Recently, Bollywood surpassed the number of featured films made by Hollywood in a year and hence becoming a huge phenomenon worldwide.

The aim of the current study was to build a framework to determine the kind of factors and the relevant industrial drivers that contribute to Bollywood industry success worldwide. And then retrospectively prove the effectiveness of the framework through empirical research.

Of the many existing models from literature, Dunning’s Eclectic model and Uppsala model were used to build the framework. The industry-specific factors and location-specific factors, name industry structure, size and its social networks were shown to be the front-runners in promoting Bollywood to become international. These factors drive Bollywood to take advantage of the market characteristics, namely the subsidy structure and become truly global. One of the very important outcomes is that this research study was able to corroborate Eclectic theory model and Uppsala model using an inductive approach with Bollywood as the case industry.
PREFACE

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Special thanks to Daniel Praveen Paul, who proposed this topic to be considered as my thesis.

Tampere, 28.12.2015

Anand Ranganathan
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1. INTRODUCTION

1.1 Background

Today, internationalization of more and more companies is being witnessed. The reasons for this internationalization are many fold. First, it is becoming increasingly difficult for the companies to survive the cutthroat competition, whichever sector for that matter. In order to overcome this, the companies go international in their search for new customers and expanding markets. Second, the ever decreasing costs demanded by the customers have made the companies look for sourcing options internationally which are cheaper. Third, the slow rate of technological advancements in certain fields, in turn the absence of high-tech equipments in home countries for businesses which require them, have pushed them to go international in order to access such resources. Last, the reduction of trade barriers has made internationalization easier. In addition to the above mentioned factors, there are several others that are industry/market-specific and company-specific that play important roles in internationalization of firms.

Entertainment Services includes all activities that are intended to amuse or relax or pleasure a group of audience as in a movie, play, concert, opera to name a few. People have always looked-forward to entertainment during their spare time and today entertainment is a huge industry. Many of these entertainment services have witnessed drastic internationalization due to reasons manifold.

This particular thesis is about internationalization of Bollywood industry and the factors that contribute to the same. The reason for researching this particular topic is because Bollywood is such a big phenomenon that it recently surpassed not only the number of feature films made in Hollywood but also the number of tickets sold globally by Hollywood (CBFC, 2006; Lorenzen and Taube, 2008). In addition, such a big growth phenomenon like Bollywood has not been researched very well.

This paper is also a part of research study to promote Bollywood in Finland for an entertainment company called ‘Danny’s Bollywood Dance Crew’, abbreviated as DBDC Oy which is located in Tampere.
1.2 Objective of the study

Although internationalization is a universal phenomenon and widely researched topic, internationalization of Bollywood and the reasons for its popularity is under researched.

The purpose of this study is to:

“Build a framework from the relevant literature on internationalization of firms to examine the kind of factors that characterize an industry’s internationalization and then validate the same by applying it to analyze the relevant drivers that led to the internationalization of Bollywood industry and its resulting popularity”.

The following research questions evolved to reach the above goal:

1. “What kinds of factors characterize an industry’s internationalization?”

2. “Which industrialization drivers are relevant to Bollywood industry’s internationalization and how?”

Expected Output:

Understanding on how Bollywood has fared internationally, its popularity worldwide and elucidating which kind of industrialization drivers (e.g. competitive advantages like its social networks and market characteristic like subsidy structure) have helped achieve its stature, thereby validating the theoretical model developed from literature (Eclectic’s and Uppsala’s). However, there could be other literary works (e.g. Diamond model by Michael Porter) with which the expected output could be demonstrated, nonetheless this is out of scope of this research work.

1.3 Research methods

Research methods are the researchers’ tools with which they gather practical evidence or scrutinize information necessary to meet the research objectives (O’Connor, 2010). Brotherton (2008) states that research methods are nothing but the overall design of the tools and techniques used for the process of data collection.

The choice of methods is influenced by the purpose of research because the study should be designed in the most appropriate manner to reach its objectives (Brotherton, 2008). The research purpose of the current study is to examine the kind of factors that characterize the internationalization of an industry, and then analyze the relevant drivers that led to Bollywood’s internationalization. Since the aim of this study is too broad, the overall approach chosen is the exploratory research method. Exploratory study helps in finding new insights to assess a phenomenon (Robson, 2002), especially when precise nature of a problem is unclear (Saunders et al., 2009). Jennings (2001) and Brotherton
(2008) suggest that exploratory research is typically used when the research problem is too large or complex or very new that it cannot be addressed without some preliminary exploratory work, which is intended to produce some key concerns and questions related to the research topic. This is the case in the current study.

Further, a theoretical framework is built and used as a lens through which Bollywood case is inductively analyzed. Lastly, case study has been chosen as the research design for this paper. Yin (2003b) claims that in order to explore an issue deeply within a specific context, case study is appropriate. In this paper, internationalization of entertainment industry is explored within the context of Bollywood as the case.

**Data Collection Methods and Data Analysis**

The data collection methods deal with the procedures and tools required to collect the empirical data and the chosen instruments should be the most suitable and effective means to accomplish the broader purpose (Brotherton, 2008). In the current study, qualitative research has been applied as a means of investigation, which focusses on the questions such as ‘how’ and ‘why’ in order to gather exhaustive information required for understanding the fundamental reasons for certain issues (Brotherton, 2008). In the current study, the researcher had to gather information related to factors shown in Figure 5 in order to analyse the Bollywood’s internationalization phenomenon. In order to understand ‘why’ and ‘how’ Bollywood was able to become truly international, in-depth information was required and hence qualitative research was the most appropriate method to gather this information to reach the research goals.

Use of secondary data, documentary as well as from multiple sources (Saunders et al., 2009) is the major means of data collection incorporated in this study, as this research project was done within the context of an entertainment company (DBDC Oy) in Finland with a view to popularize Bollywood.

Furthermore, in this research study, a theoretical framework was developed from the existing concepts to organize the data analysis, which will support to answer the research questions (Yin, 2003a).

**1.4 Structure**

Hence, this paper is categorized as follows. The following chapter lays a solid foundation for the study of entertainment services by setting the background research which includes characterization of services, internationalization of services, modes of entry and classification. The chapter ends by introducing the readers to two very important models for internationalization which is used to develop a framework laying the foundation for the empirical work. The third chapter elucidates two important industry-specific factors which laid the foundation for Bollywood’s success internationally, leading to the
location-specific factors which led to the ultimate popularity of Bollywood demonstrated in the results chapter. Finally, the paper concludes with discussion and conclusions drawn from this research and its limitations.
2. THEORETICAL BACKGROUND

2.1 Characterization of services

Gadrey (2000) has given a clear characterization for services in order to differentiate it from those of goods. According to him, there are a few distinctive ways with which services can be characterized, namely technical characterization and socio-technical characterization. Characteristics of services based on their technical criteria are summed up below (Gadrey, 2000):

- Services gets consumed during the same instant of being produced
- Co-production is an important trait of services, where the producer and consumer of the service interacts (Singelmann, 1974; Fuchs, 1968; De Bandt, 1995)
- Services can neither be transported nor held in stock physically (Stanback, 1980)

Characterization of services based on socio-technical criteria is constructed upon Peter Hill’s (1977, 1997) research and is summarized as follows (Gadrey, 2000):

- Service is nothing but the activity performed by some economic agent, that brings about a change in condition of a good that belongs to some other economic agent (Hill, 1977)
- Two types of social relationships are distinct to this definition of services: ownership relationship (meaning the good to be transformed belongs to the producer/consumer that orders the service activity) and request for transformation which actually initiates a service relationship
- Since service output is a change in condition, it does not have any ownership rights assigned to it.

Entertainment service industry includes movies, live performances and television to name a few. The output of entertainment services is the satisfaction and the good feeling acquired by the audiences after watching/hearing the performance. Hence, there is always a social touch to the entertainment services; however, there are also technical aspects attached to it. This paper will look into the kind of social factors that characterize entertainment industry to analyze the drivers for its internationalization.
2.2 Internationalization of services

The literature concerning internationalization of services has gained much importance recently due to the expansion of service sector in worldwide economies (White et al., 1999; Katrishen and Scordis, 1998; Nicoulaud, 1989; Patterson and Cicic, 1995). Although the growth of services around the world has been significant, the extent of empirical research dealing with internationalization of services has remained relatively low (Samiee, 1999; Gronroos, 1999; Lovelock, 1999; Clark and Rajaratnam, 1999; Li, 1994; Katrishen and Scordis, 1998; Nicoulaud, 1989; Patterson and Cicic, 1995; O’Farrell et al., 1998). This has also generated significant need for research in this area.

Internationalization is a phenomenon or a process through which firms transform from operating purely in domestic markets to catering to international markets (Andersen, 1993; Buckley and Casson, 1998; O’Farrell et al., 1998).

Service industry has become a propelling drive in today’s global economic context. The service sector is now regarded as the biggest economic component of developed countries (Patterson and Cicic, 1995; Aharoni, 1993). Today, services have become a huge part of global market environment, facilitated by latest advancements in technology together with the reduction in trade barriers (Patterson and Cicic, 1995; Atuahene-Gima, 1995). In addition to these factors, another important reason for service opportunities on international level is the globalization of the markets worldwide (Ekeledo and Sivakumar, 1998; Hassan and Kaynak, 1994).

The following sections will elucidate further on foreign entry mode choices available for any service firm, including that of firms in the entertainment industry and on how classification of services that cross borders.

2.3 Methods of internationalization

Most literature concerning internationalization list four basic forms of internationalization, which are:

- Sole ownership
- Joint venture
- Licensing/Franchising
- Exporting

However, much of the above listed internationalization methods concern physical products or goods. Also, much of the research carried out within the context of internationalization, pertains to the manufacturing sector (Bilkey and Tesar, 1977; Cavusgil et al., 1979; Cavusgil and Naor, 1987; Reid, 1981). In addition to this, the contention of some researchers is that services are unique and exclusive; hence entail new theories to elucidate their business operations (Johanson and Vahlne, 1990; Knight, 1999; O’Farrell et
al., 1998). Alternatively, many other researchers argue that many of the theories that bring about the internationalization in manufacturing sector are directly applicable and relevant to the service context (Boddewyn et al., 1986; Katrishen and Scordis, 1998).

In a similar fashion, Ekeledo and Sivakumar (1998) outline a table indicating two groups of researchers, of which one argue that factors influencing the internationalization of manufacturing firms can be generalized to services, while other contend that these factors cannot be generalized and must be adapted for application to services. The table (Table 1) is outlined below for reference.

*Table 1. Salient aspects of studies on foreign market entry mode choices of service firms (modified from (Ekeledo and Sivakumar, 1998)).*

<table>
<thead>
<tr>
<th>Authors and Study focus</th>
<th>Entry mode</th>
<th>Findings</th>
</tr>
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<tbody>
<tr>
<td>Studies in support of generalizing entry mode determinants to Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weinstein (1977). Comparison of multinational advertising agencies with their counterparts in manufacturing to identify significant differences in their investment behavior</td>
<td>FDI, Sole venture, Joint venture</td>
<td>There is no significant difference between the investment behavior of advertising agencies and that of manufacturing firms</td>
</tr>
<tr>
<td>Terpstra and Yu (1988). The generalizability of determinants of FDI by manufacturing firms to the U.S. advertising industry</td>
<td>FDI, Sole venture, Joint venture</td>
<td>The FDI behavior of the U.S. advertising industry is similar to that of manufacturing firms</td>
</tr>
<tr>
<td>Agarwal and Ramaswami (1992). The independent and joint influences of the factors that determine foreign market entry choice</td>
<td>Sole venture, Joint venture, Exporting, Licensing</td>
<td>The determinants of entry mode choice of manufacturing firms apply to firms in the equipment-leasing industry</td>
</tr>
<tr>
<td>Studies in support of adapting entry mode determinants to Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Erramilli and Rao (1990). The foreign market entry behavior of service firms, and how it varies across the service sector and entry situations</td>
<td>Sole venture, Joint venture, Exporting</td>
<td>Service firms favor FDI in their choice of entry modes when they follow their home country clients to foreign countries</td>
</tr>
<tr>
<td>Licensing</td>
<td>Erramilli (1991). The effect of international marketing experience on the service firm’s foreign market entry choice</td>
<td>Sole venture, Joint venture, Exporting, Licensing</td>
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<tr>
<td>Erramilli and Rao (1993). Foreign market entry mode choices of service firms</td>
<td>Sole venture, Joint venture, Licensing</td>
<td>Service firms differ from manufacturing firms in their entry mode choices</td>
</tr>
</tbody>
</table>

Thus, there are two differentiating research groups, one of which argues that internationalization factors pertaining to manufacturing sector can be applied to service sector, while the other argue that these factors are tailor-made for specific service sector. In the context of the entertainment industry, the most common entry modes are either licensing deals or export of the copyrighted entertainment package/content. Further, in this study the choice of entry modes and the factors that affect this choice for the internationalization of entertainment industry will be proved to be industry specific.

### 2.4 Classification of services that cross borders

Due to the inherent characteristics like intangibility and inseparability, services take both diverse and difficult routes to become internationalized (Javalgi et al., 2003). There are certain types of services that are likely to cross national borders and become internationalized. They can be grouped as follows (Javalgi et al., 2003):

- International contact-based services (like legal, consultancy and other professional services)
- International vehicle-based services (like radio, television and other electronic vehicles)
- International asset-based services (e.g. Clark and Rajaratnam, 1999; Clark et al., 1996)

Another classification of services was given by Erramilli (1990), which is:

- Hard services, which are not affected by the inseparability aspect or where production and consumption can be separated.
- Soft services, which are inseparable, like healthcare services where production and consumption occur simultaneously, so local presence of service firm is required.

Thus, Erramilli (1990) stresses the importance of inseparability as a service characteristic, which differentiates the service firm’s mode of internationalization from that of firms producing physical goods.

This Erramilli’s classification led other researchers to conclude that foreign entry decisions for hard services do not vary to a large extent from that of manufactured goods; however these decisions differ markedly between soft and hard services (Ekeledo and Sivakumar, 1998).

Some researchers contend that the factors affecting internationalization of manufacturing firms cannot be applied directly to the service sector and a context-specific approach is required due to the inherent differences existing between manufacturing and service firms (Johanson and Valhne, 1990; O’Farrell et al., 1996, 1998). O’Farrell et al. (1998) further state that the existing theories of internationalization are so rigid and inflexible, since it is based on the manufacturing firms’ constraints like requirement of capital investment and neglect the paramount strategic significance of project based links inherent within service sector context. On the other hand, Bodewyn et al. (1986), and Katrishen and Scordis (1998) argue otherwise.

To conclude, as O’Farrell et al. (1998) put it rightly, although the internationalization process may not be comparable across manufacturing and service contexts, the insights gained through internationalization research within manufacturing sector may provide better prospects to understand internationalization of service firms, and may have to be tweaked according to the specific context. The entertainment industry can take the form of both hard (in case of export of copyrighted media content) and soft services (in case of stage performances or live theater), and factors to understand its internationalization have to be dealt with in a context-specific manner.

Further, although the above sections provide a clear foundation about the different ways through which internationalization takes place, this paper takes into account, the key drivers that are responsible for internationalization. Hence, the following sections will delve into the literature that investigates the factors or drivers that are imperative to internationalization. Only the relevant theoretical work that supports this research paper and suitable to analyze Bollywood industry has been elucidated, and other existing models in the literature deemed out of scope of this research work.
2.5 Eclectic theory

Dunning (1980, 1988, 1990, and 1995) had proposed Eclectic theory that explains internationalization of firms, either manufacturing or service, by means of two important factors:

- Firm-specific factors, which includes firm size or technologies/skills and unique resources specific to the organization that provides competitive advantage to the firm
- Location-specific factors, which include the specific characteristics of the market/country into which the firm internationalizes

Figure 1. Factors that influence Internationalization of a firm (developed from Dunning’s Eclectic theory by Javalgi et al. (2003)).

Figure 1 illustrates Dunning’s theory on the important factors that influence the internationalization of a firm. As the firm size increases, the probability to internationalize its operations also increases (Ali and Camp, 1993; Aaby and Slater, 1989; Erramilli and Rao, 1993; Keng and Jiuan, 1989; Katsikeas, 1994).

Similarly, Wiedersheim-Paul et al. (1978) suggest that international expansion is influenced by firm’s competitive advantages since it has a positive impact on management attitudes. Further, O’Farrell et al. (1996) contend that competitiveness and specialization in service sector yield greater effectiveness for expanding internationally.

Lastly, Lovelock and Yip (1996) propose that the policy regulations by host governments like capital flows and ownership constraints control the extent of foreign competition in service industry. Miller and Parkhe (1998) confirm this finding by suggesting
that lenient host country policies and regulations boost the degree of internationalization by foreign firms.

This Eclectic theory forms the basic foundation of the framework to be developed for this paper, in order to analyze the key drivers that influence the internationalization of Bollywood industry.

### 2.6 Uppsala Internationalization process model

Another important model that tries to describe the factors responsible for internationalization is the famous Uppsala model which can be applied to both manufacturing and service industries.

Johanson and Vahlne (1977) introduced the Uppsala Internationalization process model first in the Journal of International Business Studies (JIBS). The changes in business practices, advances in academic front along with the changes in the regulatory and economic environments have led to the revision of the model since then.

The 1977 model tries to explain the firm’s internationalization process characteristics. At the time this model was developed, there was only a very preliminary understanding of the market dynamics and complexities which attributes to the difficulties in the internationalization process. Figure 2 shown below illustrates the 1977 model, which takes into account four key factors, grouped as ‘State’ and ‘Change’ variables.

![Figure 2. Basic mechanism of internationalization (Johanson and Vahlne, 1977: 26).](image)

The model is dynamic and all the four factors are intertwined with each other. The current activities and experience result in changes inside the firm through learning. Change is also effected through the commitment decisions taken by the firm to consolidate its position in new market region. These small changes accumulates as new market knowledge of firm which impacts the market commitment and the resulting activities
regarding the next level commitment decisions. This leads to more learning opportunities completing the loop and making the model dynamic (Figure 2). (Johanson and Vahlne, 2009)

However, further research findings on business market front, especially in purchasing behavior and international marketing have led to a business network perspective of the environmental factors affecting the internationalizing firm. This research in business research has led to two principal arguments on internationalization (Johanson and Vahlne, 2009):

- Markets are complex networks of relationships in which the companies involved are connected to each other in numerous invisible configurations. Hence, for the success of internationalization of the firm, insidership in relevant networks is necessary and there is an obligation for outsidership.

- The two main preconditions for internationalization: commitment and trust, are both fulfilled by business relationships, which offer a huge potential for the same.

The role of networks in internationalization of a firm is showcased by a number of studies including that of Coviello and Munro (1995, 1997), who established that network relationships have a huge influence on mode of entry into a foreign market as well as market selection (Johanson and Vahlne, 2009). Other findings which portray the importance of networks in internationalization strategy include that of Welch & Welch (1996) and Coviello (2006). Coviello (2006), in particular demonstrated how the ‘insidership’ in networks is influential in internationalization process even before the market entry. The significance of relationships in internationalization process is also evident from the research findings of Bonaccorsi (1992), Erramilli and Rao (1990), Majkgard and Sharma (1998), Sharma and Johanson (1987). This relationship develops through sequential social interactions and exchanges by the firms involved (Kelley and Thibaut, 1978). (Johanson and Vahlne, 2009)

The outcome of such relationships is the knowledge accumulation and trust building and subsequently increased commitment as illustrated by Anderson and Weitz (1992), Dwyer, Schurr, and Oh (1987) and Morgan and Hunt (1994). Hagg and Johanson (1982) suggest that relationships, during the course of internationalization develop through experiential learning process where firms gradually build their commitments by learning about the capabilities and resources of their counterpart. Dyer and Singh (1998) underpin the prominence of working relationships in the internationalization process by proclaiming that it is a vital firm resource and result of substantial investment. (Johanson and Vahlne, 2009)
Hence, the same model was revised taking into account the importance of network relationships of firms to create knowledge opportunities for learning, trust and commitment in building on the existing relationships to complete the loop (Figure 3).

![Figure 3. The business network internationalization process model (Johanson and Vahlne, 2009).](image)

### 2.7 Framework development to analyze drivers for Bollywood’s internationalization

Although there are some literatures outlining the driving forces that influence internationalization of service firms, there is not much work outlining that of entertainment industry services, particularly that of Bollywood industry. Hence, this paper tries to develop a framework, taking support from work done by Dunning and Uppsala in order to generalize the kind of factors influencing internationalization of Bollywood industry.

The model offered by Javalgi et al. (2003) is derived from that of Dunning’s (1980) eclectic theory; however the model attempts to be adaptable for studying internationalization of not only the manufacturing firms, but also service firms. Since this paper analyses internationalization of not any particular firm, but an industry, the framework presented by Javalgi et al. (2003) is modified accordingly.

Dunning’s (1980) eclectic theory is a cost-based theory that explains the firm-specific ownership advantages through international investment. The dichotomization of firm-specific factors: firm size and competitive advantages, and location-specific factors: market characteristics are used by Javalgi et al. (2003) to develop a conceptual frame-
work to study the internationalization of service firms. These factors are used to assess the management attitudes which in turn is used to evaluate international success.

Figure 4 below is developed from Dunning’s Eclectic theory, which will be the fundamental model on which the framework to explain the internationalization of Bollywood industry is based.

![Figure 4](image)

**Figure 4. Factors that influence Internationalization of a firm (developed from Dunning’s Eclectic theory by Javalgi et al. (2003)).**

Figure 5 presented below is modified accordingly to suit the context of service industry instead of a service firm. The factor ‘firm size’ from Figure 4 is changed to ‘industry size’ in Figure 5. The rest of the factors namely ‘competitive advantages’ and ‘market characteristics’ remain the same for both firm and industry.

![Figure 5](image)

**Figure 5. Factors that influence Internationalization of an industry (modified from Figure 4).**
Next, in order to study the Bollywood’s industry size, it is important to analyze Bollywood’s evolution and growth (discussed in the following chapter). In a similar fashion, the biggest competitive advantage of Bollywood industry stems from their strong social networks and alliances which is unique to this industry. These social networks help build trust between the players in the industry, which provides new opportunities for cooperation, learning and creating further networks. This concept reflects the Uppsala internationalization model which is represented in Figure 5. One of the important market characteristic for Bollywood industry is its subsidy structure worldwide, which will also be discussed in the following chapter. There are also other market characteristics relevant to Bollywood industry, like the huge Indian diaspora settled in foreign locations where Bollywood is popular. However, only subsidy structure will be discussed in this study as to how it contributes to the success of Bollywood worldwide and other aspects are out of scope of this paper.

Figure 5. Framework to explain the factors that influence Internationalization of Bollywood industry.
Thus, the new framework developed to analyze the driving factors for Bollywood industry’s internationalization takes into account both industry-specific and location specific factors from Dunning’s eclectic theory model, namely: industry size, competitive advantages and market characteristics.

Furthermore, the biggest competitive advantage for Bollywood industry originates from its social alliances and networks, which leads to trust building and learning opportunities and hence better decisions and commitments. This reflects the Uppsala internationalization model, which will be embedded into the Dunning’s eclectic theory model to explain Bollywood’s internationalization (see Figure 5).

Bollywood’s industry size, its structure and its social networks, resulting in trust building and learning opportunities form the intrinsic factors; in other words they form the inherent or elemental factors that shape the Bollywood industry and which are fundamental to its internationalization process. The subsidy structure, which is the market characteristic of Bollywood industry is an extrinsic factor; in other words this factor is obtained or acquired externally due to the market characteristic of the country where Bollywood internationalizes.
3. BOLLYWOOD

Following the framework developed (Figure 5) in Chapter 2, this chapter describes each element of both the industry-specific as well as location-specific factors by discussing its structure, growth, social networks and the subsidy structure in greater detail. The outcome of this chapter is to shed light on how these factors laid the foundation for the Bollywood industry’s popularity and why Bollywood was able to reach to international destinations.

3.1 The industry growth and evolution

Bollywood is the name given to the movie industry in Mumbai (formerly known as Bombay), India and the production of films takes place in the national language, Hindi. Bollywood’s growth in the recent times has been prolific. In 2004 alone, Bollywood released 244 films all over India, the highest number in comparison to movies made in other regional languages in India (CBFC, 2006).

During the last decade, Bollywood has become the most popular brand internationally among the Indian films. The consistent production of a mix of big-budget and low-budget movies has made Bollywood a highly commercially successful venture for its investors. The increasing amount of time, effort and money put into marketing the movies has given the brand a boost with a large number of blockbusters every year. (Lorenzen and Taube, 2008).


In India, there are several regional clusters for movie production for every state in their own regional languages. Although, Bollywood production of movies in Hindi, the national language of India does not produce the highest number of films in comparison to other regions, they have the largest market penetration in India and world-wide (CBFC, 2006; CII/KPMG, 2006). However, the revenue generated by Bollywood in 2005 was only 575 million USD, very paltry in comparison to the 23 billion USD turnover made by Hollywood during the same year (CII/KPMG, 2006). At the same time, it is to be noted that the ticket prices of Bollywood movies in India are much lesser in comparison to the Hollywood’s sold in the USA.
Nonetheless, in recent times the profitability of Bollywood has been increasing at a brisk pace becoming one of the India’s most impressive growth industries to develop into a potential global giant. This growth phenomenon is confirmed by the fact that Bollywood has witnessed a 360% growth in revenues during the period 1998-2005 and 58% during the period 2001-2005. Figure 6 shows that Bollywood accounts for 43% of the Indian film industry’s revenues producing 16% of the total Indian films in 2004. For 2006-2007, the revenues grew by 16% (CII/KPMG, 2005) in comparison to 7% for Hollywood during the same period (Kapoor, 2005), and reaching 30% by 2010. In 2007 alone, 250 films were featured with greater marketing efforts and distribution focussed on not only domestic markets but for global reach. The exports for Bollywood grew by 30% to 50% only during the period 2001-2005. (CII/KPMG, 2005; Lorenzen and Taube, 2008)

Lorenzen and Taube (2008) point out that this kind of unprecedented rapid economic growth of consumer industry such as film industry in a developing economy is a sign of industrial evolution or structural changes in the industry practices and this evolutionary study is commonly under-researched.

Bollywood film productions fall into two major categories (Lorenzen and Taube, 2008):

- High budget and commercially successful mainstream films
- Lower budget and niche film market

The first category, which is high budget is usually produced by a small number of relatively stable producer community, whereas, the lower budget movies are produced by a larger group of producers with lesser experience, talent or luck (Lorenzen and Taube, 2008).
An almost complete horizontal as well as vertical disintegration is seen in Bollywood industry with both the above mentioned categories being produced by companies with similar size, ownership, financial strength and distribution. After Indian Independence in 1947, the following entities have complexly collaborated for the Bollywood movies to be financed, produced, marketed, and distributed (Lorenzen and Taube, 2008):

- Hundreds of small scale production companies acting as independent producers
- Independent distributors, each covering various regional territories
- Private financiers
- Stand-alone cinema operators

However more recently, Bollywood has witnessed horizontal integration downstream in the value chain and the emergence of new organizational form with a few firms focused in achieving scale economies in distribution and finance. These firms market and distribute a large number of copies of the films across local as well as export territories and also taking advantage of accessing the new channels of distribution like TV and video, thus creating crowding effect. This has had a positive impact on the export revenues while preventing piracy issues. Some of the major Hindi TV channels have entered into this space of financing and marketing Bollywood movies on a big scale to have a stable input of films. These firms represent efficient and the new horizontal integrated way of funding and distributing films, which is stealing market shares from the small scale independent distributors who specialize in specific regional territory (Lorenzen and Taube, 2008).

Despite this emergence of the horizontally integrated firms, majority of the Bollywood films, including that of the mainstream blockbuster hits are being produced by a handful of specialized production companies. Two groups of highly professional production firms have emerged (Lorenzen and Taube, 2008):

- First, the biggest group exploiting the new horizontally integrated finance and distribution media firms by providing them with the films they need and acquiring the necessary funds for the occasional big-budget movies. Thereby, these production companies (even though horizontally disintegrated) make strategic alliances to considerably lower their risks of financing and distribution by signing multiple film deals to have a steady output of films (mostly low-budget) and have better focus on production planning (investment in scriptwriting).

- Second, a more elite group of production companies which employs top rank scriptwriters and technicians and roping in top level star cast and musicians for their films. The finance for these films comes from reinvestment strategy of the production companies which produced some blockbusters in 1990s. These firms through its reputation and careful planning have set up its own distribution abroad using its social networks and thereby achieving high hit rate. The returns
are reinvested in creating state of the art integrated studio with post production facilities. According to Kohli-Khandekar (2006a, 2006b), one such firm had the biggest turnover in Bollywood history in 2004 with USD 112 million.

Thus, the Bollywood industry’s ongoing restructuring on a massive scale and its size are quite significant. Further, the industry characteristics itself give rise to the formation of social relationships and networks, which in turn help Bollywood industry thrive, making it its competitive advantage.

### 3.2 Alliances and social networks

Until now, unlike Hollywood, there is neither horizontal integration with respect to film production nor vertical integration with respect to finance, production, marketing and distribution of Bollywood films. This industry structure is the reason for the recent upsurge in Bollywood’s economic performance, which can be attributed to the industry moving towards an “alliance” based model.

With an alliance practice and professionalization spreading along the value chain, Bollywood is able to maintain small production firm sizes while reaping economies of scale in finance and distribution, by more effective planning and use of directors and actors, and bringing down the average production times and cost. Thus, through the emergence of integrated organizational form only in finance and distribution of films made possible by the emerging social networks within the industry; Bollywood is able to tap the growing demand both locally and globally by investing more in the activities lower in value chain. (Lorenzen and Taube, 2008)

There exist three types of social relation networks in the Bollywood industry for it to sustain vertical disintegration along the value chain as well as horizontal disintegration in production. They are (Lorenzen and Taube, 2008):

- social relations between producers and star actors
- social relations between producers and financiers
- social relations between producers and star directors

The first and one of the oldest type of social relation is between the star actors and the producers. After the World War II, the integrated production companies/studios started to be replaced by number of independent producers due to rising costs of production and that of land prices in Mumbai. Moreover, the independent producers were able to efficiently outsource most of their creative work and employ freelance directors while paying high salaries to the star actors. Barnouw and krishnaswamy (1963) suggest that the actors’ salaries rose by more than 500% after Indian independence in 1947. The independent production companies started to focus on making films for cross-regional Indian markets rather than merely the Mumbai market (Shoesmith, 1987), which re-
vamped the industry and gave birth to the new trend of “Bollywood Masala” movies – the combination of such genre elements like drama, comedy and romance with song and dance sequences. Unlike the Hollywood counterparts, Bollywood actors are signed through informal social relations and networks, rather than through written contracts with lawyers and agents. Even today, personal trust and good social relations to star actors are crucial elements for a producer to get actors’ consensus to make a movie and this means that the budget overruns and productions delays will be held at minimum. This is because, sometimes the star actors’ are in high demand that their call sheets are overbooked and they usually give priority to the producers with whom they enjoy good relationship personally. (Lorenzen and Taube, 2008)

The second category of social networks and relations between producers and financiers are important because, traditionally the producers obtain finance for film making, in advance from either distributors or private sources/investors. Handshake deals between the producers and distributors became the norm for procuring finance instead of contracts and hence healthy personal relations were of high value. In times when the distributors refuse to cover production delays and budget overruns, or to avoid presales of all rights to a promising movie, the producers usually turn to private moneylenders (sometimes illegal) or other venture capitalists. In a city like Mumbai, which is the hub for large industries and commercial activities, risk taking private capital (both as white and black) were available in abundance, and social networks became the primary mode to gain access to it. Although the system of obtaining advance payments from distributors is now being phased out, the significance of private financing is still vital to Bollywood and hence handshakes and social relations persist to be essential elements of filmmaking. (Lorenzen and Taube, 2008)

The latest category of social relations that is gaining importance in Bollywood film industry is that between producers and star directors. Audience preferences have changed lately and films based on novel scripts/direction are starting to make inroads into mainstream markets and hence powerful directors are becoming valuable. These star directors prefer to work on the basis of personal relations as was with the case of star actors. (Lorenzen and Taube, 2008)

The use and reuse of social alliances for film making that continues to replenish itself, has resulted in the creation of a social network of personal relations within a small community of key people. This community includes the producers who actually created the star system in 1950s and 1960s, their friends and extended families along with the close friends and families of star actors who then became the producers, actors and directors of today’s Bollywood cinema. Most people in this network know each other through social exchanges and formal/informal meetings, if not through family bonds, and social trust and information exchanges are abundant. These people exchange SMS messages even to make several important appointments or to make deals; such is the
importance of trust. The richness of information is such that a producer would already know the actor’s dietary requirements even before approaching her/him for a project. The reputation of this community has been built on their strong social trust and relations, and their communication is highly efficient that a handshake within the network is seen as more valuable than a contract. Any disputes within the community is solved through the producers’ association board members or mediated through elder and respected members of the group. (Lorenzen and Taube, 2008) Thus, social networks were a key factor in building trust through which Bollywood has grown in size and extent; this exactly reflects the Uppsala model.

It has to be noted that Bollywood has no business groups; hence transaction costs of movie projects are reduced since social networks act as substitutes in providing access to information and resources among members. Furthermore, Bollywood is an informal network more open than business groups allowing for temporary relations, however, it is not entirely open for all entrants. This network grows by preferential attachment (Wasserman and Faust, 1994; Watts et al., 2002), i.e. it is highly path dependent within relatively confined circles and the actors, directors and producers are usually family members/friends/friend’s families/families’ friends of highly influential members of the group. (Lorenzen and Taube, 2008) This reiterates strongly the Uppsala model through which Bollywood has used their networking, and the resulting trust effectively to seize the opportunity to reduce costs which has led to knowledge accumulation and hence better market commitment decisions. This reduction in costs, in turn has led Bollywood industry to afford start shooting in foreign locations and further strengthening its social networks abroad.

In due course of time, these social networks spread beyond the Indian borders and became a major cause for Bollywood’s internationalization while also helping the industry to remain horizontally disintegrated in its production, which in turn helps Bollywood’s expanding horizon.

Thus, both the intrinsic factors discussed above, namely industry size and structure, and social networks and trust building (its competitive advantage) have led to the Bollywood industry being able to take advantage of the extrinsic factor, namely the subsidies which forms the market characteristic for the industry.

### 3.3 Subsidies

One of the most creative form of industry as considered by the policy makers is the entertainment media industry consisting of film and television (Scott 2005; Christopherson 2002, 2006; Christopherson et al. 2006). This industry is instrumental for economic development and they are considered to not only be able to generate technical and knowledge intensive jobs, but also create supplementary benefits to the economy by
bringing in multiplier effects like audio visual trade and spin-off effects with respect to a country’s image and tourism (Morawetz et al. 2007). Thus, subsidies provided in order to lure entertainment companies become an important market characteristic for the Bollywood industry, which helps it to become internationalized.

The following figure (Figure 7) shows the subsidies provided by different countries to the entertainment companies in form of rebates.

![Rebates on production costs](image)

**Figure 7. Subsidies provided by different countries to entertainment firms (The American Bar Association, 2012).**

As the presence of film crew is greatly noticeable to the public community, the resulting film/TV show helps in marketing or boosting the image of the city where these scenes were shot, thus promoting the tourist visits. This certainly has an appeal to the policy makers of the city because increased tourism helps improve the economic situation of that city. (Christopherson and Rightor, 2009)

In the United States, the states spend significantly more tax payers’ money on entertainment and media firms that produce creative content, rather than on other art programs (Christopherson and Rightor, 2009). Morawetz et al (2007) argues that subsidies and tax incentives available to producers of films and television industry has become an international trend and the states provide direct financing to such projects in order to stay competitive in hosting such productions.
On the premise that this division of the creative economy, namely the media production activity rejuvenates the economic development by infusing millions of dollars into the state economy, the policy makers in the U.S. have enormously ramped up efforts to draw attention of the movie and television producers to their states, by luring them with tax-based subsidies which provide them dollars to finance the film production (Christopherson and Rightor, 2009).

Moreover, the way media and entertainment products are produced and financed have gone through major modifications. Today, there are a number of options world over for the producers looking for financing to choose from, with a variety of production locations including well-equipped and technologically advanced studios facilities and highly skilled production crews, like Vancouver in British Columbia, Canada and “The Gold Coast” near Brisbane, Australia (Coe, 2000; 2001). Low-cost labor is an additional benefit for the producers apart from receiving financing for their productions (Christopherson and Rightor, 2009).

In Europe, there has been a transformation in the way the film industry has worked, in that the policy makers who initially supported the producers creating films that preserved the expression and the cultural uniqueness of the particular region have now started giving importance to the projects that attract co-productions catering to global markets. In other words, the production subsidies which were earlier reserved for culturally distinct productions aimed at national or other niche markets are now granted to multi-producer film productions intended for a broader or worldwide audience. (Morawetz et al. 2007)

Meanwhile, many new international production locations have popped up due to investments by governments and companies aided by drastic changes in technology. From the United States alone in 2000s, a considerable fraction of the films produced by main U.S. based studios were shot outside the U.S. (Christopherson and Rightor, 2009)

In order to deal with the cost pressure and the financial constraints, producers have started exploiting the competition among the regions to host the film/television shoot. International media outsourcing is based on the premise that the producers are able to transfer their costs squeeze on to the regional state and effectively derive a revenue stream from the public sector. Nowadays, in this contemporary era of film making, location choices are made for economic reasons compared to those made for creative reasons earlier (Foderaro, 2008). (Christopherson and Rightor, 2009)

Initially, locations for shoot were decided based on the script/storyline of the movie or the TV show in order to distinguish the film. However, today there are two principal reasons that drive the choice of location for the producers to shoot their film, namely (Christopherson and Rightor, 2009):
• Financial constraints on the production budget
• Availability of direct or indirect government financial assistance

Further, the producer can utilize the inter-state competition to acquire incentives/financial assistance to produce films from a favoured location even when the look of the location is critical to the plot of the film. These dynamics form the backdrop for the current trends in the subsidies provided by the governments to the media producers. (Christopherson and Rightor, 2009)

3.3.1 Subsidies in the form of media services

During the 1980s, with the inventions and use of new technological equipments like the high definition handheld camera, the production crews in the United States were able to take advantage of both the creative possibilities and the low shooting costs on location. Hence, producers were able to command more bargaining power and differentiate their products by the location choice, in order to respond to the competitive market structure for media and entertainment products. (Christopherson and Rightor, 2009)

Cost reduction while producing a film is very important, especially for mid-budget to low budget productions. And as media production heavily depends on highly skilled workforce due to its labor intensive nature, cost reduction in production boils down to labor cost reduction. Therefore cost reduction is aimed typically at shooting phase of the production process, of which on-location expenses are a major portion including salaries paid to the workforce, both skilled craft and under-the-line workers. This led to a worldwide search for locations where the cost of labor was considerably less or the public subsidies were more. (Christopherson and Rightor, 2009)

These incentives came in the form of free government services, effectively in kind aid such as (Christopherson and Rightor, 2009):

• Location scouts
• Access to public facilities and streets
• Official permits and police protection
• Community relations help

In addition to this, the production crews took advantage of the variety of incentives that were provided by the states to entice film makers to shoot outside Los Angeles (Weinstein and Clower, 2000), justification being that these incentives would promote tourism and business. The state wanted their region to appear in the scenes of the films/TV shows and also to be recognized in the credits, so these would be used as a means of civic pride and promotional tool to attract conventions and visitors. (Christopherson and Rightor, 2009)
3.3.2 Subsidies in the form of tax credits

Tax credits are instruments that offer cost reimbursements to the producers through tax filings. This form of incentive started mainly in Canada, where producers were provided recovery of a certain percentage of Canadian crew (below-the-line labor) cost. These credits are refundable fully and in case the credit amount exceeds the actual tax obligation, the producers are allowed to file for a refund of this balance through filing of tax returns. This provision of tax credits then spread across the U.S. in order to keep up with the competition. (Christopherson and Rightor, 2009)

The U.S. states became so aggressive in bidding against each other for cost reductions to film/TV producers such that by 2009, over 40 states in the U.S. provided tax-based rebates and incentives to film/TV producers. Finally, tax refundable credits that allow producers to file for return, a certain percentage of different kinds of in-jurisdiction production expenditures including other rebate programs which are totally outside the scope of the tax filing process soon followed (CEIDR, 2006). (Christopherson and Rightor, 2009)

3.3.3 Direct subsidies in the form of loan guarantee/saleable tax credit

The most recent development in the U.S is the provision of direct subsidies or a portion of the financing required to produce a film in order to lure the producers. As an example, New Mexico set up a program to lend interest-free loans to producers to meet the demand for upfront investment. Many U.S. states started offering loan guarantees and transferable/saleable tax credits on production costs. So now the producers or the investors can obtain eligibility for tax credit of an officially approved/authorized amount even ahead of the commencement of the actual production and then, sell these credits to third parties (not necessarily in the media/entertainment industry) in that state which could use it to reduce their tax liabilities. Hence, the production companies are able to secure upfront hard cash through selling of tax credits and this cash often surpass the amount they could use. In some other states, the governments initiated programs to buy back its own credits at a discount, virtually converting tax credits into grants. (Christopherson and Rightor, 2009)

As these changes in the production incentives progressed, the focus for luring TV/film productions shifted from emphasis on the tourism and business climate to job creation and economic development, thus the film agencies and offices started increasingly collaborating with the economic development department of governments. (Christopherson and Rightor, 2009)
To conclude, all these factors led to the Bollywood industry looking for locations abroad in order to avail these incentives and subsidies leading to a major shift in the way the entertainment companies internationalize.
4. RESULTS

This section will look at some case examples of how Bollywood has fared internationally and how the market characteristics have helped this cause, thus supporting the framework built and the claims made in the previous sections.

4.1 The ‘Bollywood’ influence

India is a country where films are of immense importance and is highly influenced by its film industry itself. Due to the significant coverage and exposure of many regions of several EU countries in Indian movies, these places have emerged as attractive destinations for holiday for many Indian tourists. “Bollywood”, the popular name given to the pan-Indian film industry has shot several of its movies extensively in exotic locations in the EU countries like the United Kingdom, Switzerland, Austria, Ireland and Spain to name a few. The beautiful and stunning portrayals of these countries in many romantic movies have had a psychological effect on the Indian tourists in attracting them to these countries by boosting their desire to travel. (Gopalan, 2013)

Owing to this psychological effect, the inclination of Bollywood filmmakers to shoot in foreign locations has led to a significant value creation in the eyes of the foreign governments, consequence of which has led to increase in the financial incentives; this in turn, underpin the commercial importance of filming in foreign locations. Since then, Bollywood movies have become popular globally from Japan to Israel, Peru to the UK and many governments view this as a way to promote their tourism. This is called as ‘Bollywood Effect’, whereby there is a dramatic upsurge in the tourist arrivals from India after several Bollywood films have been shot in a particular country. (Ganti, 2013)

Gopalan (2013) affirms this by stating that this strong influence that the Indian films command and its visibility have been utilized by several countries as an effective means to promote and advance their tourism industry. This concept of film tourism has been increasingly used by many countries, especially for Bollywood movies as they are always on the lookout for new and eye-catching locations to shoot their songs and scenes. As an example, Switzerland’s popularity as a ‘dream location’ was extensively done by Bollywood films while shooting in different parts of Switzerland. (Gopalan, 2013)

As a result of this ‘Bollywood Effect’, the tourism ministry of many countries have entered into collaborations with the Indian film industry to kick off marketing campaigns
in order to publicize tourism information about their countries to Indian population. As a result, there is a large number of international tourism offices represented in India for destinations such as UK, Austria, and France to name a few (ETC, 2009). (Gopalan, 2013) This has been emphasised by Ganti (2013) who declares that representatives of film councils and tourism boards from Germany to Malaysia, South Africa to Scotland and Finland to Florida have been visiting India in order to market their respective states to filmmakers of Bollywood (Ganti, 2013).

According to the article published by Seema Sachdeva for The Tribune (2013), the Indian travel market is expected to expand at 14 per cent by 2015 and as many as 50 million Indians are estimated to travel abroad in 2020. To tap this potential, the tourism boards along with the tour operators of several countries are not ready to leave any stone unturned and are proactively trying to woo the Bollywood filmmakers. (The Tribune, 2013)

According to The Guardian (2012), when it comes to product placement, getting the country featured in a Bollywood blockbuster is the best approach (The Guardian, 2012). It also claims that the fastest growing outbound tourist market in the world is alluring and enticing foreign destinations to India and Bollywood plays a leading role in promoting this market (The Guardian, 2012).

Likewise, Ireland has sent its delegation to meet Bollywood executive to solicit them for considering Ireland as shooting location, so that it will have a boost in its tourism industry. Similarly, France has set up a separate organization called “Film France” to woo international film crews and also offers VAT refunds for foreign filming. (Gopalan, 2013)

In addition to this, France offers special financial incentives to Bollywood filmmakers (Gopalan, 2013). According to Ganti (2013), many countries offer different kinds of incentives to Bollywood filmmakers through their representatives such as:

- Financial subsidies
- Tax breaks
- Technical assistance
- Logistic support
- All expense covered scouting trips
- Coproduction arrangements

A case in point would be German government, which is said to have provided financial subsidies in the range of 1.7 million Euros to 2.2 million Euros to shoot the Bollywood flick Don 2 in their country in 2011 (The Tribune, 2013).
These are only a few examples of how European countries have been taking initiatives to try and attract Bollywood producers to shoot in their countries due to the Bollywood Effect.

There is a long list of countries where Bollywood is popular and regularly visited by the directors for shooting song/movie sequences and the effect created is similar to any other country, difference being in the different kinds and varying levels of subsidies provided by the different countries. The example cases highlighted in the subsequent sections are chosen for the following reasons. Britain and Switzerland are locations where Bollywood films are shot more frequently than others. As a matter of fact around 35 Bollywood movies have been shot in the UK alone and around 25 movies in Switzerland (BollyLocations, 2015), making these places the most favourite locations for Bollywood shooting. Spain is chosen to showcase how even a single feature film shot entirely in Spain could yield the Bollywood Effect. Finally, Israel as a case example shows how Bollywood has grown in popularity even in the Middle-East regions where there are strict regulations in general, regarding the granting of permissions to shoot in their countries when compare to other locations worldwide.

### 4.2 Bollywood in Britain

Whenever romance was on screen, which usually happens via a song and dance sequence in a scenic setting, Bollywood producers usually seek places similar to Swiss Alps, the rolling hills of the Lake District in the UK or in the Holland’s tulip fields. This trend was started by the famous Bollywood director Yash Chopra. The Guardian in 2012, via its online portal www.theguardian.com published:

“Chopra recognised the sense of excitement, escapism, adventure and aspiration that an exotic location could bring to a film, particularly one with romance at its heart, and so exotic backdrops quickly became his trademark.”

In Bollywood, during the past it was the mountainous Kashmir regions which represented the ideal scenic beauty with its tranquil landscapes and surroundings so that its trees, valleys and lakes became synonymous with romance. However, during the late 1980s, the threats of terrorism made it difficult to access these regions for shoot; hence Yash Chopra began the trend of shooting overseas as a means of substitute. (The Guardian, 2012)

Yash Chopra was instrumental in promoting Britain as a fascinating and glamorous travel destination. In 1991, he directed a classic movie “Lamhe”, which was shot in the Lake District of London. A decade later, Chopra revisited Britain to Ullswater to shoot steamers which ply between Pooley Bridge and Glen Ridding celebrating in the twirling lakes, rolling fells and narrow twisting roads of the national park for the film “Mujhse Dosti Karogi”, which he produced. In 1995, Yash Chopra produced the film “Dilwale
Dulhaniya Le Jayenge”, which was directed by his son (reiterating the role of trust in Bollywood industry) and not only showcased some of the London’s well known tourist spots but also featured British Indians (non-resident Indians), went on to become the longest running blockbuster in the history of Indian cinema. Even Chopra’s final film “Jab Tak Hai Jaan has a song sequence shot in prime tourist locations in and around London showcasing its extravagance and splendour. (The Guardian, 2012)

Another famous Bollywood director Karan Johar shot his first two movies extensively in Britain. His 1998 movie “Kuch Kuch Hota Hai” has its title tracked filmed at Ross Priory, Glencoe and Loch Lomond in Scotland. Another song in his second release “Kabhi Kushi Kabhie Gham” in 2001 exclusively portrays some of the locations like Cambridge, King’s College, Cardiff’s Millennium Stadium, Blenheim palace and the British Museum’s Great Court. The Britain’s national tourism agency, VisitBritain, which is responsible for marketing Britain’s locations overseas, started a global campaign known as “Britain You’re Invited” with Karan Johar as goodwill ambassador and even put out a Bollywood Movie Map highlighting many of the Bollywood productions on its website (http://www.visitbritain.com/en/Bollywood-Britain) to persuade Indian fans to visit these destinations showcased in their much loved movies. (The Guardian, 2012)

4.3 Bollywood in Switzerland

The Switzerland’s tourism industry is keenly drawn in to attract Bollywood productions, since it has realized that a global hit depicting its country in positive light is more effective than any other advertising campaign for nation branding. Federico Sommaruga, the director of emerging markets and special projects at Switzerland tourism has published in their official website swissinfo.ch that Bollywood has the greatest effect on tourism and that there is a major relation between the number of tourists visiting Switzerland and Bollywood movies shot there. (Swissinfo.ch, 2012)

Another important statistic, according to Switzerland tourism is that between 1993 and 2010 the figure for number of annual overnight stays of Indian tourists skyrocketed from 71000 to 393000, and that an average Indian spend SFr300 or $325 a day in comparison to the average tourist spend of SFr174, thus boosting the local economy. Over the past 20 years, more than 200 Bollywood movies have been shot in Switzerland. The lush alpine meadows and central Bern are some of the favorite spots to shoot romantic scenes and dance routines. Switzerland has started to provide public spaces free of charge for shooting films. Also, there are private train companies that are film friendly that allows Bollywood to shoot inside trains. (Swissinfo.ch, 2012)

Chopra has shot so much in Switzerland that in 2010, as a result of promoting ‘Brand Switzerland’ through his movies, he was honored with the Swiss Ambassador’s Award.
Further in 2011, he was revered with the title of Ambassador of Interlaken. His association with Switzerland continued until his last movie ‘Jab Tak Hai Jaan’ before death where he filmed the closing song. As a welcoming gesture, the Swiss tourism board, in turn, provided lavish support to Yash Chopra in filming his movies. (The Tribune, 2013)

Following the success of Switzerland’s tourism industry due to Bollywood filmmaking, Zurich-based Film Location Switzerland seeks to provide services in connection with the local authorities, thus simplifying activities like administrative procedures, location scouts, gaining access to technicians, actors and coproduction partners. The foreign production companies are able to get tailored packages for each film project and can also have their disbursed VAT refunded. (Swissinfo.ch, 2012)

Miller (2006) affirms that the Swiss government has been offering free scouting trips since 2006 in order to woo the Bollywood moviemakers and this comprises of round trip airfares between Switzerland and India, hotel accommodation for a week and chauffeured transportation for location hunt (Ganti, 2013).

### 4.4 Bollywood in Israel

Bollywood movies are starting to get more and more attention in Israel, especially after some Indian films were shot there. Israel’s envoy Mr. Alon Ushpiz has said that their government wanted the Indian moviemakers including Bollywood filmmakers to shoot in Israel’s breath-taking and splendid settings to a greater extent. He has also promoted a special location which have been the most preferred choices for the Telugu filmmakers from Hyderabad, South India: Dead Sea, the lowest point on Earth’s surface and the deepest hyper-saline lake in the world. Further, Mr. Ushpiz has endorsed that Indian films shot in Israel are instrumental in promoting his country as a tourist destination. According to website of Embassy of Israel in India (Ushpiz, 2014), Mr. Ushpiz is quoted as saying:

"Indians entering Tel Aviv are doing very good work to promote tourism from India to Israel. We will be very happy if more Bollywood and Telugu filmmakers shoot their films in Israel."

Increasing number of Israelis including the over 50,000 Indian Jews settled in Israel and expatriates are starting to follow Bollywood movies and music. As a matter of fact, the movie “Yeh Jawaani Hai Deewani” (with subtitles in Hebrew) starring actors Ranbir Kapoor and Deepika Padukone acquired theatrical release in Israel. Previously, in 2002 a famous film “Devdas” directed by Sanjay Leela Bhansali was released. In addition to this, Israeli youths have access to the famed Indian TV shows like “Indian Idol” and “Nach Baliye” which has aroused their intense curiosity and awareness towards Indian film music and dance. (Ushpiz, 2014)
4.5 Bollywood in Spain

A very prominent example during the recent years for boost in tourism due to Bollywood is that of the film ‘Zindagi Na Milegi Dobara’ in 2011. The movie is about three friends out in Spain for a holiday and it was dubbed as a three hour advertisement for Spain’s tourism. It is said that this movie had fetched an increased arrival of tourists of more than 32 per cent to Spain, especially during the first half of 2011 and at specific locations where the film was shot. (The Tribune, 2013)

This success in Spain has led to countries like Oman, Egypt, Korea, Fiji and Cyprus to explore this potential. As a matter of fact Fiji Islands has declared that 50 per cent subsidy will be provided to filmmakers who shoot in their country. (The Tribune, 2013)

Other countries where Bollywood has become popular includes United States, Australia, Sweden, Czech Republic, and Hungary to name a few. Similar phenomena have been observed in these countries as discussed in the above cases.
5. DISCUSSION

This paper had two important research questions presented in the introduction section. These were:

- “What kinds of factors characterize an industry’s internationalization?”
- “Which industrialization drivers are relevant to Bollywood industry’s internationalization and how?”

The results provided in chapter 4 may seem to draw a conclusion that Bollywood has a positive effect on the country’s tourism, in turn a boost to their economy where Bollywood films are shot. But, this was not the objective of this study and can be misleading for the reader. However, this whole study provides a retrospective view to reach its goals. It has to be noted that an important factor, namely ‘subsidies’ in form of financial assistance or tax breaks or other forms of support was common to all the country cases presented in the results. Further, the subsidies are vital market characteristic for not only Bollywood, but any other entertainment industry to expand its boundaries internationally. This not only answers our research questions, but also corroborates the theoretical framework developed (see Figure 5) at the end of chapter 2.

Besides subsidies, there are other factors that characterize Bollywood’s international phenomenon, however this did not have any explanation in the results section. This is because, the other factors like the social networks upon which Bollywood is built making it its competitive advantage and, its size and structure are intrinsic to the industry. Nevertheless, these intrinsic factors form the foundational elements that drive Bollywood to take advantage of the extrinsic market forces discussed in the results section. The chapter 3 sufficiently validates for this reasoning. Thus, the chapters 3 and 4 together answer the research questions.

Therefore, with Bollywood as the case, chapter 3 helps us conclude that the two main industry-specific drivers namely, ‘industry size’ and its ‘competitive advantages’ are the key factors that characterize an industry’s internationalization. In the same line of thought, chapter 4 helps us infer that the location-specific driver, namely ‘market characteristics’ is another crucial factor that characterize the industry’s internationalization. This answers the first research question as to what kinds of factors are responsible for internationalization of an industry.
Subsequently, it is also evident (from chapters 3 and 4) that the following industrialization drivers are relevant to Bollywood industry’s internationalization answering our second research question in the light of the earlier framework developed in Figure 5, namely:

- Industry characteristics like industry structure and size
- Competitive advantages like social alliances and networks
- Market characteristics like the subsidies and financial grants for movie productions

Moreover, by answering the research questions the researcher was able to achieve the desired outcome, which is to corroborate and verify the model framework developed (Figure 5) in chapter 2. This also offers a convincing argument that Dunning’s Eclectic model can be extended to an entertainment industry like Bollywood for evaluating its internationalization. Furthermore, the researcher was able to establish that Uppsala model, which states that network relationships are an influential factor for a firm’s internationalization is extendable to Bollywood industry where the social networks form the basis for its expanding horizons by means of cost reduction. Thus, by achieving this outcome this paper sets a perfect model for performing data analysis through inductive approach research.

Finally, by this whole systematic process of answering the research questions, the researcher was able to elucidate the growing popularity of Bollywood in different countries which was the central theme of this case study research to be presented to DBDC Oy, a Finnish entertainment company.
6. CONCLUSION AND LIMITATIONS

The kind of factors that led to the internationalization of Bollywood industry have been examined. The existing literature works from Uppsala and Dunning have been adapted suitably after modifications and used to build a framework to study Bollywood’s internationalization. Since these theories dealt with the firm level internationalization and not at the industry level, the framework was built to suit the Bollywood industry.

It is evident that the sheer industry size of Bollywood and its structure have led to its strong growth within India, which in turn helped it spread across to other countries. The Bollywood has a complex industry structure and maintaining small firm sizes while reaping economies of scale in finance and distribution. This complex structure is made possible only because of the web of alliances and social networks with which the industry has held itself together making it its unique competitive advantage reducing costs. These intrinsic factors were responsible eventually to help Bollywood start shooting in foreign locations and take advantage of another important market characteristic, which is subsidies. The subsidies provided by the foreign countries owing to the boost in their tourism revenues as result of shooting movies in their countries facilitated Bollywood to become an international brand.

Another very important outcome of this research study is that of validation of the Eclectic model of internationalization by taking Bollywood as a case. The fact that this research study has demonstrated that the Bollywood industry takes both industry-specific and market-specific factors (as put forth by Eclectic theory) contributing to its internationalization is a direct corroboration that the Eclectic theory can be applied to research any industry’s internationalization.

This study has the following limitations. First, this entire research is a document based study and relies entirely on secondary sources. However, the author has ensured that the sources are reliable and suitable to conduct research work (e.g. making sure that not only the data is most recent and relevant, but also the author of the source is a verified expert in the field). Second, there could be other relevant factors that are significant to Bollywood’s success internationally, however only a few of them have been taken into consideration due to the limitation on the available sources of documents. Especially, an influential component for Bollywood’s popularity that was not included in this study is the growing diaspora of Indian settlements in foreign destinations. The consideration of this element as a future research work would add a new dimension to the study. Finally, although this paper convincingly demonstrates how Eclectic theory could be extended to Bollywood industry, there could be other theoretical works (e.g. Diamond model by
Michael Porter) that could as well be taken into consideration, nevertheless this is out of scope of this study. This could also be an avenue for further research on this topic.
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