

# The three things that will make an impact on Media and Entertainment sectors in India, on the road to 2010

The media and entertainment industry is serving itself by hogging the limelight in this decade of Indian economic growth. The industry is in the front seat of change that is being driven by ever growing disposable income, changing technology and demographics shift. And these are the reasons why it's one of the fastest growing sectors and witnesses growing interest from various sectors. Just to keep things in perspective, the recent FICCI-PWC report puts the size of the industry at US\$ 10.67 billion, expected to grow to US\$ 24 billion in 2011, giving it a whopping CAGR of 18 per cent, more than double the sustained economic growth rate.

The confluence of increasing consumer demand and ever evolving technology has sent the industry in a maze of strategy. So on one hand we see signs of consolidation seeping in, whereas on the other we see moods of expansion. We have people with traditional medium moving into a consolidation phase, whereas new medium or platform providers are on an expansion mode.

The future will be driven by companies wanting to occupy the consumer's mind space for complete 24 hours. So this will lead to a greater competition amongst the content and medium providers. We would witness a great amount of the partnerships within the industry that could herald an year of consolidation in big way. At the moment, we see content providers from the traditional media like print and new media like television trying to occupy consumer mind space. This segment, especially the print media, has started to see some kind of consolidation, whereas television and radio are going all out to grow themselves in the market. These content providers would be the major source for pumping feed in the new age mediums like Internet and mobile. With ARPUs on a downward slide, thanks to increasing call rates, mobile companies are looking at other avenues for increasing income and Value Added Services (VAS) happens to be one of them.

In the coming years, the mobile television is expected to bring in sweeping changes in the industry. The government has already moved ahead and started the pilot project with Doordarshan, to test its acceptance and operations in the market.

With all this, one can see the driving factors that will make an Impact on Media and Entertainment sector in India, on The Road to 2010. These are Consumerism and Demographics, Technology and Convergence.

**CONSUMERISM AND DEMOGRAPHICS:** The rise of the Indian middle class with greater earning power and a higher disposable income is one of the key factors that will drive the growth of the Indian entertainment sector. This implies that as the average Indian consumer's disposable income increases, his propensity to spend on discretionary items such as entertainment is certainly expected to rise.

Further, as his consumption of various goods and services rises, companies would try to reach out to him through more marketing and advertising. Higher demand and an increased investment would result in an expansion of the entertainment industry in the years to come. Increasing demand for Indian content will come in from the Indian Diaspora staying in various parts of the world, which shall create additional demand. The industry will move towards providing niche content, as we see increasing acceptance of subscriber model for the industry.

**TECHNOLOGY:** Technology will change the landscape

of media and entertainment industry. It is changing, and will increasingly change the way media and entertainment are consumed by the end user. Mobile telephony, Internet, satellite television etc. are an additional medium for consumption of media and entertainment and their usage is increasing. These mediums are giving the end user the advantage of consuming products or services at their choice of location, time and price and this is what will drive the demand for a medium.

Technology will also redefine the back end production and delivery and will shape up the products, cost structure and distribution. Content creation would benefit significantly from technological breakthroughs, especially in the areas of sound, visual effects and animation. This in turn would benefit audiences by providing them with a high-tech content viewing / listening experience. Going forward, digital cinemas would be the medium for the out of home mass-market entertainment and projects of such nature are already underway. Technological advancements coupled with the low cost benefit would make India a favorable outsourcing destination. Outsourcing in the media and entertainment industry is expected to be a common phenomenon in the next few years.

**CONVERGENCE:** Convergence of various mediums would contribute to the growth of the Entertainment and Media industry. Through convergence, the service / content providers would want to stay in the consumers mind space through different platforms, carry the same content. As convergence activities gather momentum, it would emerge as a low-cost revenue expansion strategy for various content providers. In turn, the revenue base would expand, providing for higher profitability and hence higher valuation.

In television, the emergence of alternative distribution platforms such as DTH, IPTV, CAS, Mobile TV would put broadcasters in a commanding position. Other segments of the Entertainment and Media Industry such as Radio, Print, Internet, etc. would benefit from similar process of convergence.

Radio has witnessed the same convergence activities with new platforms such as Satellite radio, Visual radio and iPods emerging as new mediums. This in turn has influenced the listenership pattern and is enhancing the reach of radio to a wider audience.

Technological advancements would help facilitate and accelerate the convergence process. Convergence is expected to change the traditional industry structures, the existing business models and distribution mechanisms.

Media companies that have started to accept the changing rules of the game will be well positioned to benefit from the expected growth of the industry. Others will become targets of consolidation or expansion. A case in point are companies like TV18, NDTV, Zee, Star, BCCL etc, which have started expanding their platform and will use it to pump their content, which is their present forte. These companies are also expanding their bouquets to capture all generation and segments of the end user. On the other hand companies like Bharti, Reliance, Hutch etc. are using their pipeline to provide VAS, by partnering with content providers.

The high multiple of all these companies only goes to show the potential of growth that any investor is ready to pay for.



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