

KNOTTED

The broadcasting industry is currently mired in a set of problems. The cure obviously is digitisation.

By DHALETA SURENDER KUMAR

“**W**hy is there a perception that in the cable versus DTH battle, the latter is gaining? DTH is the flavour of the season. Investors love it, consumers want it and broadcasters prefer it.” These were some of the opening remarks of Uday Shankar, CEO, Star India, at the recently concluded Indian TV Distribution Networks Congress. He added, “If we can have many golf and gardening glossies in India, why not TV channels? The only way for Indian broadcast sector to go is digital.” Shankar had set the mood for the day and for our story, why digitisation is the next big thing and the biggest challenge for the Indian broadcasting industry.

To start with some figures, as per TAM Media Research, of the 13.5 crore TV homes in India in January 2010, only 15 per cent (about 2 crore) are digital homes, i.e. either DTH or digital cable. It's obvious that the former has a larger share – about 1.7 crore.

However, what is cause for worry is that of the 13.5 crore TV homes,

about 10 crore homes depend on analogue cable. The majority of this distribution channel is more or less a cottage industry consisting of small local cable operators, who still rely on age-old technology, and can relay only about 100-odd channels of the 450-odd channels available in the country.

This means that distribution muscle and money power can decide the fate of any channel. Broadcasters have openly been talking about the hefty ‘placement’ fees that cable operators are commanding, which is diverting investments from brand-building and content-development.

Also, given the low-quality of traditional cable signals, the time spent by viewers is not growing as it can.

These ills can be solved by digitisation. The digital broadcast industry, consisting of DTH, digital cable, and IPTV, as per TAM, grew at 50 per cent in 2009 over 2008.

Sameer Manchanda, Chairman, DEN and Joint MD, IBN18 Broadcasting, feels that the digitisation process in India is too slow. “Digitisation in India has given the





STATUS

- India is the world's second largest country for TV homes.
- There are 13.5 crore TV homes in India and it has the potential to go to 22 crore homes soon.
- C&S crossed 10 crore homes in 2009.
- There are 2 crore digital TV homes in the country.
- There was a 50 per cent growth in digital homes in 2009 as compared to 2008.
- Pay TV commands a lion's share (80 per cent) in digital homes.

WHY DIGITAL

- Digital can carry more number of channels irrespective of the platform - terrestrial, cable or DTH. Eliminates the reason for broadcasters to pay a 'carriage fee' to cable operators.
- Digital improves TV viewing experience and as a result more TV viewing time.
- Gives control to the viewer and brings in addressability.
- Number of subscribers can be counted. Subscription revenue can go up, which can be used on brand building and content development. Niche channels can be explored.

NEED OF THE HOUR

- Set a sunset date for analogue.
- Need to educate consumers about the benefits of digital.
- Need to educate cable operators to invest on new technology and go digital.
- The industry needs to come together to lobby for changes in content regulation - allow exclusivity of content, and broadcasters be given the freedom to price their channels.
- The government should relook CAS and implement it in a phased manner.

consumers a taste of choice, quality and control, which is a good development. Digitisation is definitely going to grow. However, it is happening at a slow pace in India,” he says.

Lack of Structured Investment slows Distribution Growth

The problem partly has been solved with some organised MSOs (Multiple System Operators), who are heavily investing in making the cable industry organised, and digitising in the process. There are approximately 1,000 MSOs in India, including 10 that are considered major MSOs. Of these

4 lakh digital homes.

Even though subscription prices are down right cheap at about Rs 150 – Rs 200 per month, the viewing experience on analogue mostly remains poor. The low prices are, one, governed by regulation (which in itself is a big problem) and two, have inculcated amongst Indian viewers a habit for free content, thus hindering the growth of pay channels. As the analogue pipeline allows distribution of a limited number of channels, the distribution pipe is choked, thus forcing broadcasters to pay a carriage fee to these cable operators or in other words the last mile operators

posed 2017 as the sunset year for analogue to be started in a phased manner – starting with the Tier-I cities in 2013, Tier-II cities in 2014, Tier-III cities in 2016 and the rural areas in 2017.

Digital Benefits: Viewing Experience, Interactivity & Measurement

The primary benefit of digitisation is that it gets off the pressure on bandwidth. Doordarshan (DD), which has plans to switch off its analogue signals by 2017, depends highly on terrestrial signals. According to Aruna Sharma, Director General, DD, “Currently, on

Digital update

DTH is sure to spur the growth of digital homes in India.

(All figures in crore)

	Apr 2006	Aug 2007	Jan 2009	Jan 2010
TV Owning Homes	11.7	12.4	12.9	13.5
Cable & Satellite Homes	7.1	8.3	9	10.3
DTH Homes	0.23	0.65	1.26	1.72
Cable operator STB Homes	0.08	0.13	0.25	0.31

Source: TAM Research

majors, five have emerged as national MSOs in India: DEN, Hathway, InCable, Wired and Wireless (India) and Digicable.

The problem, according to Vikas Bali, President – Digital, DEN, is that “Cable is a home-grown industry and there has been no methodical investment into it. The biggest issue is that the infrastructure is patchy.” However, he gives credit to the cable operators or the last mile operators (LMOs) for building up the entire industry. DEN caters to over one crore analogue homes and more than

(LMOs), to put their channels on prime band.

As per the FICCI KPMG Report 2010, which quotes industry estimates, the carriage/placement fee market in 2009 was between Rs 1,000 and 1,200 crore. The figure was approximately around Rs 600 crore in 2007. The report expects the size of the carriage market to stabilise or decrease with the onset of digitisation. Manchanda is in favour of a sunset date to be set for analogue in the country. The Telecom Regulatory Authority of India (TRAI) has pro-

posed the analogue mode, we can beam up to two channels. Digitisation will help us increase our capacity and beam up to five channels.”

But that’s not only the reason to go digital. While digital TV improves picture quality and the TV viewing experience, its direct impact has been on TV viewing time, which according to TAM, is on average 20 minutes more on digital TV as compared to analogue homes. Also, digital homes, on an average, watch 12 additional channels. Weekly time spent on the digital platform, across channel gen-

res, too is quite high as compared to analogue TV. Music takes the cake with an average of 59 minutes spent on the genre per week as compared to analogue where the time spent on Music is 41 minutes. And as a virtue of being skewed towards SEC A and B, Infotainment and English movie consumption too is more on the digital platform.

The digital platform offers a big opportunity for media owners and advertisers to monitor viewership and develop a better feedback mechanism. But this is an evolving phase for the digital platform and it needs to go some more distance before the

However, this base is still too small to raise immediate alarm but the future is not too far. Given a significant enough audience base, separate advertising feeds and hence separate rate structure may emerge," he adds.

Digital Challenges: Content, Carriage & Regulation

One of the biggest challenges for DTH players is non-exclusivity of content on the platform and as per Indian laws, they are required to carry channels without discrimination. Players like Tata Sky have focused on value-added services (VAS) and applications that differentiate them from

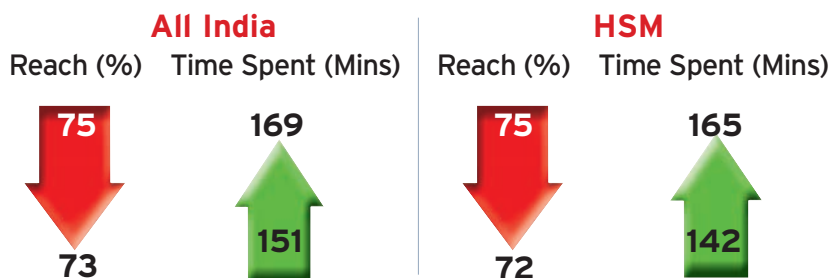
There are players like NDS that are specialising in VAS like the electronic programme guides, personal video recording, educational programmes and games on active services for the digital platforms. Warren Pearsall, Director, Major Accounts, Asia Pacific, NDS, says, "India as compared to the European and the US markets is different when it comes to VAS. In the latter markets, VAS is more inclined towards programming, whereas in India, due to the low penetration of PCs, the TV becomes the first access point for many houses to games and educational programmes."

NDS has invested about Rs 612 crore in the past eight years in R&D in Bengaluru in India. It is slated to invest a further of more than Rs 700 crore in the next four years.

Shankar rues the fact that the lack of subscription revenues in India was highly affecting the quality of content available on TV. DTH, he says, is fighting on ground with the cheaper cable subscription revenues. "The pricing game that both DTH and cable have indulged in is monstrously suicidal. The revenues generated for TV through advertising is not enough for investment in content or infrastructure to get people to spend more time on the medium," he says. He feels that content is made keeping in mind the lowest common denominator that cut across segments, and that is happening because advertising is skewed towards the lowest common denominator; and subscription revenue is needed to support specialised content. "DTH players have to offer differentiated content to their customers and the players have to go out and make a case for

The case for digital

Average daily time spent on TV for digital homes is 20 minutes more than the analogue homes.



Source: TAM Research

industry can talk about channel sampling and add value to TVRs.

In spite of the fact that time spent on TV on digital mode is higher, it has its flip side too, feels Lintas Media Chief Planning Officer, Premjeet Sodhi. "Some of the DTH providers and all IPTV players are offering recording facility in the set-top-boxes, giving liberty to the audience to watch as per their convenient time. They are also getting empowered to fast forward advertisements. This might pose a threat to the advertising fraternity as ad avoidance is likely to go up.

others. Tata Sky has been the first player to invest on interactive channels - games, cooking, astrology, religion, besides others. Vikram Mehra, CMO, Tata Sky, says, "Almost 60 per cent of our subscribers are paying for one or more paid applications. According to a study conducted by GFK for us, of the average total viewing of 180 minutes per day by our subscribers, 34 minutes are spent on Active channels."

He adds that 853 schools across India use Tata Sky's educational applications as a learning tool.

themselves. If the content is there, people are ready to pay for it.”

Expensive Digital Platform vs Cheap Analogue: Fair war?

Industry players agree that the ARPU (Average Revenue per User) in India, which ranges between Rs 137 and Rs 200 is very low. Specialised content offered at a premium can help ARPU go up. However, some DTH players like Salil Kapoor, COO, Dish TV, feel that “free is the new premium”. “The

Despite the benefits that DTH or digital platforms offer, there are challenges galore that hinders the growth of the DTH market. The cost of acquisition of a customer could be as high as Rs 4,000. The cost involves taxes paid to the government, subsidisation of set-top boxes (STBs), putting up a customer support and other infrastructure, besides marketing and advertising initiatives. “The margins on tariff plans are thin and it could take up to four years to break even per customer,” says Banerji.

such limit on digital cable.”

He also feels that cable operators have missed on the opportunity of localisation of content. “The DTH signal covers the entire India landscape. They can have targeted advertising in association with the channels. However, they cannot have umpteen numbers of local channels, which only the cable operators can. The majority of the cable operators are small entrepreneurs and they cannot afford huge investments, setting up a channel requires,” Jain says.



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Director General, Doordarshan

concept of must-carry is unique to India. The Indian consumer has been spoilt for choice with free content. We buy a Mac at a premium, but we want the apps for free. Same is the case with the Indian DTH industry,” he says.

Kapoor may be right, if Sharma of DD is to be believed. DD Direct+, the DTH service of DD plans to upgrade its DTH technology to support 200 channels from the current 59 in a couple of months. “We have received applications from some of the paid channels to be on the free-to-air DD Direct+ platform. We are in the process of considering the applications,” Sharma informs.

All industry players that Pitch spoke to complained that some states were levying entertainment taxes anything between 25 per cent and 40 per cent. Add to that 5 per cent service tax. And this could not be passed on to the consumers as the DTH players, are already fighting with the cheaper cable options available to the consumers.

Dinesh Jain, CEO, Zee Turner, feels that cable if digitised has an edge over DTH when it comes to bandwidth and the number of channels it can carry. “DTH has limited bandwidth and it can carry channels not more than the capacity of the allotted transponders. There is no

‘Human’ Touch in Digital required

Jain is of the view that there was a need to segment and “not paint entire India with one brush.” “The numbers are at the bottom of the market, which remain untapped as yet. And there are multiple reasons for that like the availability of power, different time zones – prime time for east India would be two hours ahead of the west. The biggest problem however, is the availability of the TV itself. There are more than 50,000 villages in the country where there are no TV shops,” he says.

Zee Turner has a customer base –

comprising of small cable operators – of around 10,000. “Our biggest challenge is how do we take it up to the 20,000 figures,” Jain says. He also points out the problem of limitation of recharge outlets for DTH, particularly in the smaller towns. Here, he says, the cable operators can score.

Sugato Banerji, CMO - DTH, Bharti Airtel, agrees with Jain. “The product (the set-top-box) is an appointment purchase, which is purchased only once. The recharge is a recurring sale. The appointment purchase can be either had from consumer electronic or telecom stores. You

the number up to 10 lakh outlets,” says Banerji.

Bali of DEN, feels that the cable operators have an edge here. “The cable operator has a human face. There are no recurring recharge options. The customer often pays bills at his whims. Whereas on DTH, your service may be disconnected if it is not recharged timely.”

On customer care, Bali says that the MSOs are investing a lot on “basic hygiene levels.” “The expectations from consumers are ever increasing. We are continuously educating the LMOs on soft skills like customer care,” he adds.

the FICCI KPMG Report 2010, LMOs still garner almost 75 per cent of the subscription revenues due to under declaration of the subscription numbers. The broadcaster gets around 20 per cent and MSOs around 5 per cent. How important it is for MSOs to convert analogue homes to digital homes can be implied from the extracts of the Red Herring Prospectus of DEN: “Any failure to attract and retain digital subscribers will materially and adversely affect our business, results of operations and financial condition. We expect that our future revenue growth will be driven from the conversion of our



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COO, Dish TV

have to identify the type of stores you will go with. It also needs a fair bit of knowledge about the product to be told to the customer. At the second level, the distribution becomes a bit more challenging. The access point where you can get your recharge coupons from should be close enough to you. As a virtue of Airtel being in the telecom space and a distribution network having been already established, we score over our competitors. Our DTH recharge options are available in more than 5,000 towns and in more than 60,000 retail outlets. The challenge is to take

Operators vs Broadcasters: The Age-old Battle Continues

Zee Turner, according to Jain, also is investing a lot into educating the LMOs in technology upgradation. “We have set up an advisory cell to educate the LMOs how they can benefit from new technologies. They can leapfrog with a small investment and we can offer them technical expertise,” Jain says.

Another problem is of under-declaration of homes the LMOs connect to, thus robbing the broadcasters and the government of the huge amount of their due revenue. According to

analogue cable subscribers into digital cable subscribers, and the provision of paid-for value-added services to those subscribers. The conversion of analogue cable subscribers will help to prevent the current industry-wide problem of local cable operators (LCOs) under reporting the number of subscribers we have. It will also enable us to further increase our revenue by offering paid for value-added services such as pay-per-view and personal video recorders. It is not possible to offer value-added services to analogue cable subscribers.”

However, the cable operators too have their own set of ruses against the broadcasters. They complain of high-handedness of the broadcasters, who force bouquets at exorbitant rates.

Much of the problem could have been solved with the government's impetus for digitisation through CAS (conditional access system). Government-mandated CAS has been implemented over various stages since 2003. The most recent initiative came in January 2007 with mandated deployment of prescribed zones in Mumbai, Delhi and Kolkata. The adoption rate of set top boxes in

likely to gain pace in India regardless of whether CAS is implemented on a wider scale. According to the report, the number of digital cable households in the country can go up to four crore by 2014. The report expects DTH houses too to be around the same by 2014.

Unlike DTH, which is limited to television, digital cable, due to the huge bandwidth available has the potential of delivering three services simultaneously – television, voice (telephony) and internet (broadband).

Touching upon the regulatory issues that the distribution business faces, all industry players are united

could give an impetus to digitisation. IPTV has just a couple of years' history and its share is miniscule; more so as the focus of the IPTV operators is on corporates in metros as of now.

HITS is the latest technology, which hasn't taken off as yet, as the policy for the technology was only framed in December 2009. HITS technology operates by television broadcasters uplinking their signals to a satellite, which is downlinked by an MSO. The MSO then adds its own encryption to the signal and uplinks it to a satellite. LMOs then downlink the signals from the satellite using a dish antenna. Thereafter, the signals are transmod-



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Chairman, DEN

CAS mandated areas of these three cities was a dismal 38 per cent by the end of the year.

Unshackling Digital: Benefits for all ahead

In spite of the failure of CAS, MSOs see multi-fold benefits resulting from digitisation, and hence have seen an opportunity to pursue voluntary CAS as a way in which they can encourage digitisation of their cable services. The FICCI KPMG Report 2010 projects that digitisation of cable is

in stating that the government needs to unshackle the distribution industry. On the wish list for lobbying by the industry are exclusivity of content, allowing of adult content and giving the broadcasters the freedom to price the channels. Shankar, however, maintains that the industry has not lobbied much and the reason for that was the lack of common vision amongst the industry stakeholders.

The story would be incomplete without the mention of IPTV and HITS (head end in the sky) that

ulated and retransmitted by LMOs to subscribers who use a set top box to decrypt the signals for viewing.

In a country with a billion plus population, all these exercises require huge amount of money, resources and infrastructure to bring in the desired change. The real challenge is to bring policy parity among all operators (cable, CAS and DTH), which will be the real inflection point to drive big growth numbers for digitisation. ■

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