



India's digital future

Mass of niches

KPMG in India's Media and Entertainment report 2019

A synopsis

August 2019



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India's digital demography: A path to 2030

With a rapid uptake of digital media consumption, it is imperative for organisations to segment and understand the current and prospective digital India. Based on socio-economic data and commonly observed consumption

characteristics, we have developed four main consumer archetypes that we believe helps build a framework for easier analysis of the evolution to a billion digital consumers by 2030.

	User base (millions)			Profile parameters			
	2018	2025	2030	HH income profile (current) –USD/annum	Language of digital consumption	Primary mode of digital consumption	Content preferences
Digital Sophisticates	18	50	75	>70,000	Primarily English and Hindi	Smart connected TVs and mobile	Global content and tent-pole, original Indian programming tailored for the urban audience, typically behind a paywall
Digital Enthusiasts	190	370	530	8,500-70,000	Hindi/regional language as well as pockets of English	Mainly smartphone led with partial TV streaming among the higher income groups	Well known global franchises may find a niche audience but predominantly, it will be Indian narratives that will be popular
Digital Mainstream	310	380	410	4,000-8,500	Hindi/regional languages	Smartphones	Free content available online or bundled plans with OTT players through telcos and other distribution platforms
Fringe User	10	20	35	Sporadic digital access on account of either poor connectivity or irregular income. Limited socio-economic mobility to move to the digital mainstream. Digital consumption likely to be restricted to mobile messaging and free bundled content			
Total	528	820	1050				

Implications for digital businesses

Technology will underpin business models - Technology and associated tools such as artificial intelligence, will provide the much needed direction around decisions relating to content creation, distribution and monetisation for digital businesses



Monetisation – Micro-segmentation of target markets in an increasingly upwardly mobile economy would be essential for effective monetisation.



The race for reach – Distribution ecosystems are set to become stronger. Role of value chain partners like OEMs, DTH, ISPs, and telcos is likely to grow as creators look at multiple avenues to reach the end consumer



Collaboration across the value chain
In a crowded marketplace, collaboration across players in the value chain would be essential to grow optimally.



Source: KPMG in India analysis based on primary and secondary discussions

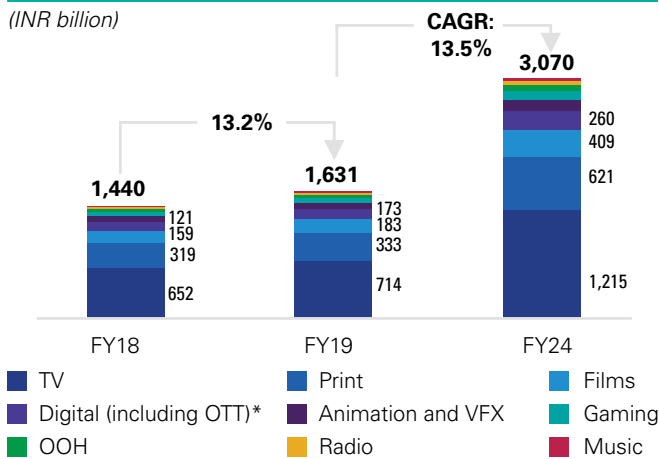
Industry performance

The Indian Media and Entertainment (M&E) industry grew at 13.2 per cent in FY19 over FY18 to reach INR1,631 billion on the back of rapid growth in digital user base and consumption combined with growing regional demand and monetization. However, there have been headwinds in the form of NTO implementation uncertainties and early signs of economic slowdown,

which have pulled down the overall growth. Going forward, the industry is expected to grow at 13.5 per cent CAGR during FY19–24 to reach INR3,070 billion in FY24 on the back of greater focus on monetization of emerging digital business models, strong regional opportunities and favourable regulatory and operating scenario across traditional businesses.

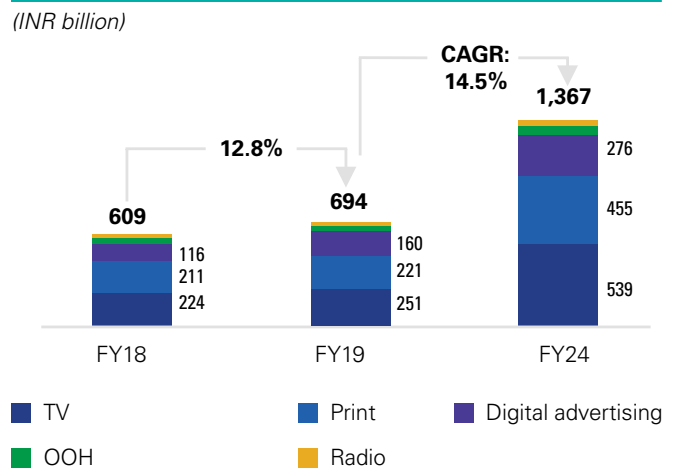
M&E industry market size

(INR billion)



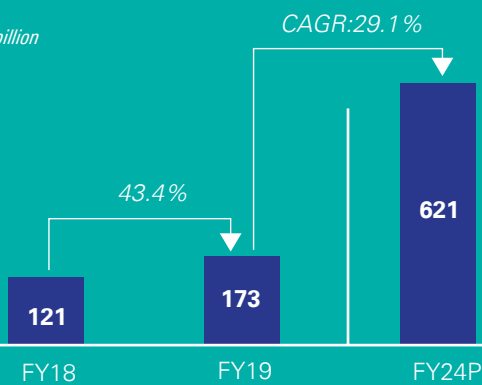
Advertising market size

(INR billion)



Digital - Crossing the Rubicon

INR billion

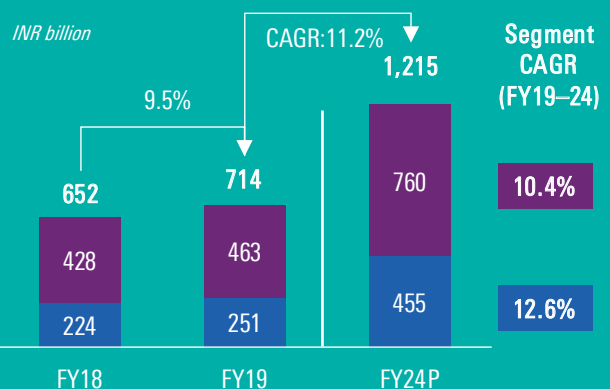


- Video ad spends outpacing search and display and driving growth across all sub-segments
- Performance based ad models replacing views and clicks
- Subscription based models gaining increasing traction and contributing meaningfully to the digital pie, esp in OTT video

- Digital privacy management is a long term fundamental challenge
- Growing inventory weighing on advertising rates

Television – Waking to a new reality

INR billion



Segment CAGR (FY19–24)

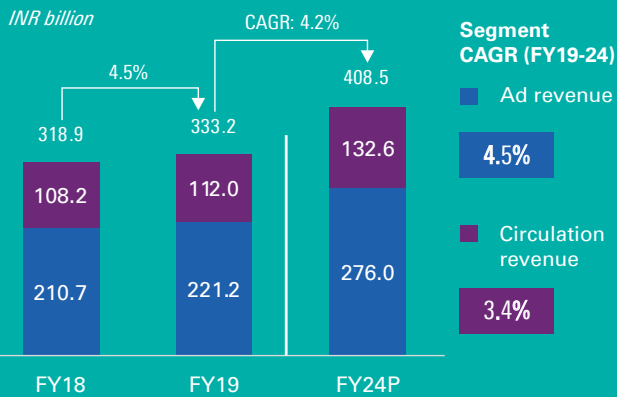
- Regional languages continue to drive growth
- Subscription revenues to see an upswing owing to the NTO, especially in Phase III and IV markets
- Traditional distributors aggressively exploring digital distribution to remain relevant

- TRAI tariff order implementation issues
- English and niche channels fighting for survival
- Digital platforms gaining traction in live and catch-up TV

Source: KPMG in India analysis based on primary and secondary discussions

Industry performance

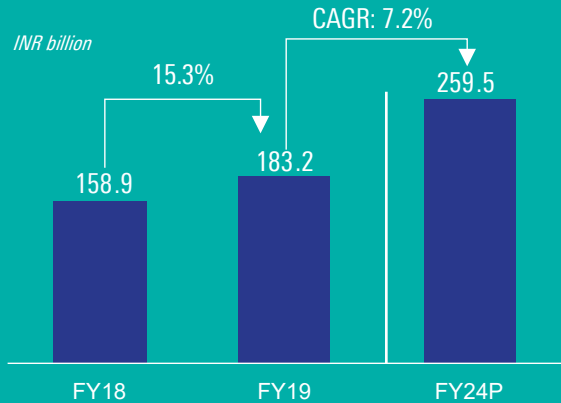
Print – The oldest pillar still standing



- Steady growth of Hindi and regional languages with focus on hyper-local content
- Hindi dominating advertising pricing across tier-1 cities

- Digital media eating into the share of English newspapers – languages are next
- High newsprint costs affecting profitability

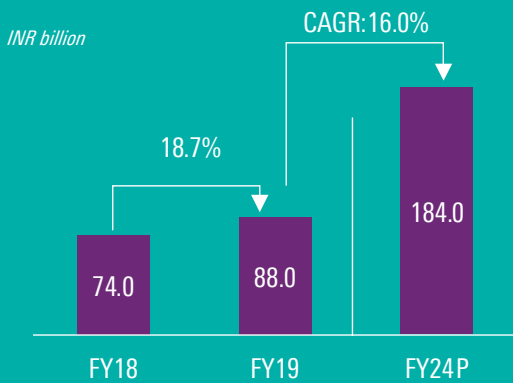
Films – Content triumphs



- Wider spread of mid budget content-driven movies leading to more consistent footfalls
- Regional cinema booming with increasing multiplex penetration in tier-2- and tier-3 cities
- Demand from OTT platforms making business dynamics of content production more favourable

- Regulatory complexities and economic imbalances holding back screen growth

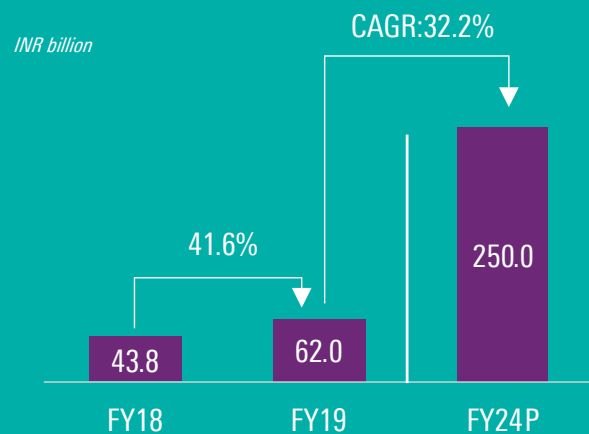
Animation & VFX - Imagination becomes reality



- Expanding audience for animation content on Digital platforms
- Rising demand of animation services from non-entertainment sectors like Education, Healthcare etc.
- Increasing focus on IP models resulting in growing investments

- Challenges pertaining to the skill gap and training persist in the Animation and VFX space
- Need for Indian professionals to move up the value chain w.r.t conceptual design, storytelling and prototyping

Gaming – Well played



- User engagement, especially among younger audiences, gaining further traction
- Online real money games, social gaming and fantasy sports becoming popular
- Noticeable development and increase in the popularity of the freemium model

- Lack of a unifying central regulation for online real money and skill gaming
- Monetisation still under indexed

Source: KPMG in India analysis based on primary and secondary discussions

Underlying themes

The New Tariff Order

- The NTO, implemented post multiple delays, is expected to usher in an era of transparency and equitable distribution of TV revenues across the value chain
- Initial implementation issues – Blackouts, higher TV bills, Shrinkage of C&S universe
- Positive for broadcasters owing to higher share of end consumer revenues. However, English and niche channels to see challenges in uptake

Regional markets

- Regional markets becoming the next frontier of growth across sub-segments in the M&E space, with substantial consumption across TV, Print, Films and OTT
- Current revenue realization from regional is under indexed vis. a vis. the consumption but increasing attention of marketeers is a positive sign
- Organizations across TV, Films, Music and OTT focusing on regional content creation to bridge the current demand supply gap

Skill Development

- The digital disruption is triggering a radical shift in M&E industry with subsequent need for adequately skilling employees to meet the ever changing demands
- Employees need to be able to ideate, innovate and create in line with the evolving industry dynamics
- Significant time and investment required by organizations to fill this skill gap

Digital Privacy

- End consumer data generated from digital consumption extremely valuable for organizations to boost viewership and retention
- Security of the user data extremely critical, with multiple breaches being observed around the globe in the last few years
- M&E industry needs to take cognizance of the evolving regulatory framework around data privacy by wearing an end-user lens

Monetisation of digital content

- Digital monetization unlikely to be a one size fits all approach – both freemium and subscription led models to co-exist
- Subscription essential to recover the costs of creating original content and result in viable economics for the platform
- Innovations in subscription models around satchel pricing, content bundling, regional packs and offline payments being attempted by organizations
- Collaborations are becoming important as they get distribution access to a wide customer base, with minimal spends on customer acquisition costs

Cord Cutting

- The rapid uptake in digital has not impacted Television till now, and added to the overall media consumption pie; as Television remains affordable with superior original content
- Focus on original content by OTT platforms, parity in pricing post the NTO, and ubiquity of supporting digital infrastructure to ensure that digital could give serious competition to Television
- FTTH rollouts and impending launch of 5G could act as catalysts for cord cutting/shaving by early adopters

Source: KPMG in India analysis based on primary and secondary discussions

KPMG in India contacts:

Nilaya Varma

Partner and Leader

Markets Enablement

T: +91 124 669 1000

E: nilaya@kpmg.com

Satya Easwaran

Partner and Head

Technology, Media and Telecom

T: +91 22 6134 9200

E: seaswaran@kpmg.com

Girish Menon

Partner and Head

Media and Entertainment

T: +91 22 6134 9200

E: gmenon@kpmg.com

K.G Purushothaman

Partner and Head

Telecom

T: +91 22 6134 9200

E: purushothaman@kpmg.com

home.kpmg/in



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