

# The Young and the Restless - The three big things that will impact the M&E sector by 2010

Just 14 years back, you and I were waiting for our ultimate entertainment, the Sunday evening film on Doordarshan. Today everything - television, mobiles, films, music, publishing, the Internet and radio - is bursting with options.

As every media grows and as the industry in India stands on the cusp of its big moment in history, comes the question - what are the three big things impacting the M&E industry in 2010? Well, three years on, the Rs 42,000 crore media and entertainment industry in India would have barely reached one fourth of its way to its rightful place in the global entertainment sweepstakes. From the speed at which M&E is changing in India, these I would say are the three really big changes the business will see - it will be (a) availability of funding (b) better distribution infrastructure to monetise content and (c) the demand push led by a young India.

We can talk about each of them in detail.

## Funding for growth

According to rough estimates, more than a billion dollars has come into the M&E business over the past couple of years. It could have come in via IPOs, private equity, venture funding, subsidies from foreign film councils, among others. Every large global media company - News Corporation (Star), Viacom (MTV), Sony, Disney, Time-Warner (CNN, Cartoon Network) - is either investing more in India, entering India or has an India strategy in place. Sony Pictures is making its first local film, *Saanwariya*, with Sanjay Leela Bhansali. Disney has just tied up with Yashraj Films for animation. Indian companies on the other hand are investing in growth and expansion, either through joint ventures in India like Network18 or through acquisitions in India and overseas a la UTV, thereby expanding the market.

The Indian market is so hot that even publishing, an industry that is losing readership globally is seeing a huge resurgence. Thanks largely to the phenomenal appetite that regional newspapers have shown, investors, both Indian and foreign, have woken up to the old-style pleasures of steady advertisement revenues being pulled in by sound growth in circulation. There is now a growing hunger among both, foreign PE investors and strategic investors such as independent media (read Dainik Jagran) to invest in print media companies in India. Just five years back, many were not interested because Indian laws do not allow a foreign newspaper company to own more than 26 per cent in an Indian newspaper. The law remains. It is their shrinking home markets and their quest for growth that has now led almost every publishing company in the world to India. And this trend will continue well beyond 2010.

Much of this capital is going into building scale. HT Media, NDTV, Deccan Chronicle, UTV, TV 18, PVR Cinemas, Dainik Bhaskar, Dainik Jagran... every major M&E company has raised money and is expanding furiously into other media.

This availability of funding has one very important implication. As they grow, consolidate and acquire smaller companies, many of these media majors will reduce fragmentation and increase profitability in various segments of the business. One of the biggest problems, especially in a creatively rich industry, businesses like film or music, has been extreme fragmentation and therefore poor returns. In

films, for instance, thousands of individual producers have very little appetite and ability for risk. It would be now possible for a content-rich Indian media industry to leverage its creative strength better, on a global scale. So a Yashraj, UTV or an Adlabs are investing in building distribution networks overseas, even while others are still enjoying the growth in the Indian market.

## Distribution infrastructure

Much of the money coming into the industry is not just helping build scale, it is also building physical infrastructure, leveraging technology and removing the inefficiencies in the distribution processes. The investment in multiplexes in the metros, digital theatres in small towns, global distribution networks, CAS set-top-boxes, DTH kits and broadband networks means that content owners - producers of movies and television programs, newspaper publishers - will find it easier to make money from anything the industry churns out. For instance, a film that earlier depended on a 1,000-seater single screen theatre can now be released globally at different times on different media and at different prices. This will significantly improve the ability of the film to make money.

The penetration of mobile phones is creating new avenues for monetising Indian content. By 2010, more than 400 million Indians, on the move, would want some news or entertainment on their mobile phones. It has already created a huge market for value-added-services (VAS) through ringtones, caller ringbacks, song downloads, et al. Now think of what 3G could do to this - it could add among other things mobile TV and high resolution gaming to it. Add broadband penetration, which is finally showing signs of moving faster, and the word 'convergence' finally begins to have some meaning, by 2010.

## The demand push

The biggest change however will be in consumers and what they do with their time and money. More than 70 per cent of Indians are below the age of 34 years, and India is getting younger by the day. If you think that as one of the world's largest consumer markets we are full of action now, wait till 2010. Once an entire generation that has grown up on cable TV, mobile telephony and the Internet, starts earning, they will not wonder at the plethora of options, like we do. They will want more. And that is where the new media piece in the M&E jigsaw will finally fall in place. We are already seeing the likes of Network18, Reliance-ADAG, UTV and ABP investing furiously in this space for a larger slice of the action in 2010.

These three changes will therefore impact the very basis on which business plans are made currently. That is because revenue and cost projections are based on the current limitations of the business. For instance, we all tend to think of multiplexes and home video as the big phenomena in film retail. But there is a bigger one that could create a paradigm shift, bringing a chunk of India back in the reckoning - digital cinema in small towns. Once they start operating as chains, the whole economics of the film distribution and in-cinema advertising business could change.

We are really some way from the future. But half the fun is in getting there.



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