Unit 15 – TELEVISION AS AN INDUSTRY IN INDIA

UNIT STRUCTURE

15.1 Learning Objectives

15.2 Introduction

15.3 Emerging trends in Television industry

15.4 Challenges for Television Industry

15.5 Advertising Scenario in Television industry

15.6 Factors affecting Advertising in TV industry

15.7 Economic impact of TV industry

15.8 Measuring Television's Audience report or Television Rating Points:

15.8.1 World of TV Rating System

15.9 Let Us Sum Up

15.10 Further Readings

15.10 Answers to Check Your Progress

15.11 Model Questions

15.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- explain the emerging trends in television industry
- list the challenges and the factors affecting the industry
- describe the advertising scenario in television
- analyse the economic impact of the industry, and
- discuss the world of TV Rating points

15.2 Introduction

The Indian Television industry dominates the overall Media and Entertainment landscape and has been growing at par excellence. While television is expected to retain pole position as the largest segment by 2021, as per an expert study, digital media will compliment television and

vice-versa. India is fast becoming a strategic market for global players seeking to monetize and capture upside growth. And therefore, it becomes too important to understand the growth path of television as an industry and its contributing factors that make it fledgling.This unit will unfold some of the key aspects in learning- how television industry has been growing at rapid pace, and what are its compliment factors in making it one of the major industries in India.

India currently boasts of 298 million homes, of which 197 million have a Television (TV) set, having an opportunity of almost 100mn more TV homes in the country. It is the second largest TV market in the world in terms of subscribers after China, with 197 million TV households growing at 7.5% year-on-year. TV penetration in India has more than doubled from 32% in 2001 to 66% in 2018. While the size of the Indian TV market in terms of revenue is smaller than its peers, the runway for continued growth provides exciting opportunities for global players. Regional TV markets continue to be attractive, as they outpace national ones in terms of advertising. And the global broadcasters to continue to build a presence in these markets by acquiring or partnering with local broadcasters.

The Indian television industry has been undergoing a tectonic shift, operational challenges and yearning for the big, with having in account a large customer base. The pace of technological change is accelerating too quickly that finding the perfect balance between addressing contemporary challenges and futuristic planning becomes too tough. However, the industry has witnessed a major shift in the previous years and is expected to showcase a great future.

As per a reputed research study, India's television industry has grown from Rs 58,800 crore in 2016-17 to Rs 66,0007 crore in 2017-18, thereby registering a growth of 12.24 per cent.The subscription revenues rose from Rs 38,7007 crore to Rs 39,3007 crore in same year respectively. The total number of satellite TV channels has seen a marked growth from 524 in 2010 to 875 in 2018. The number of SD pay TV Channels also saw a rise in number from the 2010's 147 to 213 in 2018.

The industry is expected to grow at a compounded annual growth

rate (CAGR) of 15%, to reach Rs 122,734 cr in FY2022, and subscription revenues to grow marginally faster (CAGR 16%) than ad revenues (CAGR 15%) over FY 2019-22. The key growth drivers are digitization of cable, higher uptake of HD channels driving ARPU, and rising smart device penetration resulting in increased consumption through additional platforms (OTT).

India has been on the path of digitizing its considerable analog cable subscriber base. Digitization was mandated in four phases with a different analog sunset date for each phase. This move was expected to raise transparency in the industry, raise ARPUs help pull back subscription revenue into the value chain and thereby improve the quality of content by inviting more strategic investments.

15.3Emerging trends inTelevision industry:

The key trends in the television industry in India are discussed below

- **Benefits out of Cable Digitization**: As issues with digitization are sorted out, and aided by the regulator TRAI, the benefits of digitization are expected to be realized over the next few years. This is likely to have many positive effects, most notably the pool of subscription revenue which could become available for investment in programming / content. The digitalized cable TV network infrastructure will be beneficial to create an enabling policy framework to open the last mile and create enough incentives for cable network operators to upgrade their existing infrastructure.
- **Rising Direct to Home subscribers**: According to Broadcasting Audience Research Council of India, which is an audience measurement system, founded by industry bodies, suggested 31% of TV viewing households had paid DTH, 13% had free DTH and 44% had digital cable. This number indicates a 15% growth over 2016 and has contributed significantly to the growth in end-subscriber pricing.
- **Content preferences**: Consumer viewing preferences are fast changing; the following trends are noted:

· The advent of Free to Air (FTA) channels such as Sony WAH, compounded with FreeDish's rising popularity.

- Sports as a segment gaining prominence, as significant domestic and international sporting events are now broadcasted live across Cable TV/ DTH & Online platforms.
- Uptake of HD channels by consumers to view content in high quality (this is also improving the ARPUs of distributors).

- **Technology penetration**: The traditional competition between Technology-Media-Telecom is a thing of past. These days, they complement each other and function as a comrade to each other. The online platform, Hotstar, which recently won the media and digital broadcasting rights for the Indian Premier League, intends to broadcast the IPL using Virtual Reality technology. This will further drive up data and video consumption.
- **DTC avenue**: Content producers & broadcasters are launching their own digital platforms to enter a Direct to Customer (DTC) business.
- **Rise in Disposable Income:** The rise in disposable income levels and growing internet penetration in the country also contributed to an increase in sales of smart TVs. With the introduction of disruptive business models and innovative technologies, television is transforming itself. Television 2019 vision will be all about personalized technology & experience, wherein everyone is connected to a smart TV.
- **Cloud Technology:** Businesses across the television sector are increasingly adopting Cloud technology, which is expected to address security and data privacy issues. Also, Machine Learning algorithms driven by new computing technologies shall help enhance television scalability and improve its operations. Combined with artificial intelligence and business analytics, Machine Learning can be a solution to a variety of television complexities.
- **Internet of Things:**The Television industry is expected to make significant progress in IoT adoption. IoT would be a game changer in the television industry. With an integrated and interoperable ecosystem consisting of device manufacturers and solution integrators; smart and personalized televisions with IoT shall be the big trend.
- Technological innovations like online distribution channels, webstores, and multi and mega plexes are complementing the ongoing revolution and

the growth of the sector. The low cost of production and high revenues ensure a good return on investment for Indian Television Industry.

15.4 Challenges for Television Industry:

Some of the challenges faced by the Indian television industry, as gathered from industry interactions are listed below.

- **Copyright issues**: The Copyright Act is a complete code governing the rights of content owners/producers/rights holders to monetize and license their product including broadcasts.Within the Copyright Act, there are multiple rights guaranteed to broadcasting organizations including the Broadcast Reproduction Right enshrined in Section 37. This right allows broadcasters to price and license their linear TV channels based upon negotiations with all prospective licensees, including distribution platforms such as cable and DTH. After the 2012 amendment to the Copyright Act, broadcasters can form copyright societies and publish tariff schemes to further streamline the process of licensing and in case there is any dispute between broadcaster(s) and distribution platform(s), then Copyright Board has been entrusted with the power to adjudicate upon the fair and reasonable terms of license and pricing. Lack of quality content has emerged as a major concern because of the 'quick-buck' route being followed in the industry.
- **Speedy digital implementation:** While a large chunk of digitalization has happened in most of the homes, a relatively bigger portion of consumers are still dependent on analog signals. Complete digitalisation will take some more time to spread out the benefits of it. Analog signals are yet to be completely terminated and subscription revenue figures even in digital cable remain a point of contention between LCOs, MSOs and Broadcasters.
- **Regulatory uncertainties**: Industry discussions suggest that few key regulatory uncertainties exist:
    - FreeDish, the state carrier, auctions available DTH slots to private broadcasters through an e-Auction process. As of October 2017, the Ministry of Information and Broadcasting suspended auction of

available slots to review the process. Several broadcasters have created FTA channels that are carried on FreeDish with a view to target rural customers. They had been paying increasing sums of money to get a Free Dish slot. However, the current uncertainty is a challenge, and a loss of ad revenue for the industry.

- While a policy level change is yet to be implemented, recent developments indicate that the Ministry of Information and Broadcasting is increasingly denying applications for broadcasting licenses on the grounds that domestic satellites are not utilized for unlinking. At present, broadcasters use a mix of foreign and domestic satellites for uplink of their channels. Interestingly, recent TRAI recommendations for providing voice services on airplanes also included provisions for using domestic and foreign satellites in contrast to the broadcasting licensing process.

- **Revenue sharing by service providers:** In the recent TRAI Consultation Paper on "Up-linking and Downlinking of TV channels", suggestions have been made to introduce telecom style revenue sharing license fee mechanisms based on "Adjusted Gross Revenue" (AGR) in broadcasting as well.

- **Losing the urban mass / elite**: The nature of the TV medium has meant that broadcasters have focused on content that targets the mass segment. The urban elite (and even urban mass) do not identify with most of the content on television. Broadcasters will have to create content for this important segment, or risk losing them.

- **Tax structure:** With the onset of GST, the historical double taxation of service tax and entertainment tax was abolished and a single GST rate of 18% was levied. However, the GST framework allows states to levy an additional Local Body Tax (LBT). Some states such as Maharashtra, Madhya Pradesh, Gujarat and Rajasthan have already indicated that they plan to levy such a tax. If this is imposed on cable and DTH services, the television distribution industry would again be pushed back to an era with multiple taxation further adding pressure to margins. Compliance would be an added burden.

- **Fixing Piracy**: While low television ARPUs mean that piracy is a smaller problem for the television industry, there is an impact. Movies that are shown on television draw fewer viewers if consumers have viewed pirated versions. Offerings such as Tata Sky's "Showcase" and OTT offerings are affected by piracy. For international television content, piracy is a challenge. Some of the initial steps that are being done to tackle this is covered in the films section above.

15.5 Advertising Scenario in Television industry:

Advertising spending in Television industry has been on the rise, and here are few highlights about it:

- TV advertising grew 14% in 2018 to reach Rs 305 billion.
- Number of private satellite channels increased to 885, of which 43% were classified as news channels.
- Ad volumes grew 15% in 2018, 50% of ad spend on TV was contributed by FMCG.
- FreeDish-led advertising revenues continued at around INR20 billion.
- TV + digital ad selling came into being for impact properties.
- Regional advertising outpaced national adverting growth Digitization-led DAS-III and IV ARPU growth drove subscription.
- TV subscription grew 11% to reach Rs 435 billion, TV viewing households increased to 197 million.
- TV penetration increased to 66% in 2018 from 64% in 2016; 88% of these television homes were digitized.
- ARPU increases were noted, primarily in DAS-III and IV markets.
- A 50% increase in LED / Advertisement revenues escalated from Rs 20,1007 crore in 2016-17 to Rs 26,7007 crore in 2017-18 growing by a whopping 32.8 per cent during the year. LCD / plasma television sets wereobserved, and HD viewership increased by 57%.
- Multiple television homes crossed 4 million, the free + paid dual STB home came into existence.
- Broadcaster share of subscription increased to Rs110 billion,

international distribution started to go directly to customer in January 2019 Content went interactive and time spent increased.

- Total time spent increased to 3 hours 46 minutes per day, 77% of time spent on television was on escapism (GEC and film channels).
- Hindi language channels (GECs, movies, news and other niche genres) contributed 35% to the ad market in FY2017, followed by Tamil with a share of 11%.
- Industry discussions suggest that regional channels are expected to continue to grow at a faster pace than Hindi channels. The television ad-revenue between FY2016 and FY2017 grew by 14%14.

15.6 Factors affecting Advertising in TV industry:

While advertising is changing the way, it used to be done earlier, yet there are few challenges among the advertisers and the factors that are attempting to defuse the television industry's upsurge. Here are few to discuss -

- **Ad timing**

The timing of advertisement matters a lot. People mostly prefer the timings when people are mostly available. So, prices are factored in basis the largest readership or touchpoint. Different channels design their price structure to earn higher revenue basis highest TRP. The temporal arrangement of the industrial breaks may be an important think about determining the number of viewers facing a channel.

- **Geographic region**

Region or location is other most important factor that affects the TV ad Cost in India. The targeted audience for the Advertiser could also be on a national or regional level. If the Ad is going to be shown on a national level channel in India, then the cost accounting is going to be additional. Additional advertisers need to air their commercials in huge cities, that is why the price to advertise in NYC is such a lot over the price in a small town. For any small town, the prices are much less as compared to large cities.

- **Weekday vs Weekends/special days**

The cost of advertising throughout weekends goes as high as 45% in comparison throughout a weekday. It is because people are more likely to watch TV and are available on weekends as compared to weekdays. The price also depends on the channel support. Astonishingly flick channels charge you lower on a Sunday. The price drops by virtually 45% throughout weekends. On normal days, prices are much less,and, on those days, timings are given much more preference.

- **TV Ad network**

If you're shopping for combined package to a gaggle of TV channel. Taking an example, if you're shopping for Zee Network channels, Star network channels, Sony network channels, then together your value for a thirty second TV ad for every channel are going to be less. That is called as Bulk shopping. TV networks that air common shows are going to be ready to charge additional for his or her advertising spots. The reason behind the price difference is the bulk shopping only. And mostly people prefer this as this increases the profit also.

- **Prime vs. Non-prime time**

Every channel has few times, once the audience / viewership is predicted to be the best. Those times square measure known as prime times. The price to book best TV spots at clock time are going to be additional. Clock time ad spots square measure within the evening once the foremost common shows square measure airing and additional folks square measure observance TV. In the evening time, most of the people get time to watch TV, so it is known to be the best time to show the advertisement.

- Live Viewership

Live viewership is again the most important factor for the price change of the advertisement. Advertisers square measure willing to pay additional for programming that's watched live since additional and additional folks square measure recording shows and quick forwarding through the

commercials. This is an enormous reason, why ads throughout necessary soccer games square measure therefore pricey.

15.7Economic impact of the television industry:

The various elements of the direct economic impact are discussed below:

- **Gross Output (Direct)**: Gross Output reflects the combined revenue of all television industry participants. It has been derived by estimating and adding up revenues of players across the value chain, which includes revenues of intermediate services / products. It, therefore, includes an element of double counting of revenues. It includes entertainment taxes and service taxes. The direct Gross Output of the television industry is estimated at INR 73,855 cr.
- **EBITDA / Gross Operating Surplus (GOS):** GOS reflects the total returns to capital employed. This metric also captures the direct taxes (i.e. income taxes and corporate taxes) paid by the industry. GOS was estimated at INR 17,822 cr, with the distribution segment accounting for nearly 60% of the industry's profits, primarily because of LCOs' high margins.
- **Wages**: Wages measure the returns to labor, which include payments made to contractual workers. Wage payments in FY2017 were estimated at INR 10,589 cr.
- **Gross Value Added (Direct)**: GVA is the value-add created by labor and capital inputs employed directly by the industry (i.e. EBITDA+ Wages). In FY2017, this was estimated at INR 28,411 cr.
- **Net Indirect Taxes (NIT)**: NIT in the television industry include service tax, VAT, and entertainment tax, among others17. For the purpose of this study, we have considered service tax relating to TV production, broadcasting and distribution, and entertainment tax paid by DTH and cable operators, which are the key taxes paid by the industry.
- **Total Value Added (Direct)**: This is the sum of the Gross Value Added and Net Indirect Taxes. It represents the total direct impact of the TV industry in India to the economy and is estimated at INR 38,154 cr for FY2017.
- **Employees (Direct)**: Direct employment figures include on-roll as well

as contractual employees of independent production houses. Employees in television broadcasting include in-house production staff as well as non-production roles such as sales, finance, HR etc. for television broadcast networks. The distribution segment contributes the majority share of employment generated in the television industry, primarily attributable to LCOs. Indirect and total impact the indirect and total impacts have been estimated based on the input-output multiplier approach discussed earlier in this report.

15.8Measuring Television's Audience report or Television Rating Points:

Television industry in India is on a transformation path. Multiple channels in each genre competing for TRP, increasing pay TV penetration, expanding yet fragmented local as well as overseas viewership of Indian channels, demand for more specific content – clearly set the stage for the next level of growth and transition for players across the television value chain. Content creators and broadcasters need to be cognizant of the ever-increasing demand for differentiated content. While on one hand, new digital content distribution platforms are emerging; on the other hand, new formats of entertainment - computers, mobiles and other handheld devices are gaining importance. Monetization of content through these new opportunities in existing platforms and new media platforms are going to be key focus areas for the content owners.

Broadcast Audience Research Council (BARC) India, which is founded by stakeholder bodies that represent broadcasters, is an industry-led body, functioning under a self-regulation model. Stakeholder bodies, such as, broadcasters - Indian Broadcasting Foundation, advertiser- the Indian Society of Advertisers – ISA and advertising agencies- the Advertising Agencies Association of India - AAAI). The main functions of BARC body are -

- BARC India has successfully set up a transparent, accurate, representative and inclusive TV audience measurement system, which has been built upon a robust and future-ready technology

backbone, and best in class systems and processes. BARC India's measurement system, technology and methodology was arrived at after extensive deliberations with industry and guided by its Technical Committee that has equal representation of Broadcasters, Advertisers and Agencies.

- BARC India's governance structure, as laid down in its Articles of Association, ensures that decisions of Technical Committee can only be taken with consensus – thereby preventing "bias" towards any section of industry. Furthermore, Technical Committee decisions cannot be overturned by the Board without a minimum 75% majority, which prevents any single stakeholder body from reversing Technical Committee decisions.
- BARC is regulated by Information & Broadcasting Ministry and TRAI, which establishes the fact that its functioning is transparent, credible and neutral.
- BARC India has started exploring Sample RPD as a technology that can scale up panel size 4x or 5x without scaling up in costs proportionately as would be required for meter-based expansion. But Regulatory and Government support is essential to make this a success. Regulatory support would involve mandating digital platform operators (DTH and cable), as well as TV OEM manufacturers (of Smart TVs) to share return path data from samples to measurement provider. To make data more accurate, there are steps required that go beyond the remit and domain of BARC. Legal and punitive framework to weed out panel tampering will go a long way in building further acceptance of our data.
- BARC through its stakeholders has undertaken significant investments with a not-for-profit motive in creating measurement platforms, developing technology, licensing various applications, installing panels at home, backbone infrastructures. Setting up multiple agencies for the same purpose would undermine those very investments.
- BARC uses cutting edge technology that has been adapted for

Indian market/homes/conditions, and best in class methodologies to collect, process and report data. BARC has done 76% investment in Tech, which allows high level of efficiencies and scalability.

- BARC India has also made huge progress in building capability to measure digital consumption with the goal of providing industry with cross platform and cross device video consumption: linear and time shifted, broadcast and digital. We have a strong foundation, established credibility and necessary transparency and accountability framework on which we can build further with emerging and suitable technologies.

15.8.1 World of TV Rating System

World of TV Rating System All currency TV rating systems across the world are based on survey sample designs. Viewership Data from a sample/panel homes are as reliable as estimates of Household expenditures arrived at by National Sample Survey Organization (NSSO). Accuracy and representativeness of data is better ensured through quality of sample. The quality and representativeness of BARC India's sample has been certified by Indian Statistical Institute, Kolkata and Centre d'Étude des Supports de Publicité (CESP), a leading global media research audit organization. As size of a sample is increased, precision of the data extrapolated from that sample would increase. Larger sample size would allow better coverage of towns and rural areas and reduces sampling error. But the interplay is not linear. At a broad level, as size of sample increases beyond a certain threshold, the incremental gains in precision of data begins to drop off. What is equally relevant to ensure accurate and representative data is "quality" of sample (as opposed to mere "quantity" of sample). This pertains to sample design. A scientifically designed small sample would yield more accurate and representative results than one which is larger in size, but lower in quality of sample design.



15.9FURTHER READINGS

- TRAI official website
- Sen Khushi (2015), Television Industry in India, retrieved on Dec 2014
- Koshy Shalu (2015), Study of the Television Industry Report, Manipal University, Dubai.
- EY research report on M&E report 2018.



15.9 MODEL QUESTIONS

A. Very short questions

Q. 1 What has been India's television industry growth lately?

B. Short Questions (Answer each question in about 150 words)

Q. 1 Discuss broad outlook of advertising in television industry, and what are the major challenges that may deter the growth of the industry?

Q. 2 Which agency was doing the job of TRP before BARC came into existence?

C. Long Questions (Answer each question in about 300-500 words)

Q. 1 Other than television industry, which medium is expected to showcase spectacular growth in the years to come? Pls discuss in detail.

Q. 2 What are the factors that are impacting growth of television industry? Share with giving detailed responses?

Refff