

Major players in the television industry marketing essay



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Driven by increase in subscription revenues and proliferation of televisions across households, the year 2009 was a good innings for the Indian television industry. Currently estimated at Rs. 265.5 billion in 2009 as compared to Rs. 245 billion in 2008, the industry reported a growth of 8.5%. Revenues from television distribution segment contributed 62% towards the television industry's overall returns in 2009 up from 61% in 2008, outdoing other segments in this industry. The segment stood at an estimated Rs. 165 billion up from Rs. 150 billion in 2008. The television advertising industry, that has shown a growth of 11.5% over the last four years, slowed down in the last year (2009) to a meager 6% as financial crisis that resulted in lesser spending by the corporate houses. In 2009, television advertising industry contributed 34% to the overall television industry's revenues as compared to 37% in 2008. It stood at an estimated Rs. 89 billion in 2009, up from Rs. 84 billion in 2008. The television content growth was also impeded due to the downturn and the shrinking demand for generalized content. Its share in the television industry continued to stand at 4.3% in 2009, as it reported nearly Rs. 11.5 billion of income as against Rs. 10.5 billion in 2008. This slight growth has been accredited to the increase in the number of television channels in India. This, in turn, has stressed on the need for differentiation and, hence, greater emphasis is being placed on the quality of television content being aired.

Major Players In The Television Industry

Mushrooming of new channels and high demand for differentiated content has insinuated the television industry into a propitious phase of rapid growth. However, most channels produce the content themselves and hence it is

taken as a cost while revenues are primarily booked from advertising and not from selling content. There are few players who sell the content to the channels and form the

content industry.

TV Channels indicated a healthy trend, not only the number of channels went up in 2009, but also, there was an increase in advertisement volume inventory which resulted in a growth of 31% in advertisement volumes in the same year. There was a stark increase in the amount of channels with the introduction of Colors, 9X, Real and Imagine in GEC (General Entertainment Channel) genre, where as channels like UTV action movies, Discovery Turbo, Discovery Science, were introduced in the non-GEC genres in 2009 and 2010. The number of channels grew from 389 in 2008 to 461 in 2009 registering an increase of 18.5%. The launch of new channels last year propelled the demand for fresh contents.

Zee entertainment, Sony Entertainment, Star TV, Doordarshan, and NDTV are the major player in the country. There are some broadcasters like Sun TV which focus on broadcasts regional channels and broadcasters like NDTV, TV18, which focus on broadcasting business and news channels.

Colors is the major TV channel has 26% audience share however Star plus has 19% audience share (October 2009). The emergence of these major players and the cut throat competition among them is discussed in detail in the next section.

2. 1 Zee Television Limited

It is the largest media and entertainment company in India and is a subsidiary of EaselGroup. The company's Chairman, Managing Director and Founder is Subhash Chandra and its Chief Executive Officer is Puneet Goenka. It was previously known as Zee Telefilms until 2006 when it was renamed and the news and entertainment units were spun off into four smaller divisions. Zee currently operates over 15 different television channels, a cable company Siti Cable, a record label Zee Records, a production company and other businesses as well. It launched in October 1992 and has since grown into a dominant player in Indian television. It has expanded operations abroad, with several of its channels available in the UK and U. S. as well as Africa and Asia.

In 2002 Zee Entertainment Enterprises acquired a majority stake (51%) in ETC Networks. In 2006, they acquired Integrated Subscriber Management Services Limited and in November 2006, Zee acquired an interest (50%) in Asian sports network Sports. As Zee Telefilms, the company formed part of BSE Sensex from 2000-2005. The news and regional entertainment channel business was spun off into a separate company in 2006 under the corporate banner Zee News Ltd

2. 2 Sony Entertainment Television

Sony Entertainment Television is dedicated to provide the best in Hindi family

entertainment to the largest percentage of the Indian population-the young adult.

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Web site: <http://www.setindia.com>

2.3 NDTV

New Delhi Television Limited (NDTV), founded in 1988, is India's first and largest private producer of news, current affairs and entertainment television. NDTV is home to the country's best and brightest reporters, anchors and producers; 23 offices and studios across the country host India's most modern and sophisticated production and news gathering facilities.

Web site: <http://www.ndtv.com>

2.4 Doordarshan- Indian National Television Network

Doordarshan is one of the largest broadcasting organizations in the world. Doordarshan operates 20 channels, has a network of 1081 transmitters, put out over 1,393 hours of programming every week. Doordarshan reaches 87.6 percent of the country's 950 million people. web site: <http://www.ddindia.gov.in>

Trends in the Television Industry

For many years Star Plus was the leader in the television industry, however in the year 2009 a lot more channels emerged which grabbed the audience share. We saw the climbing of Colors to the top and the end of sole leadership of Star Plus in 2009. When Colors was launched, the skeptics had dismissed it as just another GEC channel in the already cluttered space; however Colors found its feet in less than a year's time of its launch and the channel emerged as the leader in Hindi GEC market. The reasons behind its popularity were innovative programming, differentiated content and well

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though-out distribution processes. These strategies played well with the sentiments of the viewers who were looking for fresh contents in lieu of the tedious “ saas bahu” sagas. In the fiction category, Colors introduced the viewers to content wise refreshing serials like Balika Vadhu and Uttaran and, in the non-fiction, it introduced a number of unique reality shows like Khatron Ke Khiladi and Big Boss. Moreover, Colors picked up a host of core social issues and converted them into real shows, taking the viewers interest to a higher level.

In the 26th week of 2009, Zee TV became the leading GEC in India with 244 GRPs. Colors was a close second at 242 GRPs and Star Plus ranked third with 219 GRPs. Colors toppled Zee TV from the top slot in the very next week with 300 GRPs. However, both Colors and Star Plus were close No. 1 and No. 2 in the 34th week, garnering 297 and 294 GRPs, respectively. NDTV Imagine and Sony entertainment television have also revamped their content to fight for a place in the top 3 GECs. NDTV Imagine came up with Rakhi Ka Swayamvar which helped it gain a high point in ratings while Sony started re-telecast of their popular programmes like CID and Aahat.

3. 1 Television Genres: The television broadcasting market comprises of over five different genres as discussed below:

3. 1. 1 Hindi and Regional GEC’s:

Among them, Hindi GECs (General Entertainment Channels) had around 38% market share in 2009, up from around 34% in 2008 in the Hindi speaking market (HSM). Overall, Regional GECs and Hindi GECs are neck-to-neck when it comes to viewership share

This competitive spirit has resulted in a number of key trends within the Hindi GECs market.

1. Surge in Reality Content
2. Fiction remains the staple diet of Indian viewers
3. Race for acquiring new movie content takes a leap
4. Lower advertisement rates in the IPL week
5. Hindi GEC goes global

The number of regional channels has gone up to 135 in 2009 from 114 in 2008. Despite economic deceleration, the advertising revenue spend on regional channels grew to 29% in 2009 as the advertisers aimed at going local in order to win over specific target groups. The key regional languages (Malayalam, Tamil, Bengali, Kannada, Telugu and Marathi) captured a large viewership share. However, there is a huge fragmentation in the regional channel given the number of different regional preferences.

3. 1. 2 News Channels: Losing its charm

News channels have lost ground in 2009 to the Hindi GECs. However, among the clutter of Hindi and English news, two players have emerged as clear leaders, Aaj Tak and Times NOW, respectively. Backed by high-quality contents and intense penetration, DD News has strongly held on to No. 4 position in the market. The channel provides its viewer with cleaner content and reaches out to areas where C&S penetration is weak. Number of news

channels continues to grow despite the temporary suspension of grant of licenses by MIB. As on March 2010, there are over 500 channels that have been permitted to be down linked to India. Of these, roughly 50% are news channels. Fixation with news channels does not seem to cease. In 2009 and 2010, 42 news channels were permitted in addition to 215 channels existing at the end of 2008.

Key trends observed in this genre are:

1. News loses out to Hindi GECs due to weaker content
2. Lower “ classical” news and more of “ masala”
3. Higher production cost and relatively lower returns
3. 1. 3 Sports Genre: Creating its own niche timeline

Sports channels have seen multifold increase in the last few years. Cricket has been the primary driver for the sports channels in India especially with exhilarating events like IPL, Twenty20 World Cup being played. 2010 has a host of events lined up for the sports channels from Common Wealth Games to Football World Cup, Twenty20 World Cup to IPL-3. All have and will keep contributing to the surmounting growth of this genre. The Indian sub-continent rights for the Football World Cup have substantially increased, from \$2. 5 million for 2002 event, to \$8 million for 2006 to \$42 million for 2010 event. Several channels are also planning to launch sports news channel to cater to the cricket-crazy audience in India.

3. 1. 4 Music Genre: Becoming more non-musical

Music channels underwent a complete makeover in 2009 with most top channels either rebranding themselves or changing their content offerings. Zee Music was rebranded to Zing! , Channel [V] got a new tagline “ Bloody Cool”, MTV dropped “ Music Television” from its name and VH1 also reprogrammed itself. More and more music channels are offering non-music content in their programs such as “ Roadies”, “ Splitsvilla” of MTV and VH1 announcing that they would air a movie every Sunday. Music channel 9XM has been losing market share with its GRPs taking a hit in 2009 as compared to 2008. However, the channel is still a leader in this category.

Key trends in the music channels are:

1. Music is becoming more and more a personal choice
2. Rising music acquisition cost

Going would be tough for pure music channels in 2010 and we are likely to see a lot of shuffling in the content and programming to attract the audience.

3. 1. 5 Kids Genre: More quality

Year 2009 ushered in buoyancy for kid’s channels with most of the players increasing their viewership share. It is expected that, in future, this genre will continue to do well because the target audience has expanded to encompass not only kids, but also certain age groups in the adult segments. However, there is no room for complacency and the channels are bracing themselves by providing newer and superior content.

Television Advertisement vs. Subscription Revenues

Advertisement accounts for only 40% of the market size in TV.

Advertising will grow at a high speed and will be directly related to the GDP- implying that there is little that the industry can do to influence the growth or control the downfall.

Advertisement can grow rapidly if the television offers targeted viewing to its advertisers-which would result in exponential increase in advertisement rates.

Targeted viewing is possible only when television distribution is addressable – everyone in the value chain knows what the consumer is watching and that the consumer has the choice to view that channel. Hence, digital addressable environment is a must for television advertising to grow at a fast pace.

Subscription contributes 60% revenues of the television industry.

The focus of the television industry is more on distributing the subscription revenues in a more even fashion between broadcasters, MSOs and LCOs and not on how to expand this pie.

Pay television homes have reached 90 million in 2009 from 60 million five years back adding only 30 million pay television homes of which DTH has contributed 20 million homes and cable has added only 10 million homes. Hence, there is no major growth in pay television homes apart from DTH.

ARPUs are currently around Rs. 150 per month up from Rs. 125 per month five years back, resulting in increase of just Rs. 25 per month in five years.

Dominant Technologies In TV Broadcasting

Overall, pay television households are divided into three major segments:

5. 1 Cable Households: Catered to by local cable operators (LCOs) and multisystem operators (MSOs).

5. 2 DTH: Direct-to-Home households are catered to by various organized DTH players with signal provided directly to the homes using satellite.

5. 3 IPTV: Internet protocol television households (IPTVs) are provided live television over internet connection. This is still a very niche segment and is yet to takeoff fully in India.

Pay television households enjoyed a good growth in 2009 thanks to DTH thrusting the numbers upward. On the whole, pay television increased its penetration from 68% in 2008 to 69% in 2009. The total number of C&S households jumped from 80 million in 2008 to 86 million in 2009 with DTH adding five million more households in 2009 while cable just added one million.

DTH Driving Indirect Digitalization

Backed by its ability to offer digital signal clarity, DTH continues to play a pivotal role in the growth of the television industry. Interestingly, DTH is rapidly progressing in rural India as it boosted its penetration to 64% in 2010 as compared to 49% in 2009 and 34% in 2008. The total number of DTH

households is estimated to be around 20 million in the first half of 2010, up from around 14 million in 2009 and nine million in 2008. In 2009, there were six DTH players in the market (Tata Sky, Dish TV, Airtel, Videocon, Sun and Reliance), besides the state owned DD Direct. Of these, Dish TV is the leading player with approximately 6.5 million subscribers and an estimated ~35% market share.

Cable Television Households Showing Slow Growth

As digital platforms like digital cable and DTH gain foothold owing to superior digital quality, the subscriber base of analog cable is going down. However, though analog cable subscribers are showing a downward trend, it will co-exist with digital platforms in the near future. Influenced by intense competition between multiple players, coupled with price correction due to recession, the ARPU of analog cable players has reduced and this is expected to glissade further in the future. The growth of digital cable is also stagnating in CAS areas owing to the influx of DTH.

IPTV: Yet to take-off in India

IPTV holds a promising future in the Indian market since it offers entertainment, internet, telephony, e-government and video streaming boxed together. All this is provided at the customer's doorstep. Customer, in turn, needs to have a high-speed broadband connection. Unfortunately, most households in India face internet connection problems. Though broadband is replacing dial-up connections in most households, it has still not been able to tighten its reigns. However, the current players are trying to propagate IPTV by launching new schemes. MTNL, BSNL and Bharti are the three major

players in this segment. Bharti recently, announced Magic@Home Turbo
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Package, costing Rs 1, 499 a month at the speed of 512kbps with the connection doubling to 1 Mbps during nights. Since its initial launch, that charged Rs. 3, 999 for installation, Bharti has reduced the same to Rs. 2499 for Wi-Fi and Rs. 1, 999 without Wi-Fi. However, IPTV is expected to capture the Indian houses once the price difference between DTH connections and Internet services individually and IPTV as a service reduces to minimal and users are offered trial services. Also, once broad band penetration in rural India improves, IPTV would stand a better chance of success. Yet, it is believed that, IPTV will experience as low take-off as compared to the other services in the broadcasting space.

Subscription Charges

Increased competition within DTH and with cable is putting pressure on ARPUs. As DTH players multiply and DTH gets a wider acceptance from customers, increasingly, patrons are realizing the benefits of digitalization. Consequently, cable operators providing analogue cable services are under immense pressure and are not able to hike their subscription fees substantially and, in most cases, are keeping it flat. Dish TV, the only listed player in this segment, has reported an ARPU of Rs. 135 which was below the industry average of Rs. 145-150. The players will focus on garnering the subscribers more than revenues.

FDI in Television Broadcasting Services

The government had stopped issuing licences to launch new television channels a few years back as it felt that many of the pending nearly 500 applications are not serious players and hence it wanted to keep away non-serious/fly-by night players from the market.

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It was also forced by the limited availability of the radio waves for the industry.

Recently, the Telecom Regulatory Authority of India (Trai) has raised the foreign investment limit for broadcast carriage services like DTH to 74 per cent. The investment limit for news and current affairs TV channels has been retained at 26 per cent. The foreign investment limit for Local Cable Operators (LCO) will be 26 per cent. The FDI limit for broadcast carriage services ie DTH, IPTV, Mobile TV, HITS, Teleport and MSOs who are upgrading to digital and addressable environment will be 74 per cent. The foreign investment limits will be 26 per cent for news and current affairs TV channels and FM radio. While for TV and current news channels, the limit has been retained, for FM Radio the cap has been raised from 20 per cent to 26 per cent.

Maintaining the status quo, there will be no restrictions on foreign investments for up-linking and down-linking of TV channels other than news and current affairs.

All Foreign investment less than 26 per cent will be through automatic route. Investments of 26 per cent and above will require prior approval of the Government.

The Consolidated FDI Policy dated March 31, 2010 issued by the Department of Industrial Policy and Promotion (DIPP) has come into effect since April one, 2010.

This policy has modified the methodology of calculation of foreign investment in Indian Companies.

6. Porters Five Forces Model: Analyzing the Television Broadcasting Industry

6. 1 Bargaining power of Buyers

Strength of Force-High

The term ‘ suppliers’ comprises all sources for inputs that are needed in order to provide goods

or services. Supplier bargaining power is likely to be high when:

Buyers (end users as well as advertisers) do not face significant switching costs and

are extremely price sensitive

Viewers’ tastes frequently change, providing little loyalty to any particular network

Advertising buyers dictate television programming choices

The suppliers customers are fragmented, so their bargaining power is low

The switching costs from one supplier to another are high

6. 2 Bargaining Power of the Suppliers

Strength of Force- Low- Medium

Since most suppliers to Broadcasters have either been acquired/ have a tie-up with the broadcaster, the bargaining power of suppliers is low. For ex- Viacom has acquired Paramount.

However, Independent content providers pose a major challenge to online revenue model

The supplying industry comprises a large number of small operators

The service is undifferentiated and can be replaced by substitutes

The customer knows about the production costs of the product

6. 3 Threat of New Entrants

Strength of Force-Low

Higher the competition in an industry, the easier it is for other companies to enter this industry. In such a situation, new entrants could change major determinants of the market environment (e. g. market shares, prices, customer loyalty) at any time. There is always a latent pressure for reaction and adjustment for existing players in this industry. The threat of new entries will depend on the extent to which there are barriers to entry. These are typically

High start-up capital is a big de motivator

New entrants have difficulty accessing distribution channels.

New entrant has some problems finding skilled employees, materials, and suppliers.

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Serviceable used equipment is expensive.

Long-lasting economies of learning and scale also de motivate the potential new entrant

Economies of scale (minimum size requirements for profitable operations)

Brand loyalty of customers

Scarcity of important resources, e. g. qualified expert staff

Access to raw materials is controlled by existing players

Distribution channels are controlled by existing players

6. 4 Threat of Substitutes

Strength of Force-Medium

A threat from substitutes exists if there are alternative products with lower prices of better performance parameters for the same purpose. They could potentially attract a significant proportion of market volume and hence reduce the potential sales volume for existing players. This category also relates to complementary products. Similarly to the threat of new entrants, the threat of substitutes is determined by factors like

The relative price for performance of substitutes

Customers incur no incur switching costs.

Also, adequate substitutes are available.

Possibly, One Broadcasting medium substitute for the other(movies as a replacement

for TV) Pirated content is a decent(and free substitute).

Other free time activities be could be substitutes (concerts, games, gambling)

Key Challenges for the Television Industry

1. Digitalisation – The slow pace of digitization is a main challenge for the industry. Digitization would bring about transparency and address ability in TV distribution and is the need of the hour.
2. Compelling content – Indian audience is looking at new content and to do away with exasperating “ saas bahu” soaps. The key to lure more viewers lies in building quality content.
3. Talent Cost – Managing these costs would be the major challenge.
4. Low ARPU’s and high customer acquisition costs – Apart from lower ARPU, the players are facing challenges by having a very high subscriber acquisition cost (SAC) as highlighted earlier. This cost is around Rs. 2500 going up to Rs. 5000 per customer for few operators. This scenario is like to continue incoming times.
5. Lack of sophisticated measurement tools for measuring viewership -The current system of TRPs is not up to the mark and suffers from several deficiencies. The Government has also stepped in and has constituted a committee to look into this. One of the issues proposed to be studied in the

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feasibility is setting up, as an alternative, an institutional mechanism through legislation to either generate TRP ratings directly or work as an accreditation/standardization body while leaving the work of generation of TRPs to private players

7. Global Outlook

The global television subscription and license fee market rose by 4.3% in 2009 to \$186 billion. People stayed home to watch television in 2009 and continued to spend on TV subscriptions, which rose by 4.6%. Pay-per-view and video-on-demand (VOD), by contrast, suffered due to recession as they are the most discretionary aspects of the market. VOD is expected to benefit once the economy improves. Public television license fees were not affected by the economy and rate hikes led to a 3.9% advance in 2009. It is expected that the total market, including public television license fees in EMEA and Asia Pacific, will touch \$258 billion in 2014, a 6.8% compound annual increase from 2009. Fueled, principally, by large increases in subscription households in the PRC and India, Asia Pacific will be the fastest-growing region during the next five years with a 10% compound annual increase.