



India's digital future

Mass of niches

KPMG in India's Media and
Entertainment report 2019

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India's digital future

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Table of contents

1.	Foreword	6
2.	Executive summary	8
3.	India's digital demography: A path to 2030	18
4.	Segments	34
	Digital - Crossing the Rubicon	36
	TV - Waking to a new reality	54
	Print - The oldest pillar still standing	66
	Films - Content triumphs	76
	Animation, VFX and post production - Turning imagination into reality	88
	Gaming - Well played	102
	Out of home - Embracing digital	112
	Radio - Waiting to be heard	120
	Music - In tune with the masses	130
5.	The media and entertainment industry in ASPAC markets - At the forefront of the digital revolution	142

6.	Themes	160
	NTO - A paradigm shift	162
	Regional markets - Moving into the limelight	170
	Skill development - The learning imperative	176
	Digital privacy - You are being watched	184
	Digital content - Bridging the monetisation gap	188
	Cord cutting - Early adopters embracing change	192
	Original content on OTT platforms - Capturing mindshare	198
	E-sports - One for the team	204
	Monetisation of sports leagues - Show me the money	210
	Centralised marketing system - Connecting the dots	216
	M&A deal trends	220
	Tax landscape	224
7.	Technology trends in M&E sector	230
	5G: What can M&E sector expect?	232
	Future disruptors	240

Foreword

We are delighted to share the KPMG in India's media and entertainment report 2019. The report – in its eleventh year of publication – is distinctive this year as we explore what we believe will become one of the central themes of the industry in the near term; an examination of India's digital demography from now to 2030.

Why is the profile of India's digital demography relevant? As KPMG in India's media and entertainment 2018 report had outlined, digital disruption has made it vital for media businesses to pivot to a direct to consumer model. With this transition comes the imperative to invest in better understanding the end consumer. Segmentation and demographic, psychographic and behavioral profiling will all become increasingly important, as they have historically been in other consumer businesses.

By 2030, we estimate that there will be a billion people in India who are connected to the internet. While there will be expectedly be significant heterogeneity among consumers, it is still possible to draw insights into their behaviour and thereby develop broad archetypes. For example, the largest segment of the digital user base in 2030 will be what we are calling the 'Digital Enthusiasts'; a category that will include a majority of the early adopters of the internet, as well as the Millennials and Generation Z who will be entering their prime working years. This group is accustomed to leveraging the power of the internet in their everyday lives from finances, travel, entertainment and livelihood. The Digital Enthusiasts also becomes more sizeable over time due to an upward progression of users from the 'Digital Mainstream' buoyed by their growing prosperity and greater comfort and confidence in going online. In 2030, digital media and entertainment expenditure in itself is unlikely to be perceived as a luxury. With digital consumption becoming ubiquitous, the differentiation across consumer archetypes therefore will be more around their level of digital sophistication, cultural factors, demographics etc. combined with the ability to spend on hardware and immersive experiences.

In all, as our report outlines, while there may be bumps in overall consumption levels as economic sentiments shift and technology continues to disrupt, the secular trend for media and entertainment consumption in India is most decidedly favourable.

We hope you find this report timely and insightful.



Satya Easwaran

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Foreword

There are telling signs that the Indian economy is slowing down. The government lowered its GDP estimate for FY19 from 7.2 per cent earlier to 7 per cent, which is the lowest level in five years. Despite the apparent downturn in overall economic growth, the media and entertainment industry (M&E) in India posted a solid growth of 13 per cent during FY19 to reach a size of INR1631 billion. TV remains the largest segment within M&E but digital and online gaming are the fastest growing.

The term 'digital revolution' has become somewhat of a cliché, but there can be no other way to explain the extent of digital integration in our lives today. With no major constraining factors, digital is expected to be a dominant force going forward and in FY23, it is likely to be the second largest segment after TV and attract the highest marketing spend among all media formats. As digital behaviour evolves, there seems to be a growing consensus that in the future, subscription models will have a greater role in monetisation of digital platforms. However, as digital consumption becomes ingrained in our lives, data privacy is a growing concern and it is imperative for organisations to be prudent with respect to managing user information and other data.

TV faced significant headwinds in FY19 and in fact grew at a lower rate than was projected last year primarily on account of the delay in implementation of the NTO. TV advertising spend was subdued as marketers waited to examine the net impact on number of subscribers, as also pick up across various genres. NTO implementation dawns a new reality for the TV industry where consumer demand, economics and distribution dynamics is expected to drive long-term business sustainability, though systemic inefficiencies have currently limited consumer choice.

The print industry, currently the second largest in India, has been kept buoyant largely due to growth in regional advertising revenues, which is compensating for the slow growth in circulation. English print circulation has declined in absolute numbers following growing digital migration, which is reflected with growing pressures on ad monetisation. More generally though, regional audiences and their demand for content in local languages has been one of the recent defining trends, also benefitting, besides print, almost every other segment of M&E.

Looking forward, it will be hard to ignore the pessimistic signals emerging from global economies. A fear of the financial contagion is real and the Reserve Bank of India has cut interest rates as it acknowledges that the growth outlook for FY20 might not meet earlier expectations. However, these cyclical events while impacting short-term performance, are unlikely to alter the strong fundamentals and momentum of M&E consumption, especially digital, in India. We remain upbeat on the prospects for both.



Girish Menon

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Executive summary

Introduction

The global economic activity has significantly weakened, especially in the second half of 2018 on the back of escalation in US-China trade tensions and financial tightening alongside the normalisation of monetary policy in the larger advanced countries. While real Gross Domestic Product (GDP) growth slowed from 3.8 per cent in 2017 to 3.6 per cent in 2018, it is projected to decline further to 3.3 per cent in 2019.¹ With 2019 starting on a soft note, the second half of the year is expected to be better with pickup expected to be supported by accommodative policies by central banks of major economies.²

In tune with the global economy, India's real GDP growth rate marginally declined from 7.2 per cent in 2017 to 7.1 per cent in 2018.³ While the growth for 2019 is estimated at 7.3 per cent⁴, the country has yet to recover from the slowdown in consumption over recent quarters with lending activity from NBFCs witnessing a steep decline in recent times.⁵ However, the festive season along with the government scheme for liquidity support to NBFCs⁶ is expected to drive uptick in consumptions in the latter half of 2019.

The slowdown in consumption had a moderate impact on some sectors in the Indian media and entertainment (M&E) industry, which grew by 13.3 per cent in FY19, to reach a size of INR1.63 trillion, with a CAGR of 11.5 per cent over FY15-FY19⁷. While there was an impact of the slowdown on TV and print advertising, the strong growth displayed by the digital, gaming and the

film segments contributed to the performance of the sector. Further, the continued increase in high speed internet penetration and mobile consumption has led to an evolution of consumption habits and distribution channels, resulting in the emergence of new business models, which have significantly added to the overall M&E pie.

The digitisation and evolution of consumption has had a positive impact on the lesser penetrated rural markets and with regional markets also emerging as the next growth frontier, there is an increasing demand in terms of media consumption across both traditional and digital media, w.r.t these markets. This ever expanding reach of media distribution, coupled with the relatively strong fundamentals of the economy have resulted in a robust advertising growth for the industry across both traditional and digital media in FY19.

Going ahead, with digital media distribution and consumption taking centre stage, traditional businesses will need to innovate around their business models to stay relevant. However, given the vast demographic of the country, the growth of digital media in the short to medium term does not spell doom for traditional media. Rather, there is scope for a harmonious co-existence. With an expected greater focus on monetisation of emerging digital business models, and favourable regulatory and operating scenario across traditional businesses, the M&E industry in India is likely to continue soaring, with an expected CAGR of 13.5 per cent over FY19-FY24, to reach a size of INR3.07 trillion.



1. World Economic Outlook, International Monetary Fund, April 2019
 2. World Economic Outlook, International Monetary Fund, April 2019
 3. Real GDP Growth, International Monetary Fund, accessed on 15 August 2019
 4. Real GDP Growth, International Monetary Fund, accessed on 15 August 2019

5. Liquidity crunch leads to lending crisis, Forbes India, June 2019, accessed on 15 August 2019
 6. Budget scheme for liquidity support to NBFCs rolls out, Economic Times, August 2019, accessed on 15 August 2019
 7. KPMG in India analysis, 2019

India’s digital demography

With a rapid uptake of digital media consumption, it is imperative for organisations to segment and understand the current and prospective digital India. The erstwhile early digital adopters – those who consumed content on the internet even prior to the massive fall in data prices in 2016 – were a fairly homogeneous group but the user base of 563 million⁸ broadband subscribers today, is much larger and more diverse. We have attempted to study what the projected Indian digital billion by 2030, means to businesses and how their strategies must

adapt to serve this large user base optimally.

Our hypothesis is that the digital consumer in 2030 will likely be (1) non-English speaking (2) mobile phone user (3) from a developed rural area/non-metro urban setting (4) who is increasingly willing to pay for content online.

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 these billion consumers.

Type	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			

Source: KPMG in India analysis, 2019

8. TRAI performance indicator reports, March 2019

There is likely to be significant progression in sophistication of digital users over the next decade due to the following factors: income effects and greater affordability alongside availability of high speed internet and growing consumer confidence with digital engagement.

- The majority of new users will be connected by 2025 – an addition of close to 300 million – with only the long tail remaining to be added by 2030
- The additions to the digital enthusiasts between 2018 and 2030 will be mainly on account of a significant upward progression of users from the digital mainstream
- The entry of millennial and generation Z into the workforce will also be represented by the growth in the number of digital enthusiasts, which will emerge as the largest category of users by 2030
- The maximum incremental additions – entirely new digital users – will primarily be into the digital mainstream and a small number into the fringe category.

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
- **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
- **Monetisation** – Micro-segmentation of target markets in an increasingly upwardly mobile economy would be essential for effective monetisation.
- **Collaboration across the value chain** – In a crowded marketplace, collaboration across players in the value chain would be essential to grow optimally.



Size of Indian media and entertainment industry

Industry performance - Historical

Overall industry size (INR billion)	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18	CAGR (FY15-FY19)
Digital*	47	65	86	121	173	43.4%	38.5%
TV	490	552	595	652	714	9.5%	9.9%
Print	268	288	308	319	333	4.5%	5.6%
Films	127	137	145	159	183	15.1%	9.6%
Animation and VFX	47	53	62	74	88	18.7%	17.2%
Gaming	24	28	32	44	62	41.6%	26.4%
OOH	22	26	29	32	34	5.0%	11.2%
Radio	20	23	24	26	28	6.2%	8.6%
Music	10	11	13	14	17	15.3%	13.0%
Total	1,055	1,183	1,295	1,440	1,631	13.2%	11.5%

Source: KPMG in India analysis, 2019

*Beginning FY18, the OTT video and audio subscription revenues are being recognized under the digital segment. Prior to FY18, the OTT video and audio subscriptions were nominal

Advertising - Overall industry size (INR billion)	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18	CAGR (FY15-FY19)
Digital advertising	47	65	86	116	160	37.6%	35.8%
TV	160	184	203	224	251	12.1%	11.9%
Print	180	192	204	211	221	5.0%	5.3%
OOH	22	26	29	32	34	5.0%	11.2%
Radio	20	23	24	26	28	6.2%	8.6%
Total	428	490	547	609	693	13.9%	12.8%

Source: KPMG in India analysis, 2019

- The digital segment continued to be the torchbearer of growth of the industry in FY19, with a 43.4 per cent growth taking the overall segment (including digital advertising and subscription revenues from OTT video and audio) to INR173 billion in FY19. The rapid growth in infrastructure led to a spurt in demand for content and the resultant consumption was driven by an equal focus on the supply of digital content by platforms. Within the digital segment, the advertising sub-segment grew by approximately 38 per cent in FY19, with digital now forming a key part of media strategies across industry verticals. The growth in regional consumption also led to the emergence of new avenues for digital advertising. The digital subscription sub-segment is also starting to emerge as significant, especially for the fast growing OTT video.
 - Television revenues grew at a rate of approximately 9.5 per cent in FY19, a similar rate as in FY18, reaching a size of INR714 billion. The lower than expected growth was due to the long-drawn process of NTO implementation which disrupted the subscription and advertisement revenues in the last quarter. Also, uncertainty around channel viewership and reach in the new regime led to marketers pulling back from TV advertising starting January 2019. This has led to blackouts and lack of clarity resulting in temporary loss of subscribers for many MSOs. Advertising spends were also hit by a consumption slowdown due to the slow growth witnessed by the overall economy in the last quarter of FY19.
 - The print sector witnessed a subdued growth of 4.5 per cent in FY19 to reach a size of INR333.2 billion. While advertising remained the growth driver for the segment in FY19 as well, muted circulation growth of 3.5 per cent in FY19 was observed on account of a decline in English circulation growth on the back of faster digital adoption. While advertisement revenues grew in Hindi by 7.5 per cent, industry discussions indicated that the election spends were lower than expected, especially in the regional markets; leading to a lower than expected growth of the industry in FY19.
 - FY19 was an excellent year for the film industry, with the segment experiencing a higher than expected growth of 15.1 per cent in FY19 over previous year on the back of robust box office collections, with more than thirteen movies crossing INR1 billion at the Indian box office. This was the best performance in the past decade at the box office, as content took centre-stage and small budget movies turned out to be box office money-spinners. Also, regional films displayed strong growth as the audiences' propensity to consume content in local language increases.
- Importantly, with a sharp increase in consumption on OTT platforms, the revenues from digital rights saw a substantial increase in FY19, with the sub-segment growing the fastest at 30 per cent in FY19⁹, albeit from a smaller base.
- The animation and VFX segment witnessed a strong growth of 18.7 per cent in FY19, to reach a size of INR87.7 billion. The primary factors underpinning the robust growth in the animation sub-segment were an ever expanding audience for animation content on OTT and rising demand of animation services from non-entertainment sectors such as education, healthcare, etc. The VFX sub-segment in FY19 saw stereo scoping work flowing to India from international markets; and a rise in VFX demand, not just from Hindi movies, but even from South Indian films. These factors contributed to the strong growth of the segment as outlined above.
 - The gaming segment was amongst the outperformers in the M&E industry in FY19, growing at a rate of 41.6 per cent, to reach a size of INR62 billion with robust growth in both ARPUs and the number of gamers in India (estimated at 300 million by FY19) driven by rapid and significant digital adoption. Alongside the widely played casual games, real money games have been one of the key catalysts for the upswing in ARPUs.
 - The Out of Home (OOH) segment grew at a muted rate of 5.0 per cent to reach a size of INR34 billion, much lower than the expectations. The primary reasons include a ban on all forms of outdoor advertising in Bengaluru after the High Court order of removal of posters, banners, flexes starting August 2018 along with hold back of OOH spending by brands in Q4 FY 19 in view of anticipated political campaigns.
 - The radio industry also witnessed a muted growth of 6.2 per cent in FY19 to reach a size of INR28 billion; as newer stations auctioned in the batch 2 of phase III continued to operate at a lower capacity of 45-50 per cent. Also, auction for phase III was yet again delayed during the year which also resulted in a lower growth than envisaged.
 - The music industry saw a robust growth rate of 15.3 per cent in FY19, reaching a size of INR17 billion with digital continuing to lead the way. Exponential growth in user engagement applications such as TikTok has created a new monetisation avenue for the music industry. Share of regional music in overall music consumption in the country has been rising and stands at around 32 per cent in FY19 due to increased accessibility of audio streaming platforms in markets beyond Tier I and Tier II cities.

9. KPMG in India analysis, 2019

Industry performance - Projected

Overall industry size (INR billion)	FY19	FY20	FY21	FY22	FY23	FY24	CAGR (FY19-FY24)
Digital	173	234	303	386	492	621	29.1%
TV	714	824	935	1,025	1,121	1,215	11.2%
Print	333	346	360	375	390	409	4.2%
Films	183	198	214	228	242	260	7.3%
Gaming	62	88	119	154	200	250	32.2%
Animation and VFX	88	103	121	140	161	184	16.0%
OOH	34	37	40	44	48	52	9.3%
Radio	28	31	34	38	41	45	10.1%
Music	17	19	22	26	30	35	15.8%
Total	1,631	1,880	2,148	2,415	2,725	3,070	13.5%

Source: KPMG in India analysis, 2019

Advertising - Overall industry size (INR billion)	FY19	FY20	FY21	FY22	FY23	FY24	CAGR (FY20-FY24)
Digital advertising	160	210	266	333	423	539	27.5%
TV	251	277	314	355	402	455	12.6%
Print	221	231	241	251	262	276	4.5%
OOH	34	37	41	44	48	52	9.3%
Radio	28	31	34	38	41	45	10.1%
Total	693	786	895	1,021	1,176	1,367	14.5%

Source: KPMG in India analysis, 2019

The Indian M&E industry is expected to grow at a CAGR of 13.5 per cent during FY19 to FY24 to reach a size of INR3,070 billion by FY24 with advertising revenues expected to grow at a CAGR 14.5 per cent to reach INR1,367 billion by then. The digital segment is projected to become the second largest segment by total revenues and the largest segment by advertising revenues in the Indian M&E industry.

Key segmental trends

- The digital segment is expected to continue to be the cornerstone of growth as digital consumption becomes deep and ubiquitous. Digital segment is expected to show a rapid growth of 29.1 per cent

CAGR over FY19-FY24, as an increasing amount of monies start flowing into digital, with some cannibalisation from traditional media as well. Also, attribution and ROI measurement are likely to become more accurate, thus increasing the confidence and credibility of digital advertising. As India's digital demography moves towards a transaction based economy, digital subscriptions are likely to gain increasing prominence in times to come, though India will remain a predominantly advertising led market. By FY24, we expect digital advertising to be the largest medium with 39.5 per cent share of total advertising, surpassing TV advertising.

- Television continues to be a critical mass entertainment medium and is expected to grow at a CAGR of 11.2 per cent on the back of strong TV viewership from rural and urban markets as well as continued investment in new regional channels and sports properties by broadcasters. Advertisement revenues are likely to be driven by a recovery in the economy and upcoming events like the 20-over cricket world cup in 2020. Meanwhile, subscription revenues are expected to see benefits, particularly over the next couple of years due to the new tariff order, especially in phase 3 and 4 markets.
- Print in India continues to be relevant though changing consumer behaviour and the resultant advertiser response is likely to continue to result in muted growth at a CAGR of 4.2 per cent from FY19-FY24. Revenue growth for English is expected to remain sluggish as digital adoption in metro cities continue to dent revenues, whereas, Hindi and regional advertising is expected to continue to drive revenues driven by increased focus on the northern Hindi speaking belt and hyper local advertising. English circulation is expected to continue declining at about 1 – 1.5 per cent while circulation in Hindi and regional languages is expected to remain stable.
- The film industry in India is expected to grow at a CAGR of 7.3 per cent from FY19-FY24 driven primarily by theatrical revenue from India and overseas and growing share of digital rights. In the absence of any significant growth in screen count, more consistent performance across regional markets and deeper penetration into overseas markets is expected to primarily drive theatrical revenues. Digital film rights are expected to grow the fastest as OTT platforms penetrate further across the country and ramp up their film libraries.
- The animation and VFX industry is expected to grow at a CAGR of 16.0 per cent from FY19-FY24, on the back of steady growth in international demand and growing share of special effects in domestic productions, with increasing investments into IP projects being a key lever for Indian animation companies.
- As digital behaviour becomes more prevalent and ingrained, the gaming sector in India is expected to benefit tremendously from this and is likely to display a strong growth of 32.2 per cent CAGR from FY19-FY24 on the back of an upsurge in user engagement on gaming platforms and an expected growth in in-app purchases. Tier 2 and 3 cities also hold significant promise and are likely to contribute to the growth of the segment in the years to come. Further, growth in Real Money Games (RMG) and fantasy sports segment, which hold a greater potential for monetisation as compared to casual games, is also expected to help in the growth of the segment.
- The radio segment is likely to grow at a CAGR of 10.1 per cent over the next five years on the back of content differentiation and combined offerings to listeners including music, live hyper local news and games/talk shows. The challenges around high gestation period, measurement and the long overdue phase III auctions continue to hamper the growth of this segment.
- The OOH segment is expected to grow at a CAGR of 9.3 per cent from FY19 to FY24 primarily driven by factors such as expansion in transit infrastructure including airports and metros in metro cities, development of smart cities and increasing transparency for brands on account of improved monitoring technology.
- The Indian music industry is expected to grow at a CAGR of 15.8 per cent over FY19-FY24. The key catalyst for this growth is likely to be audio streaming, which is expected to grow at around 5 per cent higher than growth of the overall music industry. Advertising revenue will be a key growth driver for audio streaming platforms as the ad-supported user base scales up. Partnerships with social media platforms, video sharing platforms and gaming consoles are likely to continue providing incremental revenue growth for the music industry. Category building marketing initiatives by audio streaming platforms and increased government initiatives towards curbing piracy and stream ripping are expected to drive consumption of licensed music into markets beyond tier II cities.



Key industry themes

The New Tariff Order (NTO)

The new tariff order was devised with the motive of ushering an era of transparency and equitable distribution of revenues across the value chain with consumer choice at the centre of change. After multiple delays, the NTO, which introduced channel pricing for the first time in the country, was eventually implemented over the course of the last quarter of FY19 with consumers facing multiple issues ranging from blackouts, higher TV bills to confusion over the process of channel selection.

As per initial trends, consumers are expected to face higher cable/DTH bills for the same number of channels in the new regime with the introduction of base fee as NCF (Network Capacity Fee) of INR130 + taxes even for availing FTA channels. However, broadcasters, especially the large ones, are expected to benefit from the accrual of higher share of revenues from the distributors, especially the MSOs. The NTO appears to be mildly positive for the distributors with content cost being a pass-through. In case of a disagreement, the order has mandated that MSOs and LCOs share the network capacity fee and distribution fee in the ratio of 55:45. This is expected to result in higher realisations for MSOs.

Going forward, the increase in subscription fees for TV may result in some early adopters shifting to OTT for their entertainment needs, especially for niche genres like English.

Regional markets

The year 2018-19 saw the emergence of regional as a major driver across the segments including television, print, cinema, music and OTT. Regional content has led to widening of TV viewership with about 70 per cent of total channels launched during the year being regional channels. The growth in the Indian print industry is also on account of the increasing readership in regional languages, as English has started to see a decline.

Cinema has also bet big on regional content with a significant proportion of movies being produced in Tamil, Telugu, Malayalam, Kannada, Bengali, Punjabi, Marathi, Malayalam and Gujarati. The year also saw an increase in the investment by OTT in non-Hindi video content. Considering the number of people speaking regional languages, marketers are tying up with content creators in regional language using regional media platforms to take into account cultural values and nuances of local languages with the intent of building trust with potential customers.

Digital privacy

Media companies are now monetising by collecting, analysing and processing huge amounts of data to

create customer profiles in a new and unique way. However, due to cyber and privacy risks, such as data breaches, it is causing irreparable damage to personal relationships, which are critical in the media and entertainment industry than in any. Regulators across the globe have adopted two key approaches in addressing the growing privacy concerns by framing omnibus regulatory frameworks and sectorial regulatory frameworks. Media and entertainment industry should take cognisance of this and work on strengthening data privacy by wearing the end-user lens rather than just a regulatory lens.

Digital monetisation

The primary monetisation model for digital platforms has been advertising over the years to attract users and build substantial user base. However, with increased investment in creating original content and acquiring exclusive content to differentiate, it is increasingly becoming difficult to justify a business case with just advertising as the source of monetisation.

Thus, platforms have increasingly started focusing towards subscription revenues through innovative pricing strategies like sachet pricing, content bundling, regional packs, offline payments, etc. However, key challenges hindering successful digital monetisation include affordable traditional media (Eg: television), price sensitivity, content fragmentation and consumer readiness. To alleviate these challenges, OTT platforms have started exploring monetisation through the collaboration/syndication route, with partnerships across telcos, cable/DTH operators, other digital platforms, cab aggregators and hardware platforms. Such strategic partnerships have helped digital platforms get access to a wide customer base and monetise their content, with minimal spends on customer acquisition costs.

Skill development in the M&E industry

Owing to the digital disruption, the M&E industry is undergoing a radical shift with new composition and requirements emerging as far as the workforce is concerned. The capability of the employees to ideate, innovate and execute in sync with the changing business environment, eventually leads to disproportionate value creation for the enterprise. The same requires constant up-scaling and up-skilling of the workforce, to meet the need gaps which are arising as a result of the rapid changes in digital infrastructure and technology.





Organisations would need to adapt their HR and L&D strategies to meet this skill gap by focusing on building internal capabilities across existing and emerging roles, placing greater emphasis on employee learning and experiences; and effectively leveraging technology, both to efficiently manage HR functions as well as help automate learning and development for employees.

Technology trends

Key technological innovations in the media and entertainment sector aim to enhance customer experience by improving quality and performance, offering newer and more innovative channels for content consumption, and bringing in greater operating efficiencies for organisations in the M&E space.

A key catalyst for the adoption of technology across the M&E industry would be the impending 5G rollouts in the country. 5G is likely to usher in an evolution

of broadband infrastructure, coupled with the ease of accessibility of fixed broadband infrastructure, which could be a transformative change in terms of the way media is consumed in India, as well as how organisations operate. From being a catalyst for cord cutting/shaving through digital distribution, to being an enabler for innovations like AR/VR and digital labour, 5G holds tremendous potential in shaping the M&E industry of the future. Some of the key technology trends likely to play out in the Indian M&E space are summarised below:

<h3>8K content and hardware</h3>	<h3>Content Delivery Networks</h3>
<ul style="list-style-type: none"> • Leading TV manufacturers have started releasing 8K TVs in mature markets like the U.S., China, Japan and Europe • With the advent of 5G, streaming of HD content is going to be more mainstream which can benefit the sales of 8K TVs • In India, we are yet to see a strong traction in the development of 8K content, but is expected to get better in the coming years 	<ul style="list-style-type: none"> • Content Delivery Networks (CDN) significantly reduce the site latency, boosts webpage load time, reduces bandwidth usage cost and ensures global availability of content • AI based predictive acceleration and use of hyper local CDNs are couple of key trends in this space • India is experiencing significant growth in data consumption – specifically with respect to video, hence the importance of CDNs is bigger than ever before
<p>Short to medium term impact – Minimal</p> 	<p>Short to medium term impact – Adoption rate is high</p> 
<h3>Digital labour</h3>	<h3>Augmented and Virtual Reality</h3>
<ul style="list-style-type: none"> • Digital labour can be broadly classified into basic robotic process automation, enhanced process automation and cognitive automation based on the maturity levels • In the M&E space, digital labour has found use cases in content generation, discovery and regulation, and also in support function automation • Several start-ups have come up in India focusing on intelligent automation, artificial intelligence, machine learning and big data 	<ul style="list-style-type: none"> • AR and VR continues to disrupt the way media is created and consumed • Big players like Facebook, Google, Microsoft and Magic Leap are coming up with their innovative products and solutions to the market • In India, VR content production is gaining traction in areas like gaming, tourism, sports, advertising, etc. • While usage of AR/VR is on the rise, widespread adoption is still in its early stages
<p>Short to medium term impact – Rapid adoption expected</p> 	<p>Short to medium term impact – Gaining mainstream traction</p> 

India's digital demography



The next billion users market

Ten novel thought habits to reach this new market

Payal Arora

Author of *'The Next Billion Users'* (Harvard University Press, 2019)



With recent radical price reductions in mobile phones and data plans and diverse digital payment options, the lower socio-economic classes (SEC) have fast come online. Many of them are youths. About two billion of the world's population are young and about 90 per cent of them live outside the West¹. A majority of lower SECs reside in informal settlements and rur-towns, and this is likely to double by 2030². These next billion users (NBU) are now taking centre stage in the design of future mobile and media platforms but continue to be under examined and misunderstood.

This demographic segment has long been a preoccupation of aid agencies and governments but not the market. Decades of preconceptions about this user base as instrumental and utility-driven have led to the derailing of our understandings on their actual mobile usage and motivations for getting and staying online. We need to shift our thinking significantly when catering to this new market. The following 10 starting points can help approach the NBU market with a fresh take:

- **The internet is the NBU's prime and often sole leisure economy:** Leisure can come at a high price. However, all people seek it and the lower SECs have found a cheap alternative in the world of the internet. The high consumption of films, music, social media content, online pornography, and digital games among this demographic has served as a key motivational hook to the mobile internet. We need to shift focus on pushing what we believe they need to what they want.
- **Replace mobile first with mobile only:** The NBU market may not move to secondary and tertiary devices like tablets and laptops in their lifetime. They are not necessarily mobile-first but rather mobile-only as a user group. We need to design applications that start with this as an assumption and fulfil their experiential aspirations through a convergence of services within a digital media ecosystem.
- **As mobile usage becomes more intuitive, generational user gaps will increasingly disrupt:** By mid-century, projections³ indicate that 16 per cent of the world population will be ages 65 and older, up from 9 per cent now. As life span increases and the Indian joint family system continues to be a stable social arrangement⁴ contrary to expectations of growth of the nuclear family, the older demographics are becoming avid learners and dedicated users of

1. "The power of 1.8 billion: Adolescents, youth and the transformation of the future", UNFPA, State of the world population, 2014

2. World's cities report, UN Habitat KPMGK2016

3. 2018 World population data sheet with focus on changing age structures, PRB 2018

4. Actually, the nuclear family is on the decline in India", Quartz India, July 02 2014

the mobile internet. Inter-generational socialising, re-skilling, prolonged labour, and/or the warding off loneliness⁵ are propelling this mobile uptake. Yet, they continue to be a neglected user base.

- **Gender divide and even decline in mobile uptake is not just an affordability issue:** Women constitute the majority of the four billion people who are offline today and are up to 50 per cent less likely to be online than men in the same contexts. Barriers to mobile adoption are gender pay gaps and thereby affordability issues and cultural constraints. However, we need to seriously consider also the choice of women to not go online due to the increased rates of internet romance scams, revenge porn, online misogyny⁶ and other toxic online behaviours. The market needs to work closely with regulators, designers and other stakeholders to ensure a safe and conducive environment for women to provide the most optimal outreach.
- **'Hyper local' content may not satisfy this 'global citizen' base:** With the growing focus on regional language and local content to cater to this rising NBU market, we must not forget that they increasingly view themselves as 'global citizens'⁷ and aspire to connect with people, places and ideas beyond their locality. This will influence the persistence of English content, foreign films and music consumption and networking with strangers on social media.
- **Voice search needs to optimise socio-cultural factors:** Google controls⁸ more than 90 per cent of global searches (and 98 per cent in India). However, the increase in voice search and the growing online audio-visual consumption, particularly among the NBU markets, will allow new players into this domain. To get this right, we need to attend to accents, local symbols, and how people actually talk (slang). This can enhance voice-based search accuracy and positive user experience.
- **The drive for digital ecosystems come at a price:** The entry of NBUs in the digital realm led to many of them perceiving Facebook as 'The Internet' due to the Free Basics initiative and their limited capital for data. This nurtured the habit of treating Facebook and WhatsApp as a one-stop shop for communication and services. Jio in India has piloted the convergence of diverse applications into a singular ecosystem, and promises to push the frontiers on new kinds of B2B and B2C partnerships beyond the media industry. While this convergence can enhance the NBU mobile experience significantly, its success rests on well thought out data regulation measures and enforcement. We should not forget that convergent systems have long been the double-edged sword of efficiency as well as a honeypot for data hackers.
- **NBU market research demands going beyond analytics-driven methods:** Predictive data analytics dominates decision-making on media industry strategies in content production, consumption and dissemination and platform design. However, with much of the NBU digital activity behind encrypted platforms such as WhatsApp, building on this method can produce skewed and misleading audience analysis. Big data analytics needs balancing with small-data qualitative work for future planning on NBU outreach.
- **To understand NBU privacy values, we need to look at their romance economy:** We cannot define the NBU market primarily as an economic class. Many of them are young teens. Teen psychology explains motivations for tech adoption and media consumption far more than their economic status. Romance is a key driver for this population and gives insight into the rationale behind the high risks they take with their privacy to be seen and heard.
- **While privacy is a luxury, the lower SECs have a long history of conspicuous consumption:** Many in the NBU demographic have a limited experience with personal privacy. Most of the lower SECs live in joint family systems in one-room homes in small towns or compressed informal settlements where interpersonal surveillance is the norm. The mobile internet may allow for some of the first privacy experiences for many among this demographic. While indeed this is a luxury experience, they may actually crave for more of this than the average middle class user, for instance by retreating behind encrypted platforms. This builds on the decades of evidence of conspicuous consumption of lower SECs for luxury goods and services, reminding us that they are very much an aspirational class.

The views and opinions expressed herein are those of the author and do not necessarily represent the views and opinions of KPMG in India.

5. "India's ageing population is struggling with loneliness but help is available", Silver Talkies, May 03 2018

6. Slumdog romance: Facebook love and digital privacy at the margins, Arora and Scheiber, Media, Culture and Society 2017

7. Identity 2016: Global citizenship rising, poll suggests, BBC News, April 28 2016

8. Statcounter GlobalStats

India's digital demography: A path to 2030

Introduction

There is no doubt anymore that India is enamoured with the internet. There was a group of people in India – around 200⁹ million of them – who consumed content on the internet even prior to the massive fall in data prices in 2016. Since then, broadband internet subscribers have more than doubled to 563 million as of March 2019¹⁰. In this section, we attempt to examine how the digital user base will continue to grow and cover diverse socio-economic and demographic segments, towards a projected billion users in the country by 2030.

The internet in India becomes more equitable

It is now a well reported fact that India has the world's cheapest mobile data at USD0.25 per GB¹¹ but affordability is only one aspect of greater internet inclusion¹². It is therefore encouraging to see India doing better on regional and gender parity parameters alongside, with improvements in both rural penetration and number of female users.

Among Asian countries, India scores well on affordability, readiness and relevance but poor network infrastructure – especially mobile speed and latency

lowers its availability score. India is ranked 47th out of 100 countries globally on internet inclusion, with a regional rank of 10 out of 21¹³.

9. Broadband subscribers, TRAI performance indicators for QE September 2016

10. Broadband subscribers, TRAI performance indicators for QE March 2019

11. How the pursuit of leisure drives internet use, The Economist, June 08, 2019

12. The Inclusive internet Index 2019, Economist Intelligence Unit

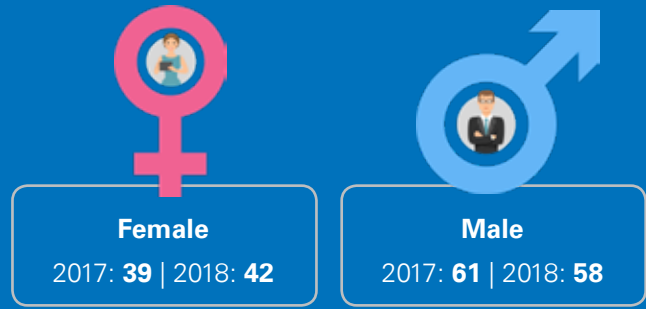
13. The Inclusive internet Index 2019, Economist Intelligence Unit

Internet subscribers per 100 population



Source: TRAI performance indicators

Internet subscribers per 100 population



Source: KANTAR IMRB - 21st edition ICUBE™ 2019

Favourable social and economic levers will drive connectedness



India is digitising faster than every other country barring Indonesia with digital consumption being embraced by both the private and public sectors of the economy¹⁴



India is projected to have a smartphone user base of 829 mn by 2022¹⁵



Digital India programme launched in July 2015 promotes broadband connectivity in rural India, public internet access through the Common Service Centres network and e-governance



India will benefit from its population demography even in 2030 when the median age will be 31 years compared to 42 years in China and 40 years in the US

14. Digital India: Technology to transform a connected nation, McKinsey Global Institute, March 2019

15. CISCO VNI 2018

Digital consumer archetypes: Their profile and transitions

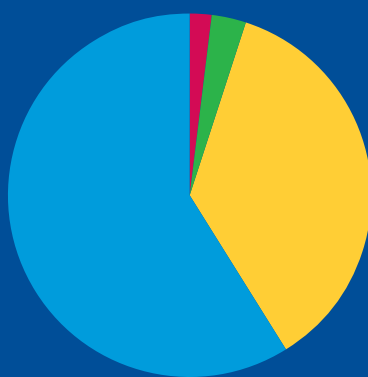
Why is the profile of the digital billion relevant? As the KPMG in India's media and entertainment report 2018 had outlined, many businesses are pivoting to a direct to consumer model. Erstwhile business to business to consumer segments (B2B2C) such as studios and broadcasting are directly engaging with their consumers in their digital avatar. Market research, consumer segmentation and their demographic, psychographic and behavioral profiling have always been leveraged by consumer goods industries, and the insights gained therein inform their key business decisions. More and more, media and entertainment companies will also be

using these tools to better understand their user and improve targeting savvy.

With a billion Indians connected, we believe that the digital consumer will primarily be a (1) non-English speaking (2) mobile phone user (3) from a developed rural area/non-metro urban setting (4) who is increasingly willing to pay for content online.

Based on our research, we predict that there will emerge four broad categories of consumers that together capture the defining characteristics of the digital user base.

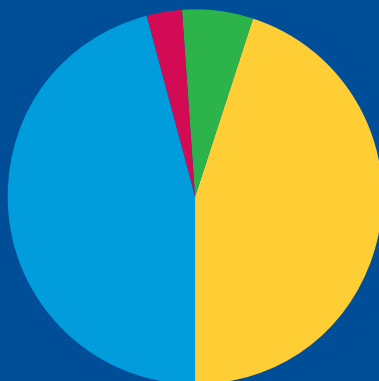
Consumer archetypes in 2018 (in mn, %)



- Digital Mainstream: 310 | 59%
- Digital Enthusiasts: 190 | 36%
- Digital Sophisticates: 18 | 3%
- Fringe users: 10 | 2%

Total: 528 million

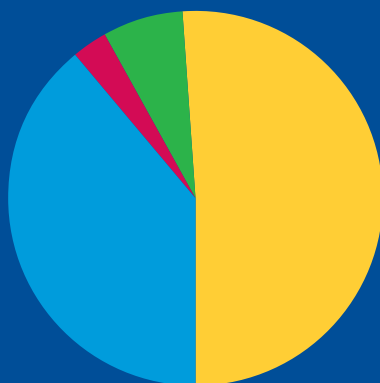
Consumer archetypes in 2025 (in mn, %)



- Digital Mainstream: 380 | 46%
- Digital Enthusiasts: 370 | 45%
- Digital Sophisticates: 50 | 6%
- Fringe users: 20 | 3%

Total: 820 million

Consumer archetypes in 2030 (in mn, %)



- Digital Mainstream: 410 | 39%
- Digital Enthusiasts: 530 | 51%
- Digital Sophisticates: 75 | 7%
- Fringe users: 35 | 3%

Total: 1050 million

The development of these consumer archetypes is based on certain fundamental building blocks and assumptions about the digital user base. For example:

- The propensity to pay for digital content increases with the ability to do so, as this is a discretionary personal expenditure
- The attraction of a personal, private device for media and entertainment consumption will be hard to replace and the smartphone (or a variation of a personal device) is likely to remain omnipresent even in 2030
- While there is likely to continue to be an aspiration to learn and use English for professional and social mobility, the primary language of media and entertainment in this country in 2030 will be local languages
- Digital media and entertainment expenditure will not be perceived as a luxury and the differentiation across consumer archetypes will be more around the ability to spend on hardware, and immersive experiences like AR/ VR rather than just OTT consumption for example.

There will likely be significant progression in sophistication of digital users over the next decade due to the following factors: income effects and greater affordability alongside availability of high speed internet and growing consumer confidence with digital engagement.

- The majority of new users will be online by 2025 – an addition of close to 300 mn – with only the long tail remaining to be added by 2030
- The incremental additions – entirely new digital users will primarily be into the Digital Mainstream and a small number into the Fringe category
- The additions to the Digital Enthusiasts between 2018 and 2030 will be mainly on account of a significant upward progression of users from the Digital Mainstream
- The emergence of Millennials and Generation Z into the workforce will also be represented by the growth in number of Digital Enthusiasts, which will be the largest category of consumers by 2030



Digital Sophisticates



2018
18 mn (3% of online users)

2025
50 mn (+32 mn, 6%)

2030
75 mn (+25 mn, 7%)

Socio-economic profile
Wealthy, urban, tech-savvy

Income profile (HH, current)
>USD70,000 per annum

Language of digital consumption
Primarily English and Hindi

Primary mode of digital consumption
Smart connected TVs and mobile

Content preferences
Global content and tent-pole, original Indian programming tailored for the urban audience, typically behind a paywall

Profile of the Digital Sophisticates

Erstwhile "Early Adopter" has evolved into "Digital Sophisticates" at the top income bracket

Higher incomes and greater sophistication in digital behaviour will result in the transition of "Digital Enthusiasts" to the "Digital Sophisticates" category over time

Likely to have multiple paid audio and video digital subscriptions, embrace partial cord shaving and complete most financial transactions online

Mimics the preferences and behaviour of a global digital user but is and will continue to be in the minority in India

High barriers to entry here and growth will only come through an evolution and progression of users rather than direct inclusion of the unconnected

16. KPMG in India analysis 2019 based on primary and secondary research

Digital Enthusiasts



2018

190 mn (36%)

2025

370 mn (+180 mn, 45%)

2030

530 mn (+160 mn, 50%)

Income profile (HH, current)

USD40,000 – USD70,000

(14 mn in 2018, 41 mn in 2030)

USD8,500 – USD40,000

(176 mn in 2018, 489 mn in 2030)

Language of digital consumption

Hindi/regional language as well as English

Primary mode of digital consumption

Mainly smartphone led with partial TV streaming among the higher income groups

Content preferences

Well known global franchises may find a niche audience but predominantly, it will be Indian narratives that will be popular

Profile of the Digital Enthusiasts

Category I of users

- Most of the early adopters are now “Digital Enthusiasts”
- Early adopters show higher propensity to spend, which would suggest they are older
- Older users, however, potentially hesitant to spend on multiple OTT and music streaming subscriptions and retain traditional TV C&S connection for genres suited to pay TV (sports, news etc.)

Category II of users

- Progression of higher income bands of the “Digital Mainstream”

Category III of users

- India will have 370 million Generation Z consumers by 2030¹⁷ who enter their prime earning years
- Adoption of the internet will be quicker and more comprehensive than other archetypes with the only limiting factor being ability to spend

17. Future of Consumption in Fast-growth Consumer Markets: India, World Economic Forum and Bain & Company, January 2019

Digital Mainstream



2018

310 mn (59%)

2025

380 mn (+70 mn, 46%)

2030

410 mn (+30 mn, 39%)

Income profile (HH, current)
USD4,000 – USD8,500

Language of digital consumption
Hindi/regional languages

Primary mode of digital consumption
Smartphone

Content preferences
Free content available online or bundled plans with OTT players through telcos and other distribution platforms

Profile of the Digital Mainstream

Majority of this segment came online post 2016

Almost entirely mobile-led consumption

Tipping point for digital consumption occurs when the average annual income exceeds USD4,000¹⁸ (INR280,000) and there are approximately 97 million households just in the income bracket of USD4,000 USD8,500 in India in 2018¹⁹

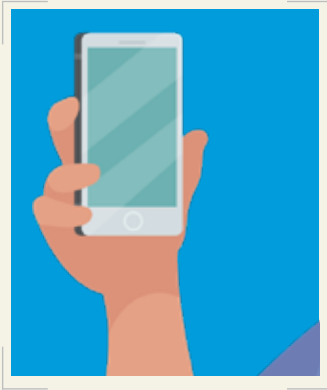
Primary entry point for digital users in India across time period

Large non-urban, non-English speaking population driving consumption of local language content (Hindi and regional)

18. "India's internet consumption will more than double by 2025: Rajan Anandan", exchange4media, January 17, 2019

19. Future of Consumption in Fast-growth Consumer Markets: India, World Economic Forum and Bain & Company, January 2019

Fringe Users



2018
10 mn (2%)
 2025
20 mn (+10 mn, 7%)
 2030
35 mn (+15 mn, 3%)

Profile of the Digital Fringe

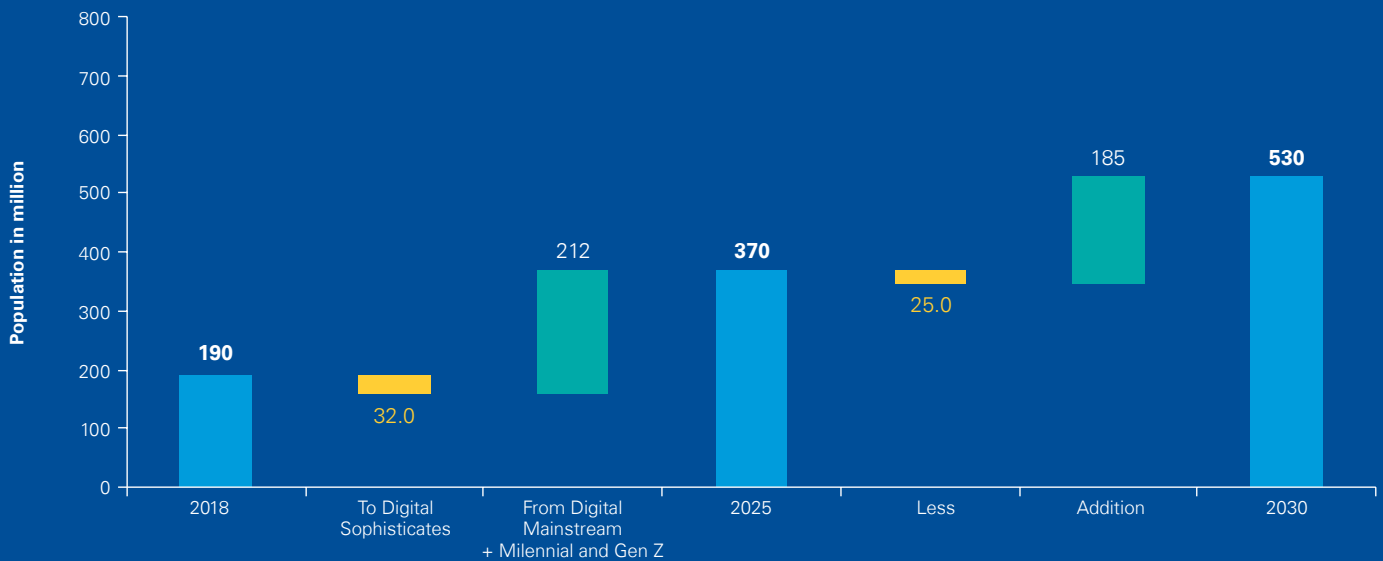
Sporadic digital access on account of either poor connectivity in remote areas or irregular income

Lack of awareness compounded by a lack of motivation as opportunities to leverage the internet are also limited

Much harder to graduate into "Digital Mainstream" as they don't have the required socio-economic mobility

Digital consumption is likely to be restricted to mobile messaging and free bundled content.

Digital user transitions



The graph shows how the composition of Digital Enthusiasts - the largest segment by 2030 - will change over time. More wealthy users will move out of Digital Enthusiasts and into the Digital Elite, and

alongside there will be an entry of users from the Digital Mainstream into this segment. Young, tech-savvy Millennial and Generation Z users will also help grow this category.

Shifting consumer trends and behaviours

We conclude this section with a summary of the key trends at play through to 2030 and their implications for digital businesses:

- **The absolute size of the market – even in the smallest niche – is large**

The number of people online will double by 2030. But more importantly, there will be an upward mobility within the consumer segments such that at the top-most end where household incomes exceed USD70,000 per annum (around USD125,000 in 2030), there will be a growth of 3x to 75 million people by 2030.

- **And the largest digital segment will move from consuming to transacting**

By 2030, the Digital Enthusiast will emerge as the single largest digital user group in India, straddling the Digital Sophisticates and the Digital Mainstream. Digital Enthusiasts will help shift the Indian digital story from one of passive consumption to deeper engagement and transactions. Consumer readiness, which is typically the challenge in enabling users to transact online, is high among this group as it includes both Millennials – who are considered the first digital natives – as well as Early Adopters.

- **Diminishing differences**

In terms of access to and comfort with the internet, there will be an increasingly marginal difference in the rural-urban, male-female and even young-old profiles. For example, both Millennials (between 35-50 years in 2030) and Generation Z

(age 20-35 years in 2030) would have grown up with technology with Millennials being the first generation to be considered as digital natives. Generation Alpha (born post 2015) is comfortable with a touch screen from a few months old and speaking to voice assistants by the time they can form words. All three of these generations will embrace the internet and technology not as a tool but a deeply integrated aspect of everyday life.

- **But first, leisure**

There are greater differences in the digital behaviour online of users in developed and developing countries in such categories as reading the news and accessing health information online but hardly any gap when it comes to their entertainment habits²⁰. Watching videos, playing games online and listening to music are equally popular activities in both wealthy and emerging economies. It will be a few more years before the internet is leveraged for learning as much as for leisure in India.



20. "How the pursuit of leisure drives internet use", The Economist, June 08, 2019 and "The Next Billion Users: Digital Life Beyond the West" by Payal Arora, 2019

Implications for digital media businesses

- **Technology will underpin business models**

In the digital economy, a direct to consumer model is popular and it's most often the end user who transacts with the business rather than an intermediary. But with a potential market of a billion, how will decisions around content creation, distribution and monetisation be made? Technology and associated tools such as artificial intelligence, will provide the much needed direction. The availability of large – hopefully increasingly accurate – information on the consumer is perceived as one of the advantages of the digital disruption in media and entertainment, and the feedback loop powered by technology will inform most business decisions.

- **The race for reach**

Distribution ecosystems are only set to become stronger making it progressively more difficult for business to opt-out of a network of alliances and partnerships. The role of aggregators – OEM, DTH, ISP and telcos – will continue to grow and bundling will likely become the norm for all categories of consumers. Stand-alone digital products and services will have to contend with the significant value creation generated by this ecosystem for content creator, distributor and consumer. Consolidation appears inevitable.

- **Monetisation through micro-segmentation**

Monetisation strategies are becoming more innovative in a highly competitive market as players vie for greater reach. On the product and pricing side, OTT players are rolling out sachet pricing, specific content genre bundles and cash on delivery options to attract the diverse digital citizenry. Hotstar for example launched a new annual subscription plan ahead of IPL 2019 – Hotstar VIP – which works out to INR1 a day and gives the subscriber access to live cricket including cricket, premier league and Formula 1

along with Indian movies, Hotstar originals and latest episodes of Indian TV shows. The more expensive Hotstar Premium, which has both a monthly and annual subscription option at INR299 and INR999 respectively, has been positioned for a different target audience with the addition of latest international shows and movies. The micro-segmentation of the market and consumer is implicit.

- **Competition versus collaboration**

However, there is also growing recognition that the capabilities for content creation and its monetisation through marketing and distribution are different, and competitors in one area could become collaborators in another. For example, Asian OTT player HOOQ partnered with Hotstar to offer its Hollywood content to viewers of Hotstar Premium²¹. Similarly, there are reports of Zee5 being in talks with Amazon Prime to offer its content added or bundled alongside Amazon Prime²². Such partnerships provide significant distribution leverage and depth in the content library while consolidating audiences in a crowded marketplace. A trend we expect will only gain momentum in the year to come.



21. "HOOQ's Hotstar deal puts spotlight on divergent strategies in Asian video", Variety, October 10, 2018

22. Amazon Prime Video, Zee5 in talks for platform deal", July 15, 2019

Vernacular and video: The future of digital content

Umang Bedi
President,
dailyhunt



When Videsh Sanchar Nigam Ltd. (VSNL) first opened up cyberspace to the Indian public on 15 August 1995, I wonder if they had foreseen the revolution that would follow. From dial-up modems to 4G, we have come a long way with over 600 million internet subscribers in 2018. With 4G internet and Reliance Jio, it led to a dramatic transition in the content consumption patterns of internet users in India. With 5G just around the corner, we can expect further disruption of data consumption patterns. Digital content providers will have to make strategic decisions to meet the new demands of this growing audience and help their organisations stay competitive.

So, what's driving India's growth story?

The Indian media and entertainment sector is poised to kickstart a new era of growth. The support for growing digital infrastructure and a focus on personal content consumption has set the scene for the media and entertainment sector to produce more content than ever before across different languages and genres.

Today, India is amongst the top three countries in the world when it comes to digital consumption of services, second only to China²³. We are also second when it comes to digital adoption of media and entertainment services. India has emerged as the top market for Google Play Download worldwide in the year 2018, according to The State of Mobile 2019 report. This means that among all the countries, India had the maximum number of Android app downloads in 2018.

Internet messaging apps such as WhatsApp and Facebook are very also popular in India. These apps are some of the biggest drivers of Internet use in India. They not only help people connect to others but also give access to different kinds of share-worthy content. While their reach is good, there is a growing demand from consumers for hyper-localised, vernacular content that platforms such as Dailyhunt are addressing.

The evolving digital content ecosystem

English content attracted the first 200 million people online in India. The remotest corners of India are now getting online thanks to access to regional and video content. Internet usage will become universal in Real Bharat, and this is something Internet-driven content businesses have to keep in mind. Now, digital content companies are required to cater to a heterogeneous audience that prefers to consume quality content in their native language.

23. Referenced in KPMG's #IndiaTrends2018: Trends Shaping Digital India report

Going ahead, we also expect to see universal access to content and simple and intuitive navigation as a basic requirement. It is essential that navigation and discovery go hand-in-hand. Digital platforms cannot always expect users to enter what they want to see. Platforms will need to start intuitively and intelligently recommending new content based on the user's previous choices, like Netflix does.

In a bid to serve over a billion users, platforms will have to be open to partnerships with diverse content players and publishers across formats with a focus on video. Stringer networks, professional content creators, citizen journalists are all viable content partnerships today. We see the tremendous scope for consumption across entertainment, gaming, news and hyper-local content genres in the coming days.

Tomorrow's world

Our experience at Daillyhunt is that digital and mobile-first businesses need to keep pace with industry trends and act accordingly. That's how we grew from being a mobile value-added services (VAS) start-up to becoming India's largest local language content and discovery platform. Our mission is to be the Indic platform empowering a billion Indians to discover, consume and socialise with content that informs, enriches and entertains.

Our focus on vernacular content has been our greatest advantage. We have led the vernacular conversation for over a decade now, even when it was unfashionable to do so. With our large digital platform, we have a pulse on what users think, feel, read and watch. What has helped us win and retain our audience is our focus on providing immersive experiences across content genres. We provide a stronger content graph for the customers with new-age formats of content, including a big focus on video, wide distribution and deeper personalisation. We are an app that is Made in India, by Indians for Indians in local Indian languages.

For all these reasons, we believe that digital content producers and aggregators must build new competitive differentiators and realign their portfolios. They need to stay focused on creating high-quality vernacular content, intuitive products and services and great recommendation engines. All of these must be focused and aligned on the end consumer residing in Real Bharat.

Views are personal, and do not represent the views of KPMG in India

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Segments

Digital

Crossing the Rubicon





Digital

Crossing the Rubicon

Digital consumption powers on

There continue to be strong enabling factors encouraging greater consumption of content on the internet in India. It is reflected in the growth in broadband internet subscribers at 37% for FY19, which

beats overall growth in internet users at 29%. Internet access is also more equitable and the growth in rural users is ~3x that of urban for FY19.

Digital user base

	March 2018	March 2019	Change (%)
Total internet subscribers (mn)	494	637	29%
Internet subscribers per 100 population	38	48	
Broadband internet subscribers	413	563	37%
% of total internet subscribers	84%	88%	
Mobile wireless subscribers (mn)	472	614	30%
% of total internet subscribers	96%	96%	







Source: TRAI performance indicators

Urban versus rural access

	March 2018	March 2019	Change (%)
Urban internet subscribers (mn)	348	410	18%
Rural internet subscribers (mn)	146	227	56%

Source: TRAI performance indicators

Key factors influencing the growth of digital consumption^{1,2,3,4,5,6,7}

					
Second highest per capita consumption of online video in the world	Growth in smartphone users in India to ~340 Mn in 2018 (2015 – 200 mn). 11% growth in feature phones shipments, higher than smartphones growth in 2018.	Cheapest mobile data in the world (INR18.5/GB) (2015 – INR313/GB)	Growth in average data usage per subscriber per month to 8.7 GB in 2018 (2016 – 0.88 GB)	Growth in online video content to meet the demands from 325 million viewers as of FY19	Growth in average mobile data download speed to 9.93 Mbps in Nov'18 (Nov'17 – 8.88 mbps)

Credible digital ecosystem in place



1. The state of online video 2018, Limelight Networks ; accessed on 04 April 2019
2. India's mobile data is cheapest globally, Times of India ,March 2019; accessed on 04 April 2019; How low-cost data is powering India, Fortune India, Dec 2018; accessed on 04 April 2019
3. TRAI performance indicator reports
4. Smartphone Penetration In India Is On The Rise, Set To Reach 373 Crore Users In 2019, India Times, January 2019
5. TRAI performance indicator reports
6. India ranked 111th in mobile internet and 65th in fixed line broadband speeds: Ookla, Times of India ,December 2018; accessed on 04 April 2019
7. KPMG in India 2019 analysis based on primary and secondary research

Access

At 142.3 million, smartphone shipments touched a record high in India in 2018⁸ against a backdrop of zero to marginally negative growth in shipments globally during the same period. India is among the top five countries globally with the most improved score on the GSMA mobile connectivity index.

GSMA mobile connectivity index⁹

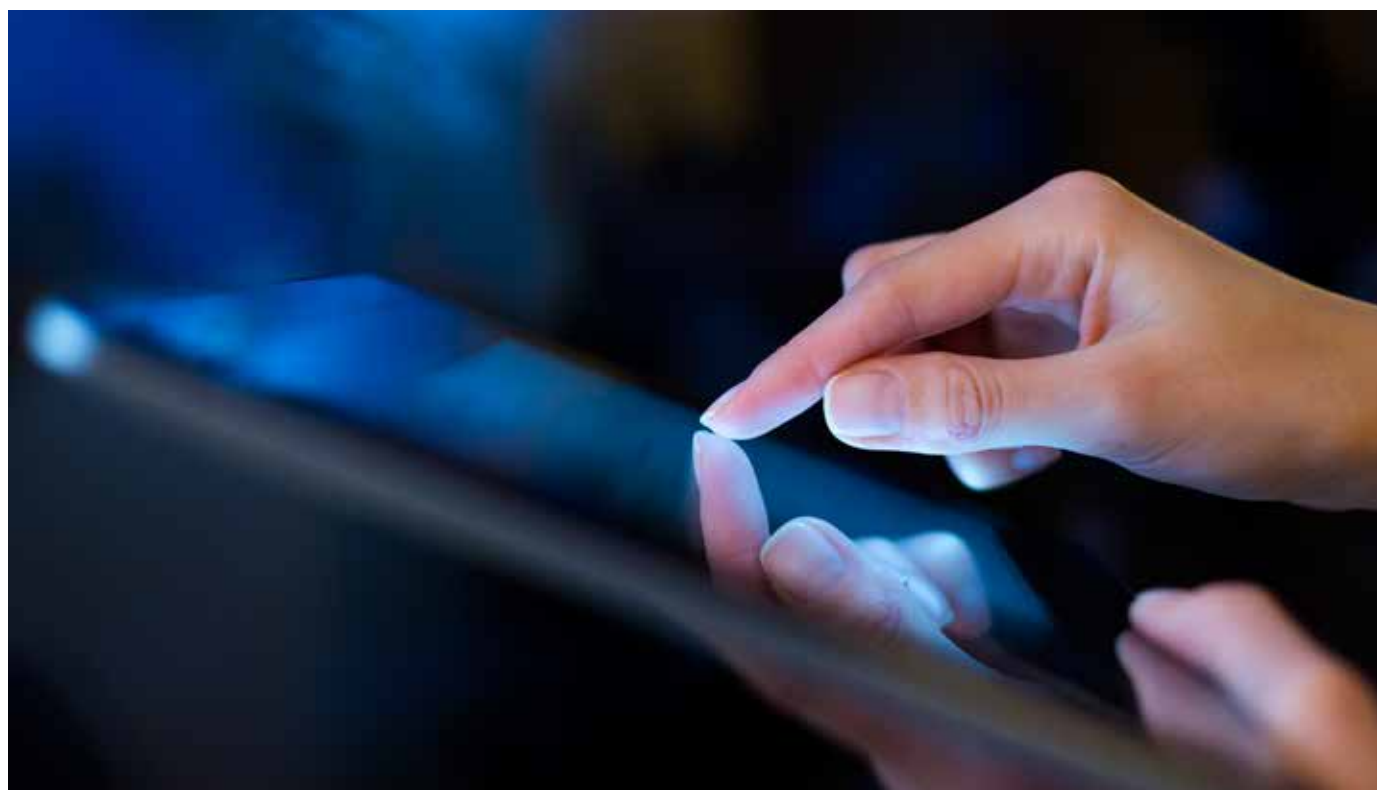
	Change in score 2014-2017
India overall score change	15
Affordability	26
Infrastructure	18
Content	9
Consumer readiness*	6

* Consumer readiness is a reflection of the general literacy levels and gender parity reflected through the access to and engagement with mobile technology.

Voice-assist will further progress linguistic democratization. India is already witnessing this shift from keyboard to voice, with 30 per cent of all Google searches last year being voice driven¹⁰. Globally, India leads with the highest percentage of voice search and commands amongst internet users at 51 per cent followed by China at 49 per cent¹¹.

Use of voice search and voice commands - % of internet users

India	51%
China	49%
Indonesia	45%
Global average	39%



8. IDC
 9. State of mobile internet connectivity 2018, GSMA
 10. Indian consumers say big hello to voice based devices, Business Standard, February 10 2019
 11. We are Social 2019
 12. YouTube hits 265 monthly active users, Livemint, April 09 2019
 13. YouTube will speak in your language more, Economic Times, October 15 2018

Supply

Much of the video viewing in India is happening in a local language and YouTube, which has ~265 million unique, active users¹² has reported that over 95 per cent of its

users watched videos in a regional language¹³. Many OTT players are also investing in building their regional content libraries to match the demand from these audiences.

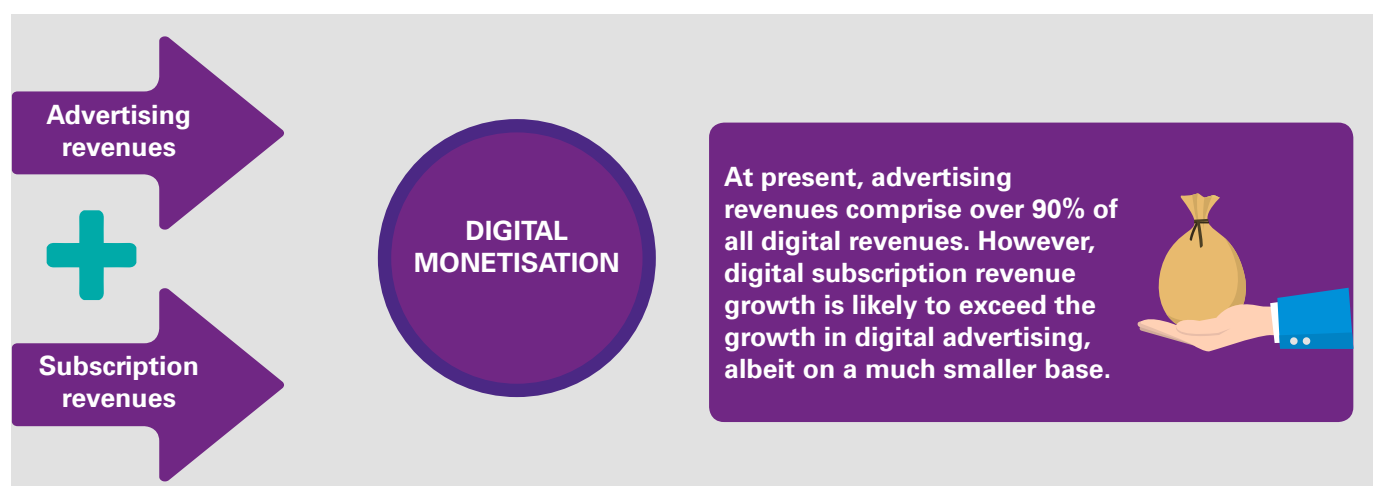
Growth in regional content libraries of OTT players

	Zee5	SonyLiv	Hotstar	VOOT	Alt Balaji	Amazon Prime Video	Hoichoi	Eros Now	Netflix
Tamil	Y	Y	Y	Y	Y	Y	N	Y	Y
Telugu	Y	Y	Y	Y	Y	Y	N	Y	Y
Marathi	Y	Y	Y	Y	Y	Y	N	Y	Y
Malayalam	Y	Y	Y	N	Y	Y	N	Y	Y
Bangla	Y	Y	Y	Y	Y	Y	Y	Y	Y
Kannada	Y	N	Y	Y	N	Y	N	Y	Y
Bhojpuri	Y	N	N	N	Y	N	N	N	N
Gujarati	Y	Y	Y	Y	Y	Y	N	Y	Y

Source: KPMG in India analysis, 2019 based on secondary research

Components of digital monetisation

Digital monetisation can be achieved in two ways:



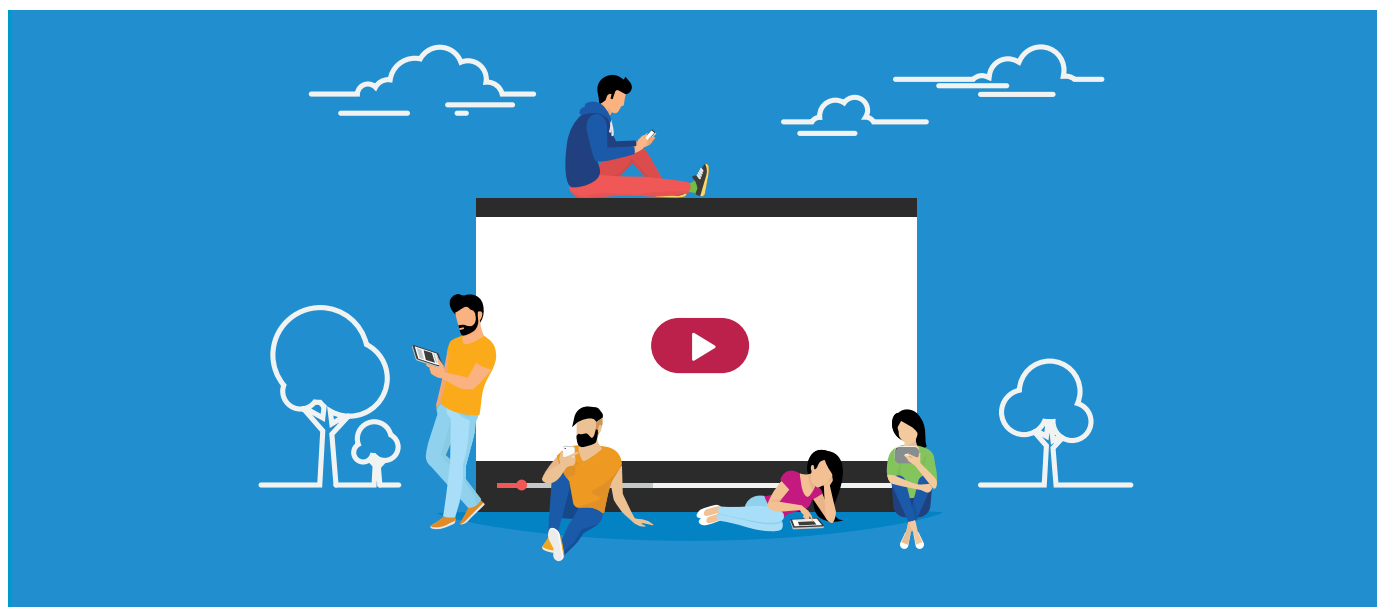
Digital revenue projections (FY20-FY24)

INR bn	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19 – FY24)
Digital advertising	160	210	266	333	423	539	28%
Audio streaming subscriptions	1	2	3	4	6	9	48%
OTT video platform subscriptions	12	22	34	48	62	74	44%
Total	173	234	303	386	492	621	29%

Source: KPMG in India analysis, 2019

The digital market in India is set to become the second largest within media and entertainment by FY22 when it reaches INR386 billion. It will move ahead of print

and be behind TV in its aggregate revenue. By FY24, the digital market will be half that of TV in the Indian economy.



Digital advertising

The digital advertising market can be estimated in terms of formats – video, display, search and classifieds – or platforms – social media, gaming etc. – and for the

purposes of this section we have provided a break-up of revenues by formats.

Historical performance of digital advertising (FY15-FY19)

INR bn	FY15	FY16	FY17	FY18	FY19	CAGR
Total digital ad spend	47	65	86	116	160	36%
Annual growth rate (%)		38%	33%	35%	37%	

Source: KPMG in India analysis, 2019

Trends in digital advertising

Share of regional languages set to grow

While English continues to be the language of the internet, this is unlikely to be the case in a few years. Hindi will be the most used language on the internet in India while Marathi, Bengali, Tamil and Telugu speaking internet users are expected to form 30 per cent of the total Indian language internet user base. The digital advertising market does not yet reflect this profile of the consumer with only around 8 per cent of total spend in a regional language at present, but industry experts we spoke to say that the share could be over 30 per cent in the next three years¹⁵.

Market is concentrated but new avenues emerging

Industry representatives we met concurred that, as is the case globally, digital advertising spend is highly concentrated with Google and Facebook together accounting for between 70-80 per cent¹⁶ of the market in India. In FY18, Google reported revenues of INR93 bn from its India operations, with 69 per cent¹⁷ accruing from ad sales on its platform.

However, new avenues are emerging as trends point toward a preference for video based formats in digital advertising within brand-safe, narrow-cast environments; a criterion many user-generated content platforms have fallen short of in the past. With the growing popularity of OTT platforms in India, there is a general sense that they will become an increasingly important avenue for digital media buying in the near future.

Performance metrics replace views and clicks

In the brand versus performance debate, marketers are beginning to assert that digital advertising needs to be outcome rather than output-based. Few digital platforms are able to provide accurate data points of their audiences to enable targeted marketing and CPM (cost per mille) has been under pressure in India for a while now due to excess inventory. As a recent global

study pointed out, even programmatic advertising, which is supposedly more efficient, can only accurately identify whether a digital user is male or female 50 per cent of the time¹⁸.

CPM and CPC (cost per click) are making way for other more conversion-oriented metrics such as cost per lead or acquisition (CPL or CPA). This has been driven in a large part by the challenge presented by ad-fraud that was estimated at over USD1.63 billion in India or around 9 per cent of global ad fraud in 2018¹⁹. A conversion can either be a completed activity that shows user interest and engagement – such as an email sign up – or a macro conversion in the form of a transaction.

Attribution at the forefront of conversations

In the complex and often long journey from awareness to purchase, the consumer experiences touch points within apps and websites in a range of formats from search, video and display. An accurate understanding of the conversion rates by channel, whether it's organic, paid or social, will allow for a more efficient reallocation of spend. Taking this further is the online-offline attribution model where GPS, wi-fi and Bluetooth trackers monitor physical movements – and purchases – as well. The concerns around digital privacy have been widely acknowledged and in many ways addressed with the GDPR, and the emergence of offline surveillance will only bring with it a new set of challenges on this front.

BFSI leads in adoption of digital in marketing spend

While FMCG spends the largest amount on digital advertising compared to other industry segments, as a proportion of its total budget, it's at 16%²⁰. BFSI however allocates nearly 38% of its overall marketing spend to digital platforms, followed by consumer durables (36%) and e-commerce (31%)²¹. As ROI measurement and attribution tools become more sophisticated, there is likely to be a greater shift in advertising spend in favour of the digital medium given its growing adoption and popularity among the populace.

14. Indian languages are storming the internet, Express Computer, July 25 2018

15. KPMG in India analysis based on industry discussion

16. KPMG in India analysis

17. Google India posts 30% increase in revenues, Economic Times, October 11 2018

18. The shameful state of online advertising, Medium, September 11 2018

19. At USD1.63 bn India accounted for 8.7% of global digital ad-fraud in 2018, Hindu Business Line, March 12 2019

20. Dentsu Aegis Digital report 2019

21. Dentsu Aegis Digital report 2019

Digital advertising market projections (FY20-FY24)

INR bn	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19 – FY24)
Video	53	77	102	141	197	276	39%
Search	51	67	85	101	119	140	22%
Display	46	55	66	78	92	106	18%
Classified	9	11	12	14	15	17	12%
Total digital ad spend	160	210	266	333	423	539	28%

Source: KPMG in India analysis, 2019

The digital video advertising revenues also consist of the revenues from OTT video platforms including YouTube in India, both in terms of the value as well as in terms of the value chain contribution as well.

The digital advertising market is set to become the largest among all media – TV, print, radio, OOH – at INR423 billion by FY23 as ad-spend gets increasingly redirected towards digital media from traditional formats.

Digital video advertising includes the ad-spend on video across all digital formats from social media, OTT platforms including YouTube, gaming, news and other websites. The share of video is the highest today – and growing at the fastest rate – among all digital advertising formats, compared to a few years earlier when search dominated. India has already emerged as the fourth largest consumer of mobile video ads globally²².

Pressure on CPMs as inventory grows

Growing inventory has however caused a downward pressure on advertising rates, with the CPMs (cost per thousand impressions) for major platforms like YouTube falling by ~15-20%²³. The CPMs for YouTube ranged between INR175-225, while the CPMs for other broadcast backed and independent OTT platforms were in the range of 1.5-2x of the YouTube CPMs²⁴, owing to a different mix of content present on these platforms. However, in terms of the contribution to revenues, YouTube still dominates the online video segment. This could see a change going ahead as a wide and different range of content on other OTT platforms like Hotstar, VOOT, Zee5 etc. provides advertisers with an alternative medium to showcase their brand.

But video will continue to gain share at the expense of other formats

Advertising growth will also be driven by the digital billion coming onto the online video bandwagon, with close to 580 million OTT consumers by FY24, spending 30+ minutes on online video platforms per day²⁵. With the proposed third party digital measurement systems coming into place in India over the next 12 months,

the CPMs are also likely to see some growth from FY21 onwards, contributing to the overall growth of the segment. Video ads on OTT platforms are likely to constitute the bulk of the segment revenues, with the display ads slowly losing significance and fading away.

Can advertising be consumer centric?

Business models in media and entertainment have all pivoted around the consumer in the last few years. It's only a matter of time before this change occurs for revenue models as well. Advertising is effectively a tax on the poor²⁶ and consumers pay by giving up their time and privacy. When people are provided with flexibility and convenience in content consumption, their initial response is to ignore the implicit cost of advertising. As they become more invested and attentive to their digital consumption experience, the value that they place on their time spent increases. Conversely, the advertising tax burden becomes greater.

The first step towards subscription exacerbates this sentiment as ad-free digital consumption enhances the overall experience, making ad-fuelled "free" digital media less bearable. What is interesting to note is that increasingly there are, mostly global at present, examples of businesses that also benefit from more creative revenue streams rather than relying solely on advertising. Gaming companies were one of the first to recognise this as they adopted freemium models, pay to play, rewarded videos and built a better product that brought and kept gamers engaged with the high quality of content. Advertising won't be displaced anytime soon, especially in a largely mass-consumption, value-driven and nascent digital market like India but there are early signs of changing consumer preferences.

22. Pitch Madison advertising report 2019

23. KPMG in India analysis based on industry discussions

24. KPMG in India analysis based on industry discussions

25. KPMG in India analysis based on industry discussions

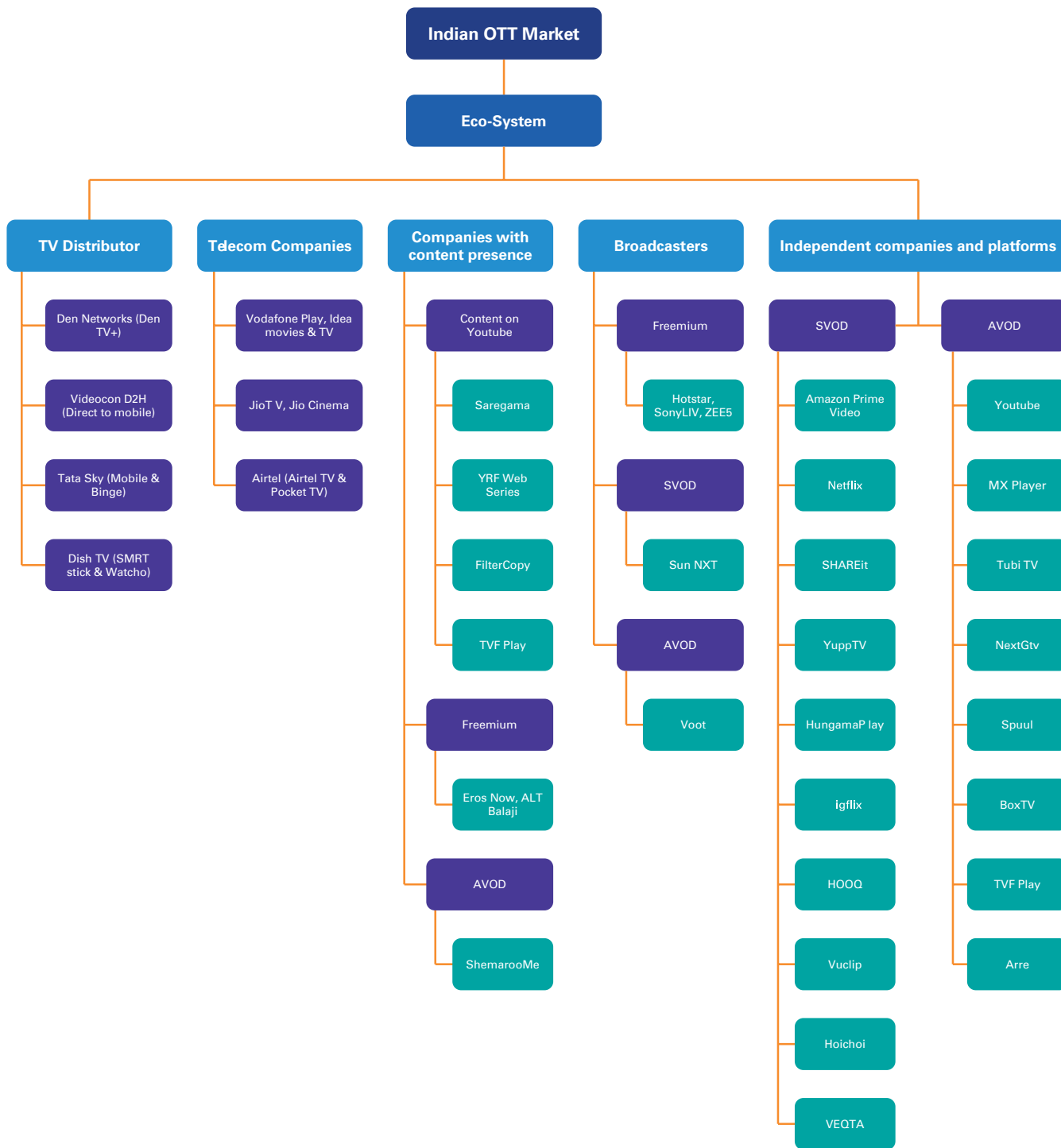
26. Scott Galloway

OTT Video

Of the digital content landscape in India, the OTT video sub-segment has seen the maximum traction in the last couple of years. With more than 30 OTT video platforms in the country, and a rapid growth in video consumption, the landscape has evolved rapidly across the entire value chain. Whether it is large broadcasters,

global digital video majors, traditional content creators or telecom companies, everyone has jumped onto the OTT bandwagon, in order to acquire the elusive digital customers who can potentially yield great value over the long run. A snapshot of the OTT ecosystem is outlined below:

Indian OTT market²⁸



27. To win over Indian audiences, OTT platforms need to understand the sensibilities of Bharat, YourStory, January 25, 2019

28. OTT an imperative sans cash generation, Emkay Research, 31 July 2018

OTT video platform revenue projections

Revenues (INR bn)	FY18	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
OTT video platform advertising	17	27	43	62	81	98	110	33%
Digital video subscription	4	12	22	34	48	62	74	44%
Total digital video market	21	39	66	96	129	160	184	37%

Source: KPMG in India analysis, 2019

The above numbers are a representation of the advertising revenues of OTT video platforms including YouTube in India. The same have been arrived at through a combination of primary and secondary research

Market trends

Distribution

- **Direct subscriber base to contribute more in the future**

The subscription revenues have registered a nearly 3x increase in FY19, totalling INR12 billion, with contributions from both direct subscription revenues of OTT platforms, as well as those from the telco partnerships. Direct subscriptions contributed around 65-70 per cent and the rest were realizations from telco partnerships.

Our industry discussions indicate that there could be close to 11-14 million direct paid subscriptions in FY19, including Amazon Prime subscriptions. Owing to the relatively higher price points and the wider e-commerce appeal associated with Netflix and Amazon Prime respectively, these two platforms accounted for a bulk of the direct subscription revenues. Owing to a robust slate of live sports, international library and live TV content, Hotstar also contributed significantly to the overall direct subscription revenues of the industry in FY19.

We expect the direct subscriber base in India to rise to as much as 55-65 million by FY24, driven by availability of high quality content curated for different audiences; and continued growth in the digital infrastructure and the digital payments landscape in the country.

- **But telco partnerships will remain important**

Telco partnerships have also emerged as an important source of subscription/syndication revenue for the OTT platforms, with a significant 30-35 per cent contribution to the overall subscription revenues in FY19. Platforms like ALT Balaji, Eros Now etc. are examples of players who have substantial revenue contribution coming from telco distribution.

While majority of the subscription revenues are expected to come from direct subscriptions, the revenue from telco partnerships is also expected to achieve a robust growth, although slower as compared to direct subscriptions.

- **Distribution strategy and depth**

OTT players across the board have been focusing on developing a robust distribution strategy to have a widespread presence across their target audiences and across various device ecosystems. Thus, alliances with telecom operators, Cable TV / DTH operators, Original Equipment Manufacturers (OEMs) and others are being actively forged to ensure an optimum distribution depth.



Partnership with telcos

Content partnerships with telecom companies have emerged as the preferred distribution channel for OTT players. Such partnerships not only help to expand the reach but also helps boost subscription income for these players



Partnership with TV/broadband players

Various OTT players have partnered with DTH operators through integration of apps into the set top boxes, allowing the user to access the services with a dedicated remote button. Services like Tata Sky Binge provide the user with a dedicated hardware to access the OTT apps on their Television sets, irrespective of whether the TV has a 'Smart' functionality or not



Partnership with Original Equipment manufacturers

OTT Players have partnered with different hardware manufacturers including smartphones, Smart TVs, streaming devices, gaming consoles etc. to allow users to easily access these apps on their preferred devices



Cross-platform partnerships

Some players have also forged partnership among themselves to mutually benefit each other and also with social media platforms (such as Facebook) to broadcast their content. For example, 'Arre' has partnered with 'Sony Liv', 'Yupp TV' and 'Facebook' for content distribution



Monetisation and engagement

• Pricing innovations to boost subscriptions

Over the past few months, OTT players with an SVOD or freemium model have started to innovate around their pricing strategies, across different variables like subscription duration, payment mode and bundling different types of content. While majority of the players have started to offer shorter duration packs (weekly and monthly), some players are also bundling regional / international content separately to cater to different viewer segments. In order to cater to a wider user base in India, some players are also experimenting with cash payments.

• Interactivity on OTT - Fostering engagement

In a bid to create highly engaging experiences for users, OTT platforms have tried to experiment with different types of interactive elements ranging from contests / games that can be played in parallel while viewing live video content to dynamic flows of video content.

IPL 2019 on Hotstar

- Social interaction added for viewers watching IPL
- Watch N'Play game that offered tangible payouts for winning the contests
- Partnership with Swiggy allowed customers to order food without missing live cricket

Indian Idol (10th season) on SonyLIV

- "Sing-Along" initiative allowed users to sing along with Indian Idol contestants
- The best "Sing-Along" entry every week was featured on the TV show, giving users their moment of fame on national television

Black Mirror: Bandersnatch on Netflix

- An interactive adventure movie that allows viewers to choose their own path through the story with a series of multiple choice questions
- The company plans to try interactives for other genres like comedy, romance and horror

Content

• **Original content as a key differentiator**

OTT services attract a more individualistic audience compared to the family viewers in a country dominated by single TV households. Hence, the content on these platforms needs to appeal to different consumer sensibilities and have an element of freshness. While OTT players can attract their chosen target audience for sampling content with a few originals that appeal to them, depth in such digital-native original content becomes vital to ensure consumer stickiness in the long run.

In a highly competitive environment with more than 30 OTT platforms in India, as players look to differentiate themselves, massive capital commitments have been made by platforms for building libraries of diverse original content over the last couple of years.

Original content: Long form (more than 20 minutes) and short form (less than 20 minutes)

- Long form content has grown with players like Netflix, Prime Video, Zee5 and Alt Balaji focusing on creating originals with episodes ranging from 20 to 60 minutes
- Short form content is highly popular on social media platforms like Facebook, YouTube, Snapchat, etc.
- Short form is also receiving due attention from OTT platforms like Eros Now and Hoichoi who are building their short form content libraries with short stories, comedies, interviews, etc

• **Growing regional focus**

Indian language internet users are expected to grow to 536 million by 2021 from 234 million in 2016²⁹. As nine out of 10 new internet users in India are likely to be Indian language users it is vital for OTT players to cater to this audience in their native language. As a result, OTT platforms have started to focus on building a library of regional content that includes movies and originals over the past 12-18 months.

Most of the VOD platforms have content offerings in regional languages. But such content has been restricted to select movies along with a handful of original shows, if any. However, dubbing has emerged as an effective tool for players to quickly

expand the breadth of original and movie content available across multiple regional languages like Tamil, Telugu, Bengali, Kannada, Malayalam, and Marathi. For example, Prime Video has dubbed popular Hindi originals like Inside Edge and Breathe to Tamil and Telugu. In addition to originals, Prime Video has also tried to increase depth in their regional library by dubbing English movies like Alpa, Rampage, etc. to Tamil and Telugu. Similarly, Hotstar has used dubbing to launch the Hindi web-series Criminal Justice in six regional languages – Tamil, Telugu, Kannada, Bangla, Malayalam and Marathi.

Global expansion: Catering to new geographies

After making inroads in the Indian market, many OTT players have started to expand internationally by launch geography specific offerings to increase monetization for their content. While the pricing of these SVOD players in global markets has tended to be higher than their Indian services, prices also vary across different geographies.

For example, Star India has discontinued the distribution of its TV channels in the U.S.A. and Canada and offers content only through its VOD service in the two geographies³⁰. Star India has also launched Hotstar in parallel to its existing TV offerings the U.K.³¹ However, subscription in U.S.A and U.K. is nearly 7 times and 5 times more respectively than the annual subscription of Hotstar in India.³²

Zee5 has recently been launched in Malaysia in order on catering to the Tamil diaspora in the country.³³ Zee has plans to launch its VOD platform Zee5 in geographies other than the U.S.A. over the course of 2019 with prices ranging from USD 2 to 10 per month depending on the geography.³⁴



29. Indian Languages – Defining India's internet, A Study by KPMG in India and Google, April 2017

30. Hotstar launches its premium service in US and Canada, Gadgets 360, September 2018, accessed on July 15, 2019

31. Star India's Hotstar launches in United Kingdom, Economic Times, September 2018; accessed on July 15, 2019

32. How to Watch Hotstar in USA / UK (Unblock Outside India), FireStickTricks, June 2019, accessed on July 15, 2019

33. Zee5 unveils Tamil subscription packs for Malaysia and Singapore, Indian Television, January 2019, accessed on July 15, 2019

34. Zee Entertainment forays into 190 countries with digital platform, ZEE5, Business Line, October 2018, accessed on July 15, 2019

35. Discussions with Industry Participants

36. "Why two music-streaming giants have entered India in less than a month", Quartz India March 2019 story accessed on 17 July 2019

37. "TikTok owner to challenge Spotify and Apple with Music Service" Bloomberg May 2019 story accessed on 17 July 2019

Audio streaming

The base of monthly active users (MAUs) on audio streaming platforms reached 165 million in FY19 up from 110 million in FY18, registering a healthy growth of 50 per cent³⁵. As a result of this strong growth, multiple international music streaming platforms such as Amazon Prime Music, YouTube Music and Spotify have entered the market over the last one year³⁶ while ByteDance

Ltd., the owner of popular video sharing app TikTok is planning to enter the market in 2019³⁷. The incumbents including Gaana, JioSaavn, Hungama etc. have focused on both the ad-supported and subscription-based models. However, the new entrants are highly focused on subscription-based model and as a result, the industry is likely to train its attention on realizing monetisation.

Music streaming market performance

Revenues (INR bn)	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
Advertising	10	12	14	16	18	20	14%
Paid subscriptions	1	2	3	4	6	9	48%
Total music streaming market	11	14	17	20	24	29	20%

Source: KPMG in India analysis 2019 based on primary and secondary research; the above numbers account for music streaming on YouTube in India.

Music streaming's share of overall music industry revenue was estimated at 70% in FY19 and this share is further expected to go up to 82% by FY24³⁸.

Advertising spend on audio streaming platforms at an inflection point

Audio streaming monthly active user base has grown at around 50 per cent in FY19 over FY18. This strong growth in user base is expected to continue going forward. Music streaming platforms are also building massive data sets generated out of users' music consumption habits. The platforms are leveraging these two drivers and are opening up space for brands to engage meaningfully with their user base. As the ad-supported subscriber base reaches sizable scale, fill rates are likely to improve as advertising budgets shift from traditional audio mediums to audio streaming platforms.

Focus on growing subscriber base

While the paid subscriber base only accounted for around 1 per cent of total MAUs as of March 2019³⁹, this share is projected to increase as the platforms focus on offering attractive subscription plans and bundled offerings. Streaming platforms are also likely to focus on category building marketing activities to organically increase the consumption of licensed music and in the

process, expand the subscriber base through freemium plans.

Original content to become the differentiator

Given the fierce competition in the market, music streaming platforms are focusing on original music as a differentiator as currently there is very little variation in music catalogues of platforms. They are also trying to re-position themselves as audio streaming platforms rather than music streaming platforms by increasing their focus on podcasts across genres – science and tech, pop culture, business, spiritual etc.

Voice activated search and personalised recommendations key to building user engagement

Users sometimes struggle with discovery of Bollywood and regional titles on music streaming platforms as they typically search album names and song names rather than artist names. Voice activated search goes a long way in reducing user friction in this regard. Improving the efficiency of voice activated search feature will be key for music streaming platforms when it comes to building user engagement, especially in markets beyond Tier II cities. Platforms are also investing in machine learning capabilities to provide personalised recommendations.

38. KPMG in India analysis 2019 based on primary and secondary research

39. Discussions with Industry Participants

Conclusion

On the demand side, there is enough and more evidence of India's fascination with the internet and increasing affordability has also ensured that access is more equitable. With over 30 OTT platforms, multiple audio streaming options and an emerging gaming ecosystem, there is more diversity in the content on offer as well.

Network infrastructure, the key link between demand and supply, is also receiving attention. The Government of India launched the Digital India programme with the vision to transform India into a digitally empowered society and knowledge economy. Announcements on Fibre to the home (FTTH) and 5G will only hasten the process of developing a reliable, high speed telecom infrastructure, which is the backbone of every digital economy.

Finally, the trend of convergence and the emergence of digital platform companies that was highlighted in last year's KPMG in India's media and entertainment report continues to remain relevant. In fact, there are now a broader range of businesses in India looking to build out their media and entertainment services including e-commerce and digital payment companies. Flipkart has recently announced its plans to include

third-party OTT video content on its app to build loyalty and social engagement of users⁴⁰. Paytm, India's leading digital payments and wallet company, launched Paytm First Games with a mix of free and paid games and already reports 30 million registered users⁴¹ within a year.

The fundamentals to power digital consumption in India are strong on the demand, supply and enablers front. Its continued growth and strong performance is however predicated on data costs remaining low, which while unlikely to rise, could be the spoke in the proverbial wheel. However, with the addition of internet subscribers towards a projected billion users by 2030, the sheer volume in the market opportunity within every niche should generate substantial economies of scale to all players. And more importantly, the composition of the internet user base will see a shift in favour of a populace that is more confident in using digital technology for their everyday lifestyle needs; a category we are calling the Digital Enthusiasts in this report.



40. "Flipkart set to add video streaming and regional interface to attract the next 100-200 million new users", Economic Times Brand Equity, August 06, 2019

41. "Gaming platform Paytm First Games to raise USD25 million", Yourstory, August 02, 2019

Industry perspective



India could not have asked for a more rapid creation of a vibrant digital media community, which had its genesis in telecom but its dominant impact in media and entertainment consumption. Consumers who began their digital journey with telco bundled content will transition to other platforms as their consumption behaviour and preferences evolve. TV – the traditional bastion of media and entertainment – will be most impacted and over the medium to long term, we can expect the cord shaving movement to gather steam in India as well.



Neeraj Roy
Founder and CEO
Hungama Digital Media
Entertainment Ltd.



As digital consumption scales up and with much more granular data on viewership being made available as a consequence, competitive advantage in the long run will vest with Digital video players who can sharply segment their audiences and come up with a mix of varied service/ content and price point offerings.



Saurabh Yagnik
Executive VP – Revenue
Strategy and Consumer
Insights
Sony Pictures Networks
India Pvt. Ltd.



Digital media in India will see a shifting of capital from user acquisition to building IP, as retention and stickiness is heavily dependent on the content library on offer to the user. Original content will emerge as the differentiator here although catch-up television including sports will continue to dominate screen time in the short term, primarily on account of a supply advantage.



Ajay Chacko
Co-founder and CEO
Arre



As distribution models evolve, there will be broadly two pricing models for content. Not so much app versus telco-bundled, as much as an a-la-carte version that will be all-in with 4K and AR/ VR on smart devices and a bundled offering typically aggregated by telcos and ISPs that will be priced more competitively. The construct of the digital market is going to allow for greater micro-segmentation of content and consumer across social, demographic, geographic and urban/ rural lines.



Rishika Lulla Singh
CEO
Eros Digital





As streaming video services create high quality, differentiated Original content, customers will become even more discerning about their content preferences. And rapidly increasing disposable incomes, insatiable demand for engaging content and a growing desire for better quality experiences will give a big boost to subscription based services that keep customers as the central focus.



Gaurav Gandhi
*Director & Country General
Manager
Amazon Prime Video*



The video OTT market in India is evolving, on both – SVOD and AVOD – with platforms acquiring capabilities to offer end to end marketing solutions to brands by narrow-basing the target audiences. As the content on most of these platforms is curated, brands looking for a safe and controlled environment for video advertising are likely to have a preference for these platforms in the long run.



Tarun Katial
*CEO
Zee5 India*



While TV shows and movies comprise bulk of the video content on OTT platforms and breed familiarity for consumers, live sports and original content enables high customer engagement and is vital in order to attract new customers to the platform.



Uday Sodhi
*Business Head – Digital
Sony Pictures Networks India
Pvt. Ltd.*

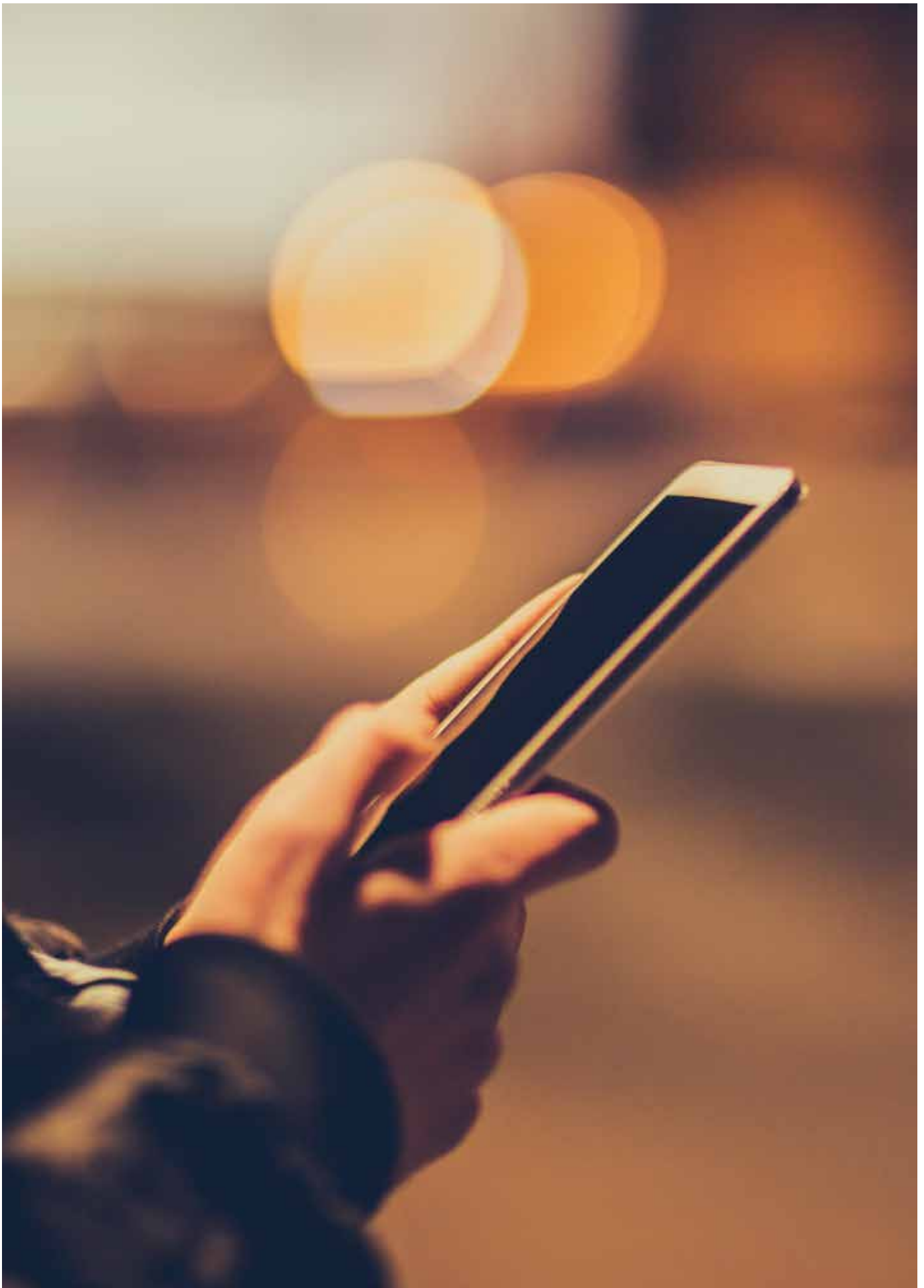


Marquee original content often serves as the hook that popularizes a platform. However, to sustain a consumer's interest over a longer time frame, there needs to be sufficient depth of content. Viewers also spend considerable time viewing Digital-first soaps, CaC Sketches (Content around content), Catch-up TV Movies, as well as Original Web series



Gourav Rakshit
*COO
Viacom18 Digital Ventures*





TV

Waking to a new reality





Television

Waking to a new reality

Performance of the TV industry

Revenues (in INR billion)	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18	CAGR (FY15-FY19)
TV industry	490	552	595	652	714	9.5%	9.9%
Advertisement	160	184	203	224	251	12.4%	11.9%
Subscription	330	368	393	428	463	8.1%	8.8%

Source: KPMG in India analysis, 2019; based on primary and secondary research

The television industry was estimated at INR714 billion in FY19, a growth of 9.5 per cent from FY18, having grown at a CAGR of 9.9 per cent between FY15-FY19. The market size in FY19 includes advertisement revenues of INR251 billion and subscription revenues of INR463 billion¹.

The television segment had a good year for the first three quarters of FY19, but the challenges in implementation of the New Tariff Order (NTO) and the resultant uncertainty around viewership and subscription renewals affected both the advertisement and subscription revenues in the last three months of FY19. The new regulatory framework was in force from 29 December 2018, but the Telecom Regulatory Authority of India (TRAI) had provided the distributors time till 31 January 2019 to enforce the same. The regulatory

body further extended this deadline to 31 March 2019² with the consumers facing issues while migrating to the new regime which introduced the system of selecting channels for the first time in the country.

Advertisement revenues

Television advertising grew at a rate of 12.4 per cent in FY19³, slightly lower than expected, due to the pullback from advertisers in the last quarter of FY19. Not only did the Indian Premier League (IPL) and Free-to-air (FTA) continue to deliver a strong performance, the advertiser mix also remained largely similar to last year with FMCG, telecom and auto sectors contributing more than two-thirds of the spends on television advertising in India⁴.

1. KPMG in India analysis, 2019, based on primary and secondary research

2. Deadline extended: DTH, Cable TV customers can select channels till March 31, Financial Express, February 2019, accessed on 14 July, 2019

3. KPMG in India analysis, 2019, based on primary and secondary research

4. Pitch Madison Advertising Report 2019

The IPL advertising growth was robust in FY19 with a week of the twelfth season also falling in the fiscal year as IPL 2019 started earlier owing to the Cricket World Cup 2019 schedule. IPL 2018 contributed about INR18-20 billion to the TV advertising kitty with 15 per cent increase in TV impressions over the last season on account of increase in regional viewership.⁵

However, the ambiguity in terms of viewership and subscriptions, following the extended period of NTO implementation and the ratings embargo by BARC for seven weeks starting from February 2019⁶ resulted in advertisers starting to hold back on TV advertising spends from January 2019. While the top GECs and movie channels continued to attract marketers, the niche genres like infotainment, lifestyle, youth, music, etc. suffered the most on account of the uncertainty around their reach and viewership in the new regime⁷. Some of the brands chose to either re-allocate part of TV spends to other media or hold back ad monies for high impact events like the general elections and Indian Premier League⁸ scheduled later in the year.

Subscription revenues

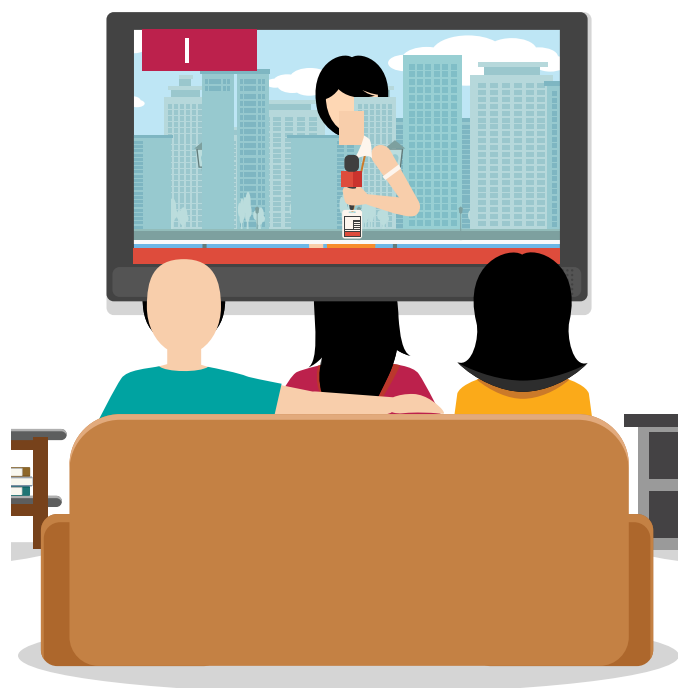
Subscription revenues grew at a modest 8.1 per cent in FY19 to reach INR463 billion, with the NTO implementation hiccups costing growth in the last quarter.

Television universe (in million)	FY18	FY19
Pay C&S households	153	150
Cable	91	83
DTH	62	67
DD FreeDish	30	33
Total	183	183

Source: KPMG in India analysis, 2019; based on primary and secondary research

While the C&S universe was reported to have expanded to 197 million households by end of 2018 with digital cable gaining the most, there was an erosion in the active subscriber base in the last quarter with a decline of nearly 12-15 million⁹ households in the overall C&S HH base. The potential reasons for this decline were non-renewal of subscriptions, transition of subscribers to alternate sources of entertainment such as OTT (although this was only minimal as per our industry discussions) and certain blackouts owing to the implementation of the NTO. As a result, subscription revenues took a hit in the last quarter with subscribers facing multiple issues, including higher cable bills, while transitioning to the new regime.

The Average Revenue Per User (ARPU) was relatively flat for both DTH and cable operators in the first three quarters before seeing an increase by 10-25 per cent in the last quarter due to the minimum payouts on account of the Network Capacity Fee (NCF) of INR130 + taxes, especially for Phase 3 and 4 subscribers whose ARPUs were reportedly much lower before the regime change. While the active subscriber base declined, growth in ARPUs covered up a large part of the decline in the subscription revenues, leading to an overall growth of 8.1 per cent for the year FY19.



5. IPL 2018 attracts 202 million viewers on Hotstar, 51% surge from last year, Business Standard, June 2018, accessed on 14 July, 2019

6. TRAI issues show cause to BARC India for not publishing TV ratings online, Economic Times, April 2019, accessed on 14 July, 2019

7. Based on industry discussions

8. Based on industry discussions

9. KPMG in India analysis, 2019, based on primary and secondary research

The broadcaster industry size

Revenues (in INR billion)	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18
Broadcaster industry	238	273	300	331	372	12.3%
Advertisement	160	184	203	224	251	12.4%
Subscription	78	89	97	107	120	12.1%

Source: KPMG in India analysis, 2019; based on primary and secondary research

Television broadcasters had a robust growth of 12.3 per cent in FY19 to reach annual revenues of INR372 billion, with approximately 68 per cent of the revenues contributed by advertising¹⁰. Advertising and subscription income for broadcasters grew at more than 12 per cent each with subscription revenues growing faster than the TV industry subscription revenues as broadcasters started to realise the benefits of NTO in the last quarter of FY19 by getting a higher share of the consumer-level subscription from DPOs.

As per our industry discussions, the share of broadcasters in the end consumer revenues increased from approximately 33 per cent to approximately 40-45 per cent for DTH operators, while for cable operators, the same increased from approximately 20-25 per cent to approximately 30-35 per cent. This sharing of revenues across the TV value chain augurs well for broadcasters in the long run.

Key themes underpinning the television segment

NTO – The change is finally here

The new tariff regime finally saw light this year with implementation of the new regulations taking place over the course of the last quarter of FY19. As the viewers migrated to the new regime, disruptions are already visible in the TV industry even before the dust finally settles.

While the tariff order has granted the choice of channel selection to customers, initial trends indicate that the monthly bills of viewers wishing to watch the same number of channels as earlier has gone up significantly. Further, with a fixed payout of INR130 + taxes (assuming the DPOs charge the maximum mandated NCF), the ARPUs have increased across all the markets with the Phase III and Phase IV markets witnessing massive growth of 30-35 per cent¹¹ in average realisations. This choice of channels has come at a dearer price for individuals at the lower end of the ARPUs who are either

paying more for watching the same number of channels or are contend with lesser number of channels at their disposal. As per industry discussions, some choice is taking place at the higher end of the subscription pyramid, leading to lower TV bills, however, the same is definitely accompanied by a lower number of viewable channels at the disposal of the consumers.

Further, the uptake of pay regional channels, especially top GECs and movie channels, has remained firm in the regional markets in the new regime, particularly in the Southern markets. Contrary to this, the uptake of niche channels has suffered in the new regulatory environment as broadcasters focused on creating packs that ensured pick-up of their GEC and movie channels¹² with DPOs building on top of them with FTAs at their disposal. While niche channels belonging to larger broadcasters are likely to do better than others in the long run owing to the network effects enjoyed by their parent company, they will still need to be innovative in order to survive and remain relevant in the long run.

The implementation of the NTO has also been facing significant on ground challenges, with customer education forming a major part of the challenge. As per our industry discussions, there have been cable TV blackouts in some areas, while the overall TV universe has shrunk as outlined earlier. However, despite the same, efforts are underway from all stakeholders to ensure a complete implementation of the regime.

In times to come, viewership and reach for the TV universe is likely to change as the effects of NTO start to play out. With consumer choice being a central part of the new regime, broadcasters will need to renew focus on content quality to ensure survival and pick-up of their channels. Niche genres on TV, in this new era, are expected to be under pressure from rival offerings on digital platforms. The english channels are also likely to encounter challenges in terms of viewership and subscription in the new regime.

10. KPMG in India analysis, 2019, based on primary and secondary research

11. KPMG in India analysis, 2019, based on primary and secondary research

12. Based on industry discussions

DD FreeDish – Recent auctions bring a setback

The Free-to-Air (FTA) genre continued to do well in FY19, in terms of both viewership and ad revenues. Hindi GECs and Hindi movies maintained their dominance over the FTA viewership, owing to the strong presence of DD FreeDish in the Hindi Speaking Market (HSM). Ad rates on FTA channels continued to be under-indexed compared to their Pay TV counterparts. However, the advertising revenues flowing in from these channels has been growing and reached about INR18-20 billion in FY19¹³, which comprised nearly 8 per cent of the industry advertisement revenues.

A major development on the FTA front in FY19 was major broadcasters; Star TV, Zee Entertainment Enterprises Limited, Sony Pictures Network India and Viacom18 deciding to pull out their FTA channels from the DD FreeDish platform in the auctions held in February 2019.¹⁴ As a result, popular FTA channels in the Hindi GEC genre (like Star Utsav, Star Bharat, Zee Anmol, Rishtey and Sony Pal) and Hindi movie genre (like Star Utsav Movies, Sony Wah, Zee Anmol Cinema and Rishtey Cineplex) went off air from 1 March 2019. This decision to pull out of the FTA platform happened to coincide with the implementation of the new tariff and interconnect regulations and was a part of a longer term strategic call taken by most broadcasters to move towards a pay market.¹⁵ This meant that erstwhile flanking FTA channels like Star Bharat, Sony Pal, Zee Anmol and Rishtey Cineplex became pay channels that were priced very attractively compared to regular GEC and movie channels in order to attract FTA users to the pay market.

Although the uptake of paid versions of these erstwhile FTA channels in the new tariff regime has not been very encouraging, the broadcasters are more inclined towards pursuing a strategy that nudges viewers to pay for good quality content and do not want to offer the same content for free even after a windowing period. It remains to be seen if this strategy pays off in the near term and whether broadcasters will continue to pursue the same even in the coming FreeDish auctions next year.

Meanwhile, Prasar Bharati netted about INR3.9 billion¹⁶ from 40 FreeDish slots sold under the e-auctions held in February 2019. The auctions also saw an increase in the regional flavor with the addition of channels like 'Fakt Marathi' to the FTA mix on FreeDish.

In order to sustain the viewer interest on the FreeDish platform, the FTA channels (especially in the Hindi GEC and Hindi Movie genre) on the platform need to ensure that the content is refreshed at frequent intervals and is able to engage the audiences on a sustainable basis. If these channels are not able to maintain viewership and reach, advertisement monies flowing to them may see a substantial dip with advertisers starting to look at alternatives to achieve their targeted GRPs.

Key private channels available on FreeDish¹⁷

Genre	Key private channels available
Hindi GEC	Manoranjan TV, Big Magic, Dangal, Zee Hindustan
Hindi Movies	Sky Star Movies, B4U Movies, NT8, Ashirwad, Enterr10, Maha Movie, Manoranjan Movies, Movie House, Wow Cinema One
News	Aaj Tak Tez, India News, News 18 Rajasthan, Lok Sabha, Rajya Sabha, Surya Samachar, India TV, News Nation, NDTV India, News 18 India, News 18 UP/Uttarakhand, News State, UP/UK, News 24, Republic Bharat, Aaj Tak, ABP News, Zee News, RT, Aryan TV National, ABP Ganga
Sports	Star Sports First
Music	Sony Mix, 9XM, Masti, B4U Movies, Zing, MTV Beats
Regional Entertainment	Big Magic Ganga, Bhojpuri Cinema, Dabangg, Fakt Marathi, Sky Star Telegu, Sky Star Bangla, Enter 10 Bangla, Oscar Bhojpuri
Devotional	Aastha, Sanskar, RT, Astha Bhajan, Satsang, Subh TV, Vedic TV, Chardikala Time TV, Arihant TV
TV Shopping	Home Shop 18

Note: List of channels as on 15 June 2019

13. KPMG in India analysis, 2019, based on primary and secondary research

14. Big broadcasters to pull-out channels from DD Free Dish, Television Post, February 2019, accessed on 15 July, 2019

15. Based on industry discussions

16. DD Free Dish e-auction: Prasar Bharati nets Rs 395 cr from sale of 40 Free Dish DTH slots, Indian Television, February 2019, accessed on 15 July, 2019

17. DD FreeDish website

Regional languages: Continuing to drive growth

The regional language viewership on TV continued to see strong growth in 2018 supported by new channel launches and live sports streaming in local languages, with the regional advertising market growing faster than the market at more than 16 per cent in FY19¹⁸.

General entertainment channels continued to remain the most preferred choice for regional viewers. While 43 per cent of the total GEC viewership in 2018 came from Hindi, the four south language markets together matched up to Hindi in terms of sheer size with the average consumption per day for these languages at nearly 2.5 hours a day, much higher than that of Hindi which was about 1.7 hours a day.¹⁹

While viewership in the southern market grew at a steady 7 per cent, regional viewership growth in 2018 was driven by Bhojpuri (38 per cent), Odia (36 per cent), Assamese (31 per cent) and Marathi (26 per cent)²⁰. Regional viewership benefitted significantly from sports consumption in local languages with nearly 366²¹ million people viewing sports content in regional languages in 2018. IPL 11, which was broadcast on 17 channels with live feed in eight languages (English, Hindi, Tamil, Telugu, Kannada, Bangla, Marathi and Malayalam), managed to get a significant 23 per cent of its total viewership in regional languages²². In addition to the availability of sports programming in multiple regional language feeds for the first time, the industry also witnessed multiple regional channel launches during the year.

While multiple General Entertainment Channels like Sony Marathi, Zee Keralam and Sun Bangla (FTA) made their debuts during the course of the last fiscal year, Colors Kannada Cinema was one of the only movie channels to be launched during the period. Sports broadcasting in regional feeds received a huge leg up last year due to the IPL and resulted in the launch of new dedicated regional sports channels like Star Sports 1 Telugu, Star Sports 1 Kannada and Star Sports 1 Bangla. Broadcasters continue to believe strongly in the regional growth story and have announced plans to launch new entertainment, movie and sports channels for the regional markets over the course of FY20. As the south markets mature, this growth is expected to come from the relatively under-indexed languages like Marathi, Bangla, Odia and Gujarati.²³

English channels on TV: Fighting for survival

The English language channels on TV have been struggling to gather any momentum over the past couple of years, with most of them forming a part of the long tail of TV channels present in India, and the market for English channels seeing a de-growth in FY19²⁴.

In addition, the introduction of the new regulatory order in the last quarter of FY19 has added to the challenges with the uptake of English pay TV channels taking a hit and channels expecting a drop of 25-30 per cent in their revenues post the NTO.²⁵ Only the channels/broadcasters who have been able to place themselves i.e. the English cluster in sufficient number of DPO packs are likely to find decent pick-up.

While the English watching audience is relatively smaller in India, the widespread availability of English (entertainment and movie) content on OTT platforms, that offer a personalised, convenient, appointment-free viewing experience, has been one of the key factors for a shift in consumption from TV to digital for English content. Further, the nature of select English (entertainment and movies) content does not lend itself well for family viewing, especially in a market like India. This further pushes these consumers to move away from TV based subscription/viewing to consumption on OTT platforms for English content.

As a result of the prevailing conditions, in times to come English TV channels will need to be creative in positioning themselves and experiment with different business models in order to sustain and thrive as TV channels.



18. Based on industry discussions

19. What India Watched 2018, BARC, April 2019, accessed on 16 July, 2019

20. From content to genre, regional channels reaped benefits of localization, Business Standard, December 2018, accessed on 15 July, 2019

21. What India Watched 2018, BARC, April 2019, accessed on 16 July, 2019

22. What India Watched 2018, BARC, April 2019, accessed on 16 July, 2019

23. Based on industry discussions

24. Based on industry discussions

25. KPMG in India analysis, 2019, based on primary and secondary research

Changing face of TV distribution

With digital consumption on the rise, the TV distribution industry is increasingly realising the importance of keeping customer needs at the centre of their decision-making. As a result, traditional distributors are now looking at the digital distribution landscape to ensure relevance in the years to come.

Tata Sky, for example, has collaborated with VOD players like Hotstar, Sun NXT, Eros Now and Hungama Play to launch their new digital content service, Tata Sky Binge.²⁶ The service, priced at INR249 per month, offers digital video content from the above mentioned platforms along with 5,000 movie titles from the Tata Sky VOD library and catch-up TV content for seven days.

Hathway, one of the largest cable TV and broadband service providers in the country has chosen to partner with Netflix and offer OTT video services to its subscriber base through an OTT set-top-box (STB). In addition to providing a billing facility for Netflix, the company will offer a free 12 month subscription to Sun NXT along with the new STB.²⁷

On the other hand, Dish D2H has launched its own OTT video platform called Watcho targeting young millennials

across the country. The platform will offer 1,000 hours of library content including movies and short films. In addition, it will have short form originals along with user-generated content in Hindi, Kannada and Telugu. The company also plans to foray into Bhojpuri and Gujarati content to have a deeper regional presence. To start with, the company will provide the service to all its subscribers for free²⁸.

These steps taken by TV distributors to provide all video entertainment related services (linear television or digital) at one place are to ring fence their subscriber base while fending off threats posed by telecom companies that are offering their own OTT video services by aggregating linear and non-linear video content.

Further, with telcos starting to emerge as major distributors of content through their data pipes (both wireless and wireline) and the imminent launch of FTTH services by Reliance Jio, the distribution landscape of the television industry is likely to witness disruption in the times to come.



26. Tata Sky Binge Service Launched to Offer Digital Content Through Special Edition Amazon Fire TV Stick, Gadgets 360, May 2019, accessed on 16 July, 2019

27. Hathway partners with Netflix to offer seamless streaming over STB, Economic Times, September 2018, accessed on 16 July, 2019

28. Dish TV forays into OTT segment with Watcho, April 2019, accessed on 16 July, 2019

Future of the television industry – On a steady footing

Revenues (in INR billion)	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
TV industry	714	824	935	1,025	1,121	1,215	11.2%
Advertisement	251	277	314	355	402	455	12.6%
Subscription	463	547	621	670	719	760	10.4%

Source: KPMG in India analysis, 2019; based on primary and secondary research

The television industry is projected to reach a size of INR 1,215 billion by FY24, growing at a robust CAGR of 11.2 per cent over FY19-24.²⁹ The growth across both the advertising and subscription sub-segments is highlighted as below:

Advertising revenues

Advertising revenues are expected to grow at a healthy CAGR of 12.6 per cent from FY19-24, recovering from the blip in the last quarter of FY19.

The advertising revenues for FY20 are estimated to grow at a steady rate of 10.3 per cent³⁰ to reach INR277 billion. This growth is expected to be relatively lower than FY19, owing to the macroeconomic slowdown being observed since the last few quarters, which had led to a fall in domestic consumption and is likely to also have an impact on the advertising revenues. However, the following growth factors are likely to play out resulting in the above mentioned steady growth. The growth is likely to be driven by the following factors:

- Revival in ad spends by marketers following the stabilisation of viewership on TV channels post the implementation of NTO
- Expected robust viewership of the 50-over Cricket World Cup in 2019
- Ad sales are likely to become solution oriented and encompass different forms of media (TV, OTT, other digital platforms)

In the long run, the overall TV advertisement revenues are expected to grow on the back of strong TV viewership from both rural and urban audiences; as well as continued returns from investments being made by broadcasters in new regional channels and sports properties. As the scale of content consumption on OTT

platforms continues to rise, some marketing dollars are likely to start shifting towards digital platforms, the impact of which has been factored into our projections.

Subscription revenues

The subscription revenue is likely to see an accelerated growth in FY20 to INR547 billion, growing by 18 per cent from INR463 billion in FY19 after recovering from the after-effects of the new regulations on account of the following factors:

- A large chunk of the subscribers that did not pay for cable in the last quarter of FY19 due to the uncertainties around the new tariff order are expected to come back over the course of FY20, reinstating a bulk of the pay TV base
- Implementation of the TRAI tariff and interconnect guidelines has resulted in higher ARPUs for a majority of the consumers with monthly bills rising sharply at the lower end of the spectrum
 - ARPUs in the Phase III and IV markets are expected to increase by 20-30 per cent³¹
- Migration of some DD FreeDish users to the lower end pay TV packages on account of the pull back of popular erstwhile FTA channels from the platform
- Rising HD subscriber base is expected to result in better realisations

Over the next five years, subscription revenues for the TV industry are expected to grow at a CAGR of 10.4 per cent to reach a size of INR760 billion by FY24³². The growth is likely to be more front ended with FY20 and FY21 witnessing a higher increase on account of the benefits accruing from the implementation of the tariff order, especially from Phase III and IV markets.

29. KPMG in India analysis, 2019, based on primary and secondary research

30. KPMG in India analysis, 2019, based on primary and secondary research

31. KPMG in India analysis, 2019, based on primary and secondary research

32. KPMG in India analysis, 2019

Broadcaster industry estimates

Revenues (in INR billion)	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
Broadcaster industry	372	443	511	573	648	724	14.3%
Advertisement	251	277	314	355	402	455	12.6%
Subscription	120	166	198	218	246	269	17.5%

Source: KPMG in India analysis, 2019; based on primary and secondary research

The revenues of broadcasters are expected to reach INR724 billion by FY24, growing at a strong rate of 14.3 per cent from FY19-24 on the back of subscription revenues which are estimated to grow at a CAGR of 17.5 per cent during the same period³³. Subscription revenues are expected to see a substantial jump in the

next couple of years as the benefits of revenue sharing start to flow in, particularly from digital cable operators. After the next couple of years, subscription revenues are likely to be largely driven by the ARPU increase across the industry.

Conclusion

From a relatively subdued last quarter in FY19 on account of the implementation of the NTO, the TV industry is expected to find its mojo back in FY20 as the benefits of the new tariff regime start to flow in. With regional viewership growing and digital getting traction for live and catch-up TV, television is likely to continue being the dominant mode of media consumption in the country.

However, challenges to the existing business models of distributors and niche channels are visible at the horizon with digital consumption gaining traction. Players will need to adapt and change swiftly in order to continue being relevant and valuable in the value chain.

Distributors, at one end, would need to start being more consumer-centric in their thinking and evolve to offer a suite of services across various distribution models in order to stay relevant to their target audiences. On the other hand, broadcasters would need to increasingly think of themselves as content studios who can reach their end-user through multiple modes of distribution that address linear and non-linear consumption requirements.



33. KPMG in India analysis, 2019

Industry Perspective

While the broadcasters were used to seasonality when it came to advertising, subscription tended to remain constant across the year. However, the introduction of NTO has introduced seasonality in subscription and reach for TV channels with fluctuations visible during festivals, vacations, school exams and so on.



Mr. N.P. Singh
CEO
Sony Pictures Networks
India Pvt. Ltd

Transparency and Technology, in my opinion, are the two key important aspects which will boost the Media & Entertainment sector. The convergence of Art & Technology is the key to a successful approach in this highly competitive environment. Our industry is blessed with rich and immense creative potential, which needs to be further unleashed and capitalized in order to drive innovation and most above, to generate employment.



Punit Goenka
MD & CEO
ZEEL

The size of the M&E industry in India is well poised to reach USD 100 bn by 2025 with the digital user base crossing 1 billion by then. Regionalization will play a big role in driving this user base. In the broadcast sector, regional GECs are likely to be the biggest beneficiaries following the NTO as viewership share of regional content on TV will continue to increase and normalize with the share of regional audiences. In films, we are already seeing rapid growth of Regional Cinema markets hitherto perceived to be very small. All this coupled with growth in smart phones and affordable data plans will dial up access for content on mobile with multiple business models to monetise the same. Regionalisation, Digital and Data Analysis will be the three key vectors for the growth of M&E Industry.



Sudhanshu Vats
Group CEO and MD
Viacom18

The sports genre, especially the international sports content, has been able to command a premium in ad sales as it brings a high level of customer engagement along with it and is one of the few genres that is consumed by a bulk of the audiences in the 16-24 years age bracket.



Mr. Rohit Gupta
President - Network Sales
and International Business,
Sony Pictures Networks
India Pvt. Ltd

Regional markets have outperformed industry growth and are expected to be the drivers of ad growth for the TV industry with the next wave of regional content expected to be in languages like Marathi, Bangla, Oriya and Gujarati.



Mr. Anuj Gandhi
Group CEO
Indiacast Media
Distribution Pvt. Ltd



In the world of TV & Digital, the consumer is spoilt with several choices. With the introduction of channel pricing in the TRAI tariff order, the consumer gets further empowered to make choices. Hence, it is imperative for the broadcasters to be more customer obsessed and create content which is socially relevant and deeply embedded in culture, to make sure the consumer chooses us.



Punit Misra
CEO
Domestic Broadcast
Business, Zee Entertainment
Enterprises Ltd



The regional television market is outstripping the average TV industry advertising growth by a healthy margin. It has been buoyant and resilient with an increase in investment and original programming hours. Regional TV programming is extremely focused, targeted and relatable as the content is grounded in local culture, customs, traditions and values thereby amplifying its resonance with viewers.



Ravish Kumar
Head – Regional TV Network
Viacom18



In the times to come, distributors will need to become more customer centric in their approach and provide a bouquet of services that includes internet, TV, OTT, home security and other such offerings as a single bundle in order to compete and thrive.



Mr. Ashok Mansukhani
Vice Chairman
Indusind Media
Communications Ltd



The implementation of the NTO was a tiresome and long process for the distributors with a lot of pressure on the customer support function, especially the call centers, to clear the confusion from the minds of the consumers. While consumers did wait for more clarity before subscribing to TV again, majority of the pay TV subscribers have come back and are mostly opting for best fit packs created by DPOs or a combination of broadcaster packs.



Rajeev Dalmia
CFO
Dish D2H



While English Broadcasters are likely to grapple with the challenges posed by changes in tariff rules and Digital in the near term, English is likely to emerge as a larger medium and may even vie to be the primary language of content consumption in India in the longer term due to its aspirational nature.



Mr. M.K. Anand
CEO and MD
Times Network



The views and opinions expressed herein are those of the quoted person/s and do not necessarily represent the views and opinions of KPMG in India.

Print

The oldest pillar still standing





Print

The oldest pillar still standing

The print media industry survived ups and downs over a period of time with FY18 witnessing a rough patch due to disruptions caused by the implementation of the new GST regime, RERA regulations and demonetisation with the lowest growth in a decade at 3.4 per cent. Despite stabilisation of these regulations and the general elections in 2019, the industry posted a subdued growth of 4.5 per cent¹ in FY19. While this brought a much needed growth impetus, the high cost of news print impacted profitability adversely.

Though, globally the print industry is on the decline with newspaper's share of global advertising spend falling from 37 per cent in CY08 to 12 per cent in CY18², the Indian print industry continued to buck trends and grew at 5.6 per cent CAGR from FY15 to FY19³.

Advertising remains the growth driver, growing at 5.4 per cent CAGR from FY15 to FY19 and accounting for 66 per cent⁴ of total print revenues. Muted circulation growth by 3.5 per cent⁵ in FY19 is primarily on account of decline in the English publications due to faster adoption of digital platforms. Magazine print revenue continued to decline at 4.5 per cent⁶ CAGR while newspapers have been driving growth at 6.1 per cent⁷ CAGR from FY15 to FY19. Whilst, there is growth in FY19, the CAGR for the print industry is slowing down and is low compared to other traditional media sectors (TV and Radio).

Size of India's print industry								
INR billion	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18	CAGR (FY15 - 19)	
Advertising	179.6	192.2	204.3	210.7	221.2	5.0%	5.4%	
Circulation	88.7	96.1	104.0	108.2	112.0	3.5%	6.0%	
	268	288	308	319	333	4.5%	5.6%	

Source: KPMG in India analysis based on primary and secondary research, 2019-20

1. KPMG in India analysis based on primary and secondary research, 2019-20
2. Advertising Expenditure forecasts, Zenith, March 2019
3. KPMG in India analysis based on primary and secondary research, 2019-20
4. KPMG in India analysis based on primary and secondary research, 2019-20
5. KPMG in India analysis based on primary and secondary research, 2019-20
6. KPMG in India analysis based on primary and secondary research, 2019-20
7. KPMG in India analysis based on primary and secondary research, 2019-20

Segment wise revenue						
INR billion	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18
Newspaper	254.0	274.1	295.0	306.4	321.3	4.9%
Magazine	14.3	14.2	13.3	12.5	11.9	-5.0%
	268.3	288.3	308.3	318.9	333.2	4.5%

Source: KPMG in India analysis based on primary and secondary research, 2019-20

Advertising revenue						
INR billion	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18
English	66.2	69.2	71.6	72.8	73.8	1.5%
Hindi	55.5	59.8	64.3	66.6	71.6	7.5%
Regional	57.9	63.2	68.4	71.3	75.8	6.4%
	179.6	192.2	204.3	210.6	221.2	5.0%

Source: KPMG in India analysis based on primary and secondary research, 2019-20

Circulation revenue						
INR billion	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18
English	31.1	32.6	33.9	34.3	33.9	-1.3%
Hindi	29.9	33.3	36.7	39.1	41.5	6.1%
Regional	27.7	30.2	33.4	34.8	36.6	5.3%
	88.7	96.1	104.0	108.2	112.0	3.5%

Source: KPMG in India analysis based on primary and secondary research, 2019-20

Print media is the second largest platform for Indian advertising after television

Globally, print advertising has been on a downward trend with share of print in global advertising falling to 12 per cent in CY18⁸. However, print continues to be the second most important platform for Indian advertising expenditure with its share amounting to 32 per cent in FY19⁹ as opposed to 35 per cent in FY18. While FY18 was a challenging year for the industry, the stabilisation of the new GST regime, recovery post demonetisation and RERA regulations have brought some normalcy in advertising expenditure.

Advertisement revenue in FY19 grew on the back of growth in Hindi, as Hindi is able to command a higher price in tier 1 cities due to a growing readership base. This coupled with an election push in northern Hindi speaking states where advertising volumes drove revenues resulted in advertising revenue growth of 7.5 per cent¹⁰ in FY19

While local advertisers drove growth in regional language, industry discussions indicated that election spends were lower than expected leading to a growth of 6.4 per cent¹¹ in FY19. English publications continue to be plagued by the digital medium with advertisers preferring digital and print bundled solutions leading to muted growth.

Despite an increase in the Directorate of Advertising and Visual Publicity (DAVP) advertisement rates in print media by 25 per cent, advertisement budgets have remained the same thereby not allowing for higher contribution. Further, the MIB notification stopping the practice of publishing tender notices in print was projected to have a major impact on the industry. Based on industry discussions, its effect was minimal as government departments continued to favour print media.

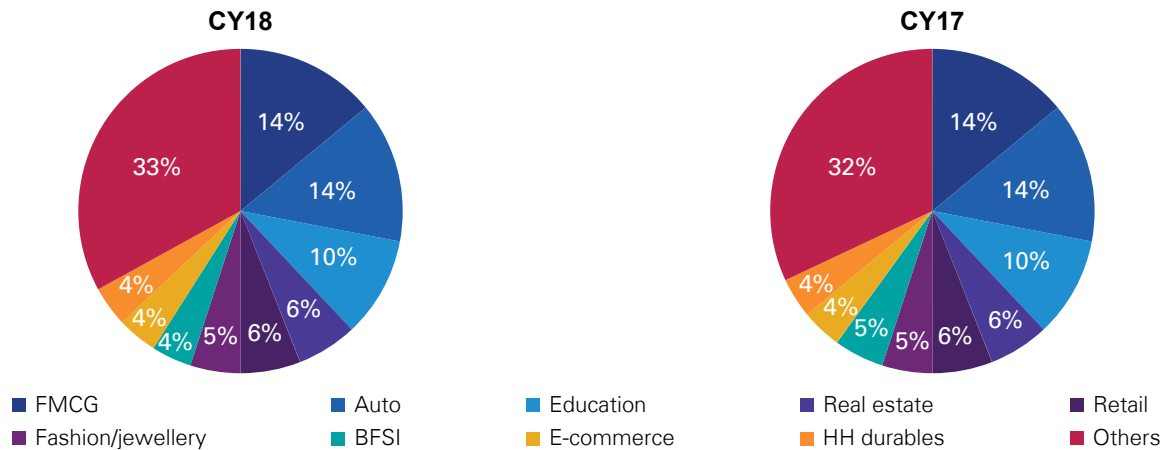
8. Advertising Expenditure forecasts, Zenith, March 2019

9. KPMG in India analysis based on primary and secondary research, 2019-20

10. KPMG in India analysis based on primary and secondary research, 2019-20

11. KPMG in India analysis based on primary and secondary research, 2019-20

Print advertising revenue by sector for CY17 and CY18



Source: The Pitch Madison Advertising report, 2019 and 2018

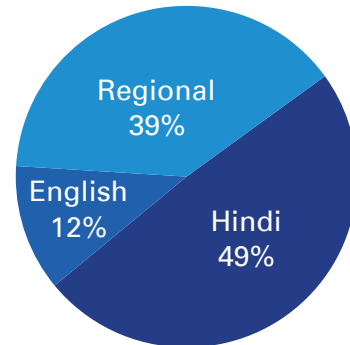
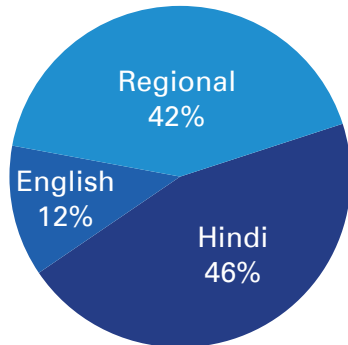
While there is no major sectoral shift in advertising, fast moving consumer goods (FMCG), Automobile and Education collectively still contribute 38 per cent of total print advertising¹² in CY18.

Circulation - Regional and Hindi language newspapers are leading the charge

Circulation in FY18 was driven by Hindi and regional publications, with regional accounting for 42 per cent (versus 39 per cent in FY17)¹³ of total circulation as regional newspapers continue to grow in tier II, tier III and rural areas.

Total circulation volume in FY18

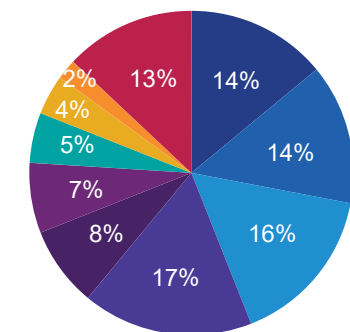
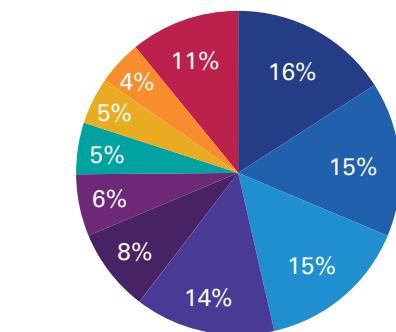
Total circulation volume in FY17



Source: The Registrar of Newspapers of India, Annual report FY18 and FY17

Regional languages circulation share FY18

Regional languages circulation share FY17



Source: The Registrar of Newspapers of India, Annual report FY18 and FY17

12. The Pitch Madison advertising report, 2019

13. The Registrar of Newspapers of India, Annual report FY18 and FY17

Despite a decline in overall circulation volumes in FY17 and FY18, circulation revenue increased by 3.5 per cent¹⁴ in FY19 on the back of Hindi and regional language newspapers and marginal increase in cover prices by certain publications.

Circulation revenue in English newspapers experienced a decline of 1.3 per cent¹⁵ in FY19 due to increasing competition from digital thus pushing English publications into prioritising the development of their digital strategy. On the other hand, while regional and Hindi publications also have digital platforms, they are in a unique position to deliver local news along with national content on both platforms (newspaper and digital).

Key trends in the Indian print industry

Hindi language experiences a marginal increase in advertising volumes while English is on a downward trend

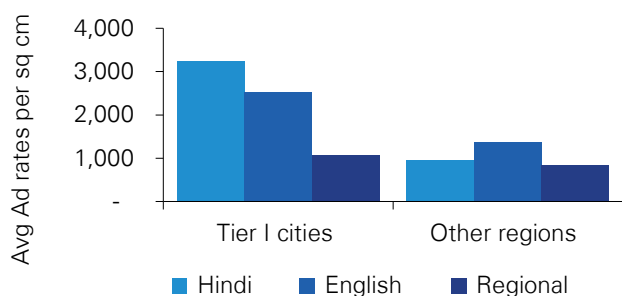
Ad volumes by language			
CC in million	CY18	CY17	Growth
Hindi	118	115	3%
English	86	92	-7%
Regional	135	135	-
	338	342	

Source: The Pitch Madison Advertising report, 2019

There has been a noticeable shift in advertising volumes from English newspapers to Hindi and regional during CY18 as compared to CY17¹⁶. Although on an overall basis, advertising volumes have declined in CY18, election advertising in Q4FY19 provided some stimulus to advertising volumes resulting in muted growth of volumes in FY19 over FY18.

Hindi now dominates advertising pricing across Tier 1 cities

Language wise average ad rates per sq. cm

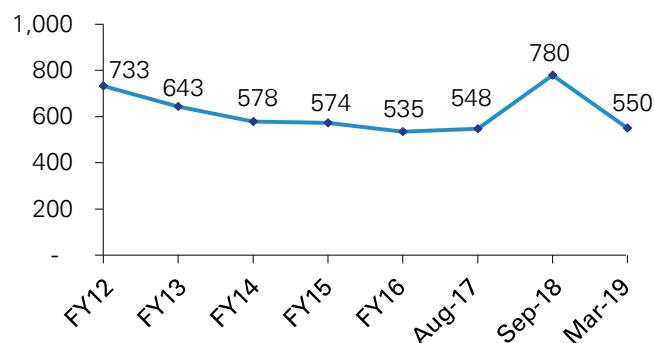


Source: Rates for business advertisements from releasyMyAd.com accessed on 19 June, 2019 and KPMG in India analysis, 2019-20

Advertisers are increasingly looking for Hindi print media options in Tier 1 cities due to the growing readership of Hindi publications in these locations. This has resulted in advertisement rates for Hindi in Tier 1 cities being higher than English due to a better value proposition by a growing and loyal base of Hindi readers. English advertisement rates surpassed that of Hindi in other geographies, primarily on account of the status factor associated with the English language in Tier 2 and Tier 3 cities and English commanding a better rate than other languages in general. However, this did not result in higher revenues in FY19.

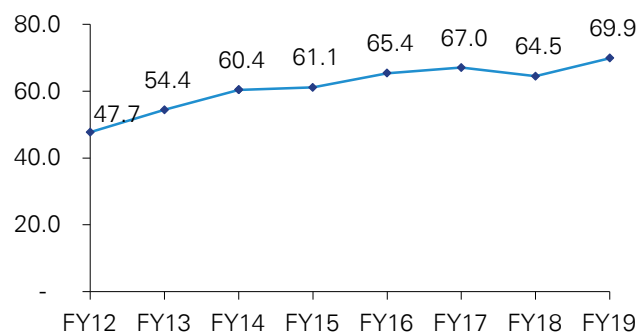
While high newsprint prices, increased pressure on margins in FY19, a drop in price towards the end of the year is expected to provide some respite

Newsprint prices per tonne (USD)



Source: Newsprint prices in downward cycle; Indian printer/publisher; 11 March 2019
Newsprint prices rise by 5.5% in one month; Business standard; 26 July 2016

USD rate (INR/USD)



Source: websites: www.investing.com; www.ofx.com

14. KPMG in India analysis based on primary and secondary research, 2019-20

15. KPMG in India analysis based on primary and secondary research, 2019-20

16. The Pitch Madison Advertising report, 2019

Indian print industry witnessed one of the highest increases in newsprint prices in a decade with prices rising from USD535 per tonne¹⁷ in FY16 to USD780 per tonne¹⁸ in September 2018. This has been primarily on account of China's campaign against environmental pollution resulting in the ban on imports of pulp and paper waste for newsprint production¹⁹. This in turn led to steep increases in newsprint imports causing global prices to rise. Coupled with the depreciation of the rupee from INR65.4 in FY16 to INR69.9 in FY19²⁰, newspaper publishers saw their margins affected by 8 – 10 per cent on an average¹⁹.

Prices started to ease up post October 2018 and reduced to USD550 per ton²¹ in March 2019. Whilst there is no immediate impact of the reduction, the industry believes the effect of this will show from Q2FY20 onwards.

Digital medium – looming large

Globally, the digital medium has been making inroads into the print industry. Digital has been slowly but surely chipping away at the Indian print industry, with English being the first to bear the brunt of early adoption. With the availability of affordable smartphones and data, the industry believes that Hindi and regional will begin the inevitable transition to digital soon. This has led to many traditional print publications prioritising their digital strategy and focusing on combining the text and video format. Videos add visual appeal while monetisation is possible through pre roll and mid roll ads.

Battle against fake news

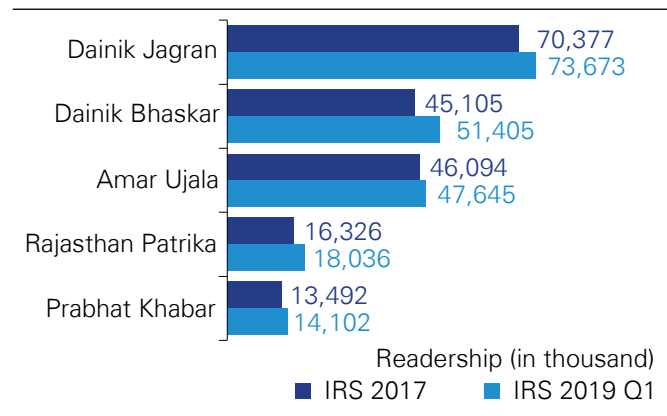
The Indian print industry continues to engage readers in spite of the proliferation of digital platforms. While fake news poses a challenge to digital and social media platforms, industry leaders believe print publications benefit from higher credibility and brand loyalty due to better editorial standards. Print publishers with a digital presence are considered more reliable than their 'pure digital' counterparts as print publishers uphold a similar editorial standard for their digital platforms.

Magazines shifting their focus from print to event and digital revenue

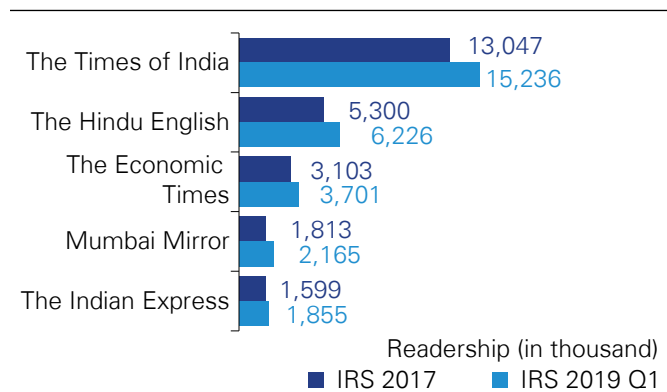
Magazines contributed a marginal, approximately 4 per cent²⁰ to the total Indian print industry in FY19 and continue to decline due to the popularity of digital subscriptions. While print still contributes the largest share to their revenue, magazine publishers have started focusing on digital and events to supplement declining print revenues²². Regional magazines are usually not revenue generating as they are given as add-ons along with newspapers, while niche English magazines focused on being luxury or event driven are expected to survive going forward.

IRS –Key takeaways^{23,24}

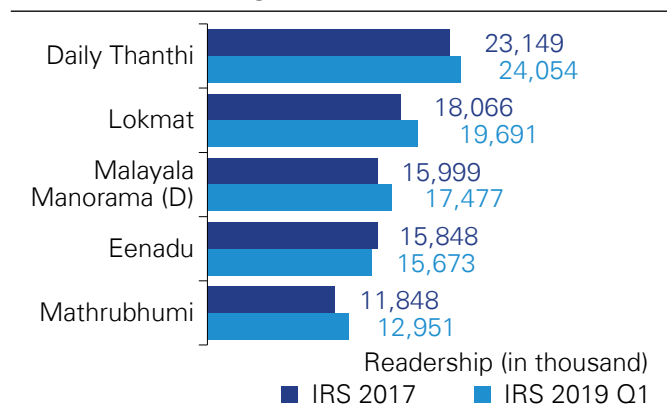
IRS readership - Hindi newspapers



IRS readership - English newspapers



IRS readership - Regional newspapers



17. Newsprint prices rise by 5.5% in one month, Business standard; 26 July 2016

18. Newsprint prices in downward cycle; Indian printer publisher; 11 March 2019

19. How China's fight against pollution torpedoed India's newspaper industry; The Print; 20 March 2018

20. Websites: www.investing.com; www.ofx.com

21. Newsprint prices in downward cycle; Indian printer publisher; 11 March 2019

22. KPMG in India analysis based on primary and secondary research, 2019-20

23. The Indian Readership survey 2019, Q1

24. The Indian Readership survey 2017

- As per IRS 2019 Q1, Hindi dailies continue to dominate the list of top 10 publications with only one English newspaper featuring on the list (Times of India)
- Urban population accounts for approximately 34 per cent of the total population, growth in readership is equally seen from urban and rural population which has come primarily from Hindi and regional newspapers.
- Readership among rural population grew by approximately 5 per cent on the back of Hindi and regional languages, with English remaining flat in rural areas. Whilst, urban readership grew by approximately 5 per cent with an even spread in English, Hindi and regional languages.
- New consumer classification system (NCCS) categorisation of 'D/E' shrinks from 40 per cent of the total population in 2017 to 38 per cent in IRS 2019 Q1 NCCS D/E categories are generally less educated and have a lower disposable income. Consumers aspire to move from the NCCS D/E categories to the A/B/C categories.
- Population concentrated in the NCCS A/B/C categories are concentrated in urban areas, with 81 per cent of this class living in urban locations. NCCS A/B/C categories are generally highly educated and have a higher disposable income making them a more desirable audience for advertisers.
- Of the total population surveyed in IRS 2019 Q1 37.3 per cent stated they have read a newspaper in the previous 30 days, up from 36.8 per cent population that was surveyed in IRS 2017.
- Magazine readership showed an increase of 12 per cent in 2018 over the previous year, with urban magazine readership growing by 9 per cent while rural growing by 12 per cent

Based on IRS 2017, the most coveted readership and advertising consumer markets – the middle income and the rich – both grew at approximately 5 per cent over the population surveyed in IRS 2014. Approximately 63 per cent of the population surveyed have completed school, 10 per cent are graduates and 27 per cent are illiterate. These metrics were not commented on in IRS 2019 Q1.

Future outlook

Revenues (INR billion)	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19 - 24)
English							
Advertising	73.8	74.7	75.5	76.5	77.6	79.2	1.4%
Circulation	33.9	33.4	33.1	32.8	32.5	32.1	-1.0%
	107.7	108.2	108.6	109.2	110.1	111.3	0.7%
Hindi							
Advertising	71.6	75.9	80.4	85.3	90.4	97.2	6.3%
Circulation	41.5	43.6	45.7	48.0	50.4	53.0	5.0%
	113.1	119.4	126.2	133.3	140.8	150.1	5.8%
Regional							
Advertising	75.8	80.1	84.7	89.3	94.0	99.6	5.6%
Circulation	36.6	38.6	40.6	42.8	45.1	47.5	5.3%
	112.5	118.7	125.3	132.1	139.1	147.1	5.5%
Grand total	333.2	346.3	360.1	374.6	390.0	408.5	4.2%

Over the next five years, the print industry is expected to grow at approximately 4.2²⁵ per cent primarily on the back of advertising revenue, which will continue to dominate the revenue pie.

Hindi and regional newspapers are expected to grow driven by a focus on hyperlocal content and penetration in Tier 2 and Tier 3 markets. As literacy rates continue to improve, especially in age groups from 15-24, readership of Hindi and regional publications is also likely to grow

Circulation of English publications is expected to continue its downward trajectory, as the presence

of digital casts an increasingly large shadow on its growth. The industry has an eye on the digital space as new streams of monetisation become available and investment in digital assets increases. The industry is also expected to increase cover prices going forward to cover losses and combat the 10 per cent customs duty imposed by the central government on the import of newsprint in the FY20 budget. While this increase in cover price may impact circulation in the short-term, it is likely that this will not have an adverse long term impact as Hindi and regional publishers tend to have a loyal customer base.

Industry perspective



The new-age advertisers are primarily concerned about two things – ‘measurability’ and ‘personalisation of campaign impact’ and hence increasingly demanding more and more result-oriented and integrated advertising campaigns between digital and print. A stand-alone approach for either of the mediums is not viable in the future. Print majors have to wake up to the fact that their competition is not other publications or medium, but large digital ecosystems such as Google or Facebook that defies the conventional definition of media.



Pradeep Dwivedi
Former CEO
Sakal Media Group



If we look at magazines the same way we looked at them a decade ago – when your circulation ran into lakhs and advertising was booming – we might as well shut shop. What stays the same is the importance of deeply reported, well-researched, high-impact features presented attractively. That will allow you to leverage the (accurate) perception of being a high-end quality product by doing various other things.



Brian Carvalho
Editor
Forbes India



Revenue from government advertising largely remained flat in FY19 despite 25 per cent increase in DAVP ad-rates, due to stagnant advertising budget of the government leading to a decline in volumes.



Kaliyuga Easwarasamy
CFO
The Printers Mysore



There is way to look at it. The rise of digital over the last 7-8 years has helped the news category to expand its consumer base. It has also forced the existing mediums of print and television to innovate and establish uniqueness. Door distribution channel, hyperlocal coverage and credibility are the three strong factors for print to keep growing especially in Tier2/3 markets. Variety, Vernacular, Video and Voice will remain the pillars for AV mediums.



Vinay Maheshwari
Executive Director & CEO
Sakshi Media Group



25. KPMG in India analysis based on primary and secondary research, 2019-20

Hindi as a story continues to play a central role in print media business growth. Despite negative sentiments, regional print players will see a growth of around 8-10 per cent. The reason being a lot of retail, lifestyle and e-commerce giants entering the Tier II and Tier III markets giving impetus to regional print players due to rising trend of consumption in these markets. We have also been witnessing a change in the approach of clients whether MNC or Masala and Agarbatti - all want solutions. With digital consumption on a rise, advertisers look at print as a complete package with activations, digital and contextual marketing. This will impact the margins of print media business.



Probal Ghosal
Director
Amar Ujala Limited

Government has withdrawn the exemption on newsprint in this Union Budget and has imposed a customs duty of 10 per cent. At present, the annual demand of newsprint in India is 2.5 million ton of which 1.5 million ton is imported. Current capacity of Indian newsprint producers is of 45 gsm category, having lower yield vs 40 and 42 gsm which comprises 83 per cent of imports. Additionally, domestic mills do not produce light-weight coated and uncoated papers. Further, India has no natural advantage in newsprint manufacturing given limited availability of inputs like fibre, clean water and energy. Since India does not have vast forest cover, domestic mills are heavily dependent on imported mix-waste as the source of fiber, which has plastics and other harmful contaminants.



Mohit Jain
Executive President
The Times of India Group

Across the world there is more support for print media, which continues to deliver credible journalism. This is a very strong counter to social media, which creates sensational news. We have already seen print players positioning themselves in digital, with strong emphasis on quality and credible journalism. Advertisers prefer their brands to be associated with credible news sources and this is a positive trend for us. The next step will be to monetise this online and move to a payroll like the New York Times and Washington Post.



Jayant Mammen Mathew
Executive Editor and Director
Malayala Manorama

For the last couple of years the newspaper advertising has been under immense pressure, this however has been more accentuated in English medium as opposed to languages (including Hindi). What also did not help the matter was an adverse commodity cycle on newsprint rates coupled with rupee depreciation. Digital media is gaining currency, however there are other unique challenges of fake (unverified) news et al, also given the fast evolving nature of the same it needs to be seen how it pans out for advertisers and indeed for the business model/s.

Advertising is a "derived demand" business and therefore unless the financial health of the various sectors improve substantially, overall advertising will remain under pressure. We have seen this trend many a times in the past as well.



Piyush Gupta
Group CFO
HT Media Limited

The views and opinions expressed herein are those of the quoted person/s and do not necessarily represent the views and opinions of KPMG in India.

Films

Content triumphs





Films

Content triumphs

Size of India's film industry

Revenues (in INR billion)	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18	CAGR (FY15-19)
Theatrical revenue							
India	95.5	100.8	101.4	108.9	124.9	14.7%	6.9%
Overseas	8.2	10.8	12.3	14.8	17.2	16.1%	20.3%
Other streams							
Cable and satellite rights	15.0	15.8	15.5	16.1	18.0	11.8%	4.5%
Music rights	2.8	3.0	3.1	3.4	3.6	7.0%	6.3%
Digital rights	-	-	4.9	6.2	8.1	30.0%	29.3%
In-cinema advertising	5.3	6.7	7.8	9.5	11.4	20.0%	21.2%
Total	126.8	137.1	145.0	158.9	183.2	15.3%	9.6%

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

FY19 was a groundbreaking year at the Indian box office, which delivered its best box office performance in the past decade as content took centre-stage with movies of diverse budgets succeeding at the box office¹. Regional cinema continued its surge - southern cinema consolidated its position while other regional markets continue to see traction due to increase in multiplex penetration in Tier II and Tier III cities along with the growing supply of regional content providing the much

needed impetus. Hollywood films have been thriving in India and FY19's release; *'Avengers: Infinity War'* earned the highest gross collection at India's box office². Overseas markets continued to grow at a steady rate for Indian films. While other segments remained stable, advent of OTT platforms has made business dynamics of content production more favourable for industry players.

1. KPMG in India analysis based on primary and secondary discussions, 2018-19

2. Bollywood floks – Highest Grossing Hollywood movies in India on 29 April 2019

Key drivers for growth of film industry in India

In FY19, domestic box office collections grew by 14.7 per cent³ driven by ‘2.0’, ‘Sanju’, ‘Uri - The Surgical Strike’ and ‘Simmba’ while in all thirteen movies crossed INR1 billion domestic Net Box Office Collection (NBOC), highest ever in any financial year⁴. Further, domestic NBOC of top 50 movies increased from INR24 billion in the previous year to INR38 billion and eleven movies in the current year earned domestic NBOC of INR0.6 billion to INR1 billion as against seven in the previous year⁴. Critically, regional films have been a vital component of this growth in domestic NBOC.

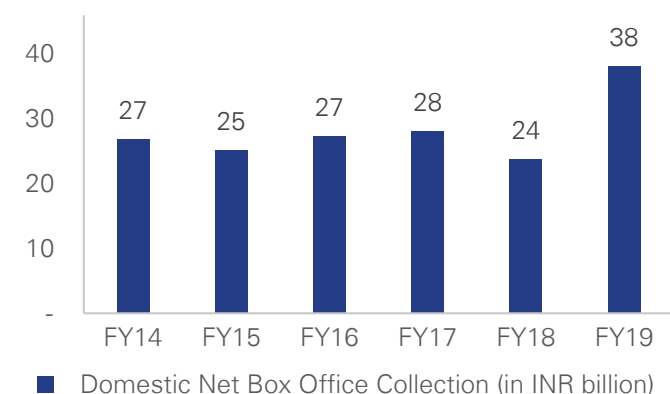
FY19 saw a lesser number of Hollywood movies releasing in India, though the box office performance of *Avengers: Infinity War* coupled with success of ‘Captain Marvel’, ‘Jurassic World: Fallen Kingdom’, ‘Deadpool 2’, ‘The Nun’ and ‘Mission: Impossible – Fallout’ more than made up for the lower number of releases

Overseas collections of Indian films in FY19 grew slower at 16.1 per cent³ on the back of tepid performance of the China market which was partially offset by greater spread of overseas successes across multiple mid budget movies. The China potential is constrained by limitation on number of releases and long time gaps, though this is expected to grow in contribution going forward. Recently, Saudi Arabia lifted its ban on cinema which opened up a new market for Indian films; ‘Gold’ and ‘Kaala’ released in that market.

In FY19, C&S rights showed an improvement and grew by 11.8 per cent⁵ on the back of strong demand for some of the larger projects (both in Hindi and regional languages) coupled with box office successes of a number of mid budget movies.

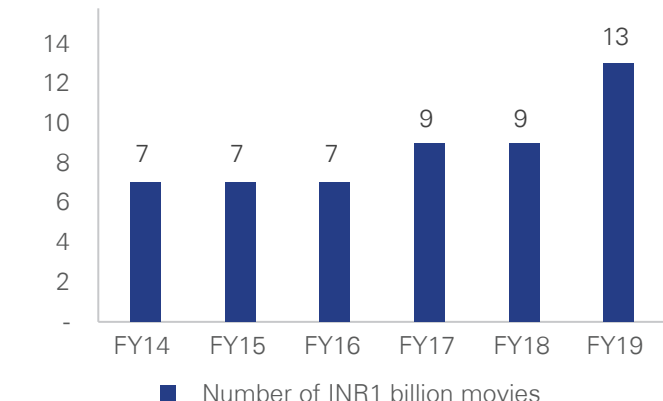
A key ongoing change has been the growing contribution of digital rights, which has grown by 30 per cent⁵ in FY19 in line with the previous year driven by heavy demand by OTT platforms who consider new movies as a key differentiator. Additionally, with a growing emphasis on regional audiences, OTT platforms are also investing in building regional libraries.

Net box office collection of top 50 India movies



Source: Box office collection, 2019 and Box office collection, 2018, www.bollywoodhungama.com, accessed on 22 July 2019 and KPMG in India analysis based on primary and secondary discussions, 2018-19

Number of INR1 billion movies



Source: Box office collection, 2019 and Box office collection, 2018, www.bollywoodhungama.com, accessed on 22 July 2019 and KPMG in India analysis based on primary and secondary discussions, 2018-19



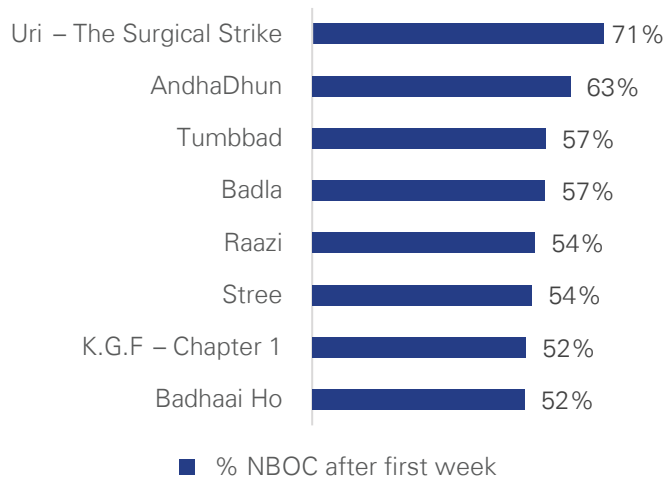
3. KPMG in India analysis based on primary and secondary discussions, 2018-19

4. Box office collection, 2019 and Box office collection, 2018, www.bollywoodhungama.com, accessed on 22 July 2019 and KPMG in India analysis based on primary and secondary discussions, 2018-19

5. KPMG in India analysis based on primary and secondary discussions

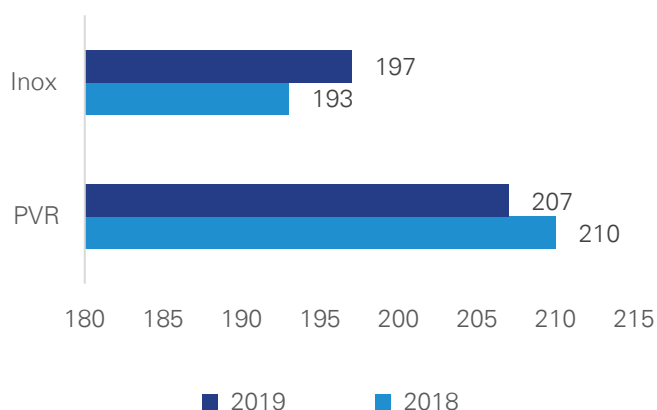
Key themes

Movies collecting more than 50 per cent of NBO after first week in 2019



Source: Box office collection, 2019 and Box office collection, 2018, www.bollywoodhungama.com, accessed on 22 July 2019 and KPMG in India analysis, 2018-19

ATP in 2019 and 2018



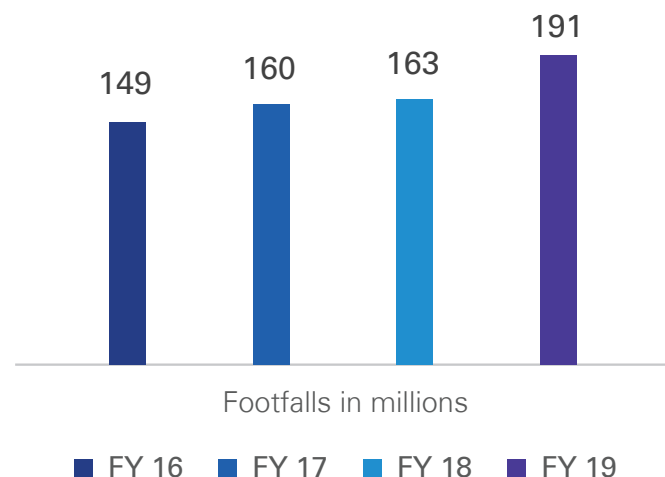
Source: PVR investor update Q4 2018-19, 10 May 2019 and Inox Leisure Limited – Investor Presentation – May 2019

Industry at all times was content driven but the current year saw movies high on star cast/budgets under-perform, while movies like 'Uri - The Surgical Strike', 'Andhadhun' 'Badhaai Ho', 'Stree' 'Raazi' and 'Badla' with small budgets but strong themes delivered robust box office numbers. While some large movies such as *Thugs of Hindostan*, *Zero* and *Race 3* under performed, the number of movies earning more than 50 per cent of lifetime domestic NBOC post first week has increased substantially when compared to previous year⁶ as this year, seven movies earned majority of their domestic NBOC in the extended box office run and 'Uri - The

6. Box office collection, 2019 and Box office collection, 2018, www.bollywoodhungama.com, accessed on 22 July 2019 and KPMG in India analysis based on primary and secondary discussions, 2018-19

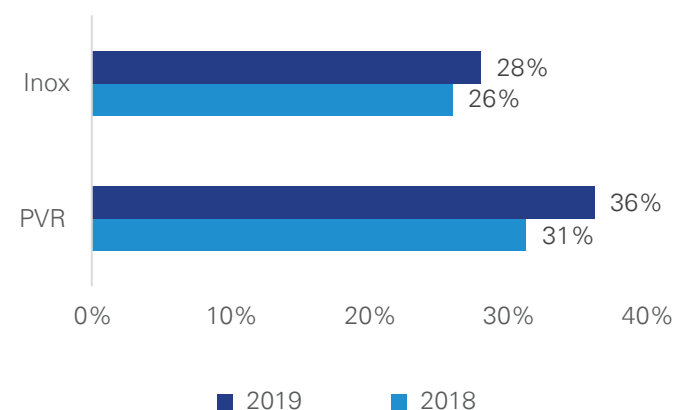
7. Indians bought record number of movie tickets last year, Business standard, accessed on 4 August 2019

Total year-wise footfall for Inox, PVR and Cinepolis



Source: Indians bought record number of movie tickets last year, Business standard, accessed on 4 August 2019

Average occupancy in 2019 and 2018



Source: PVR investor update Q4 2018-19, 10 May 2019 and Inox Leisure Limited – Investor Presentation – May 2019

'Surgical Strike' had the longest box office run of thirteen weeks⁶.

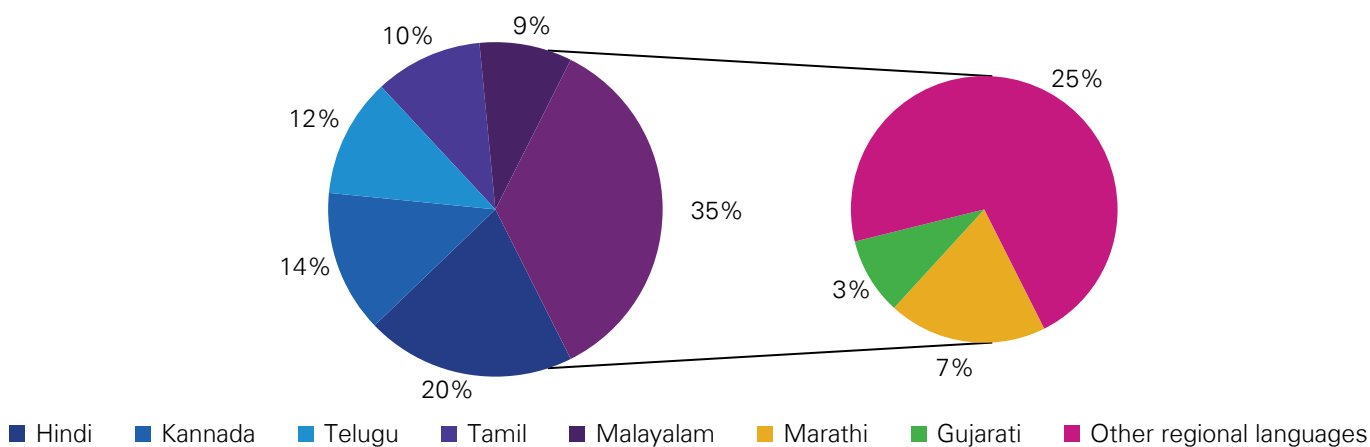
This is also reflected in an increase in an increase of 17 per cent in footfall at 191 million at⁷ the top three multiplex chains PVR, INOX and Cinepolis. Excluding the performance of 'Baahubali' series, which was an exception in FY18 and FY17, footfalls were stagnant in recent years. In the current year, the occupancy of PVR and INOX was 36 per cent⁸ and 28 per cent⁹ as against 31 per cent and 26 per cent in the previous financial year.

8. PVR investor update Q4 2018-19, 10 May 2019

9. Inox Leisure Limited – Investor Presentation – May 2019

Regional box office continues its stride

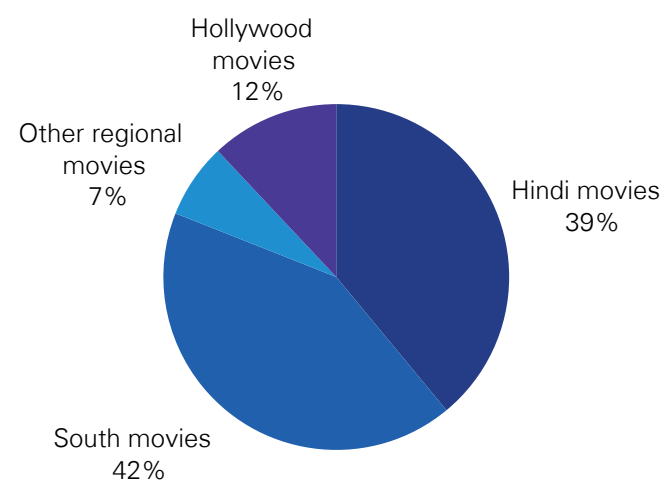
Language-wise number of films produced in India



Source: Certified Films 18-19, www.producersguildindia.com accessed on 22 July 2019 by KPMG and KPMG in India analysis based on primary and secondary discussions, 2018-19

The audience’s propensity to consume content in local language has been increasing and in recent times regional films are breaking language barriers as they cross over with dubbed versions to other markets especially Hindi market. India’s highest grosser at the box office is *‘Bahubhali – The Conclusion’* which originally was a Telugu film but the movie crossed over to all India markets to earn INR10 billion at domestic NBOC for all languages.

Marketwise per cent share in domestic collection-2019



Business standard - The race for Hindi blockbusters digital rights, HYPERLINK “http://rediff.com” rediff.com, accessed on 23 July 2019 by KPMG

Source: KPMG in India analysis based on primary and secondary discussions, 2018-19

In 2018-19, the regional cinema continued to grow; South market produced 45 per cent of the total content and contributed 42 per cent of domestic theatrical collection, followed by Hindi movies at 39 per cent. Other regional markets produced 35 per cent of the content; however, their contribution was only 7 per cent of domestic theatrical collection¹⁰. 2018-19 was a great year for Tamil cinema, *‘2.0’* considered as India’s most expensive movie released which collected INR6.16 billion worldwide¹¹, and other four movies *‘Petta’*, *‘Viswasaw’*, *‘Sarkar’* and *‘Kaala’* had gross collection of more than INR1.5 billion worldwide¹². Similarly, after previous years *‘Bahubali: The Conclusion’*, Telugu movies like *‘Rangasthalam’*, *‘Bharat Ane Nenu’*, *‘Aravinda Sametha’*, *‘F2’* and *‘Geetha Govindam’* put up a strong box office performance. Malayalam cinema witnessed muted growth this year. The surprise came from Kannada cinema, as *‘K.G.F’* collected INR2.19 billion at the India box office¹³.

The gamut of regional cinema has widened beyond South Indian languages to other language markets like Marathi, Gujarati, Punjabi and Bengali. This year Marathi films like *‘Naal’* and *‘Ani... Dr Kashinath Ghanekar’* posted decent performances at the box office. The Punjabi film industry has boomed in the past couple of years and delivered a stable performance at box office. The year saw Gujarati films like *‘Chaal Jeevi Laiye’*, *‘Shu Thayu’* and *‘Sharato Lagu’* earning total collection of INR0.34 billion, INR0.21 billion and INR0.175 billion, respectively¹⁴. *‘Chaal Jeevi Laiye’* has emerged as the highest ever grossing Gujarati film¹⁴.

10. KPMG in India analysis based on primary and secondary discussions, 2018-19

11. 2.0 box office collection here closing business rajnikanth movie, IBTimes accessed on 22 July 2019 and KPMG in India analysis 2018-19

12. Tamil box office collections - mtwikipblog.com, accessed on 23 July 2019 by KPMG

13. Yash reveals he has approached sanjay dutt for kgf chapter, Indiatoday accessed on 23 July 2019 by KPMG

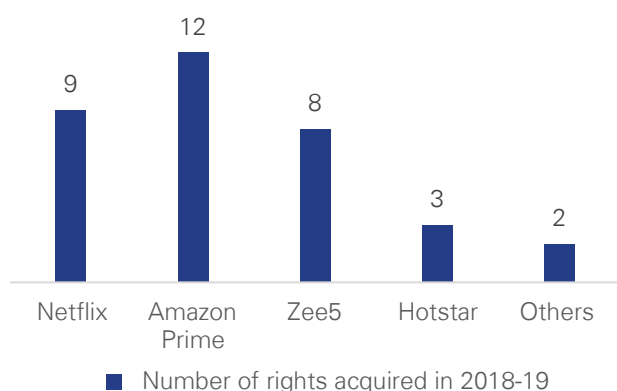
14. Gujarati Movies box office collections, youdem.tv.com, accessed on 23 July 2019

Digital rights on the rise

The economics of film production has undergone an overhaul as digital rights have tilted the dynamics of film making in favour of production studios. The number of OTT platforms has grown from nine in 2012 to over thirty in 2019 driven by affordable data. OTTs are investing heavily in acquiring film libraries, for example Amazon Prime acquired twelve films out of the highest thirty grossing Hindi films this year, followed by Netflix acquiring nine^{15,16}.

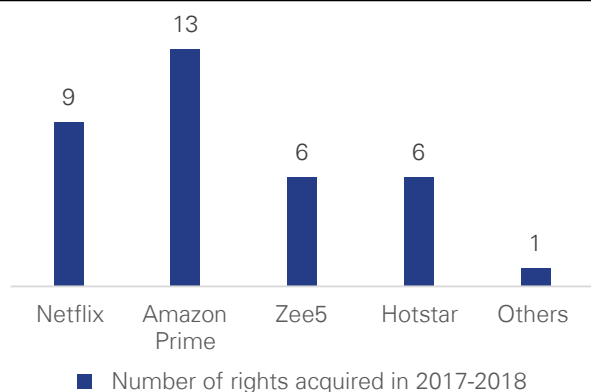
It was widely believed that with rise of OTT platforms, the box office collections of films would be impacted. However, industry players believe they are complimentary to box office and provide an additional stream to monetise for production studios as there is a gap of six to eight weeks between the theatrical release and digital release of films and in today's times, there are only handful of movies which have extended box office runs. Thus, television and OTT platforms may also co-exist, until internet penetration grows which may lead to value of C&S and OTT rights stabilising.

Number of rights acquired in 2018-19 from 30 highest grossing films of the year



Source: KPMG in India analysis based on primary and secondary discussions, 2018-19

Number of rights acquired in 2017-18 from 30 highest grossing films of the year



Source: Business standard - The race for Hindi blockbusters digital rights, rediff.com, accessed on 23 July 2019 by KPMG

15. KPMG in India analysis based on primary and secondary discussions, 2018-19

16. Business Today - Reduction of GST in ticket prices to make the cinema viewing much more affordable, 23 December 2018

Technology - the future growth engine

The Indian film industry has come a long way and is fully digitalised today, thus last mile connectivity has improved providing deeper and speedy penetration at a cheaper price. Industry believes that the next wave of growth will also be technology driven. For example, '2.0' was fully shot with a 3D camera and was recorded in 4D audio to overall augment the audience experience. Recently, Samsung's LED cinema was introduced by PVR and INOX, enabling high-dynamic-range display, high-quality pictures, 3D and sound which can be used to view sports, games and concerts. Multiplex chains like PVR and INOX offer different kinds of viewing experience such as IMAX, 4DX and ONYX. Another technological change that the Indian film industry is keenly awaiting is use of blockchain to distribute movies which is already being utilised in Hollywood, with a view to deter piracy.

Government push to the industry

The government effective January 2019, to incentivise cinema viewing, reduced GST rate on cinema tickets costing below and above INR100 to 12 per cent and 18 percent from existing 18 per cent and 28 per cent earlier, respectively¹⁶. Cinema owners are looking to pass on the GST benefit to end consumers which will reduce the ticket prices and surge the footfall in future.

In the interim budget speech of 2019, the entertainment industry managed to get a rare mention wherein the Central Government announced single window clearance mechanism for permissions required for shooting films, which was so far only being accorded to foreign film makers. This might encourage Indian film makers to shoot in India instead of opting for foreign locales.

While the film industry has grown manifold in India, it is still riddled with the plague of piracy, especially in this digital age to combat the same, the Cinematograph (Amendment) Bill, 2019 (Bill) was introduced in the Rajya Sabha on 12 February 2019 to amend the Cinematograph Act, 1952 (Act) which proposes three year imprisonment and/or penalty of INR1 million; this law is expected to be passed in the future.

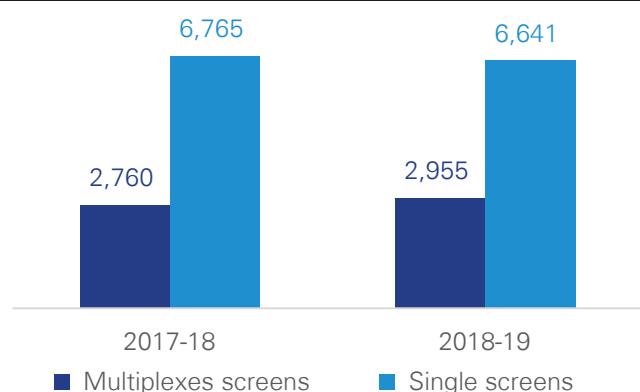
Screen penetration remains low

Currently in India there are approximately 9,600 screens of which 2,950 are multiplex screens¹⁷ and the multiplexes earn more than half of Indian theatrical revenues¹⁸. India's current cinema screen penetration is the lowest in the world after China, the U.S. and the U.K. at six screen per million of population. China is usually quoted as an example for exponential increase in screen count from 9,000 screens in 2011 to 60,000 screens in 2018.

17. INOX Investor Presentation 2019 and KPMG in India analysis based on primary and secondary discussions, 2018-19

18. KPMG in India analysis, 2018-19 KPMG in India analysis based on primary and secondary discussions, 2018-19

Estimated number of screens in India



Source: INOX Investor Presentation 2019 and KPMG in India analysis based on primary and secondary discussions, 2018-19

The script ahead

Segments	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
Theatrical revenue							
India	124.9	132.8	142.0	147.9	153.6	162.0	5.3%
Overseas	17.2	19.0	21.2	23.2	25.5	28.0	10.2%
Other streams							
Cable and satellite rights	18.0	18.9	19.9	20.6	21.2	22.1	4.3%
Music rights	3.6	3.9	4.2	4.5	4.8	5.1	7.0%
Digital rights	8.1	10.5	13.1	16.4	19.6	23.6	23.9%
In-cinema advertising	11.4	12.8	14.0	15.5	17.0	18.7	10.4%
Total	183.2	197.9	214.3	228.1	241.7	259.5	7.2%

Source: KPMG in India analysis based on primary and secondary discussions, 2018-19

The film industry in India is expected to growth at a CAGR of 7.3 per cent¹⁹ driven by theatrical revenue from India and overseas, digital rights and in-cinema advertising. C&S rights and music rights are expected to grow at a muted rate.

Indian box office performance was remarkable this year and to sustain similar success in the future the studios need to produce quality content to keep pace with changing audience preferences for more innovative thinking in terms of content and contemporary issues, expenditure and execution. The industry believes FY20 will repeat the success of this year with big releases such as *'Avengers Endgame'*, *'Bharat'*, *'Kabir Singh'*,

However, the India market is a tad different. Around 195 multiplex screens were added in FY19 which is at similar levels to previous periods. Infrastructure growth in India is comparatively slower and there is difference in per capita income between the two countries. The average occupancy in India is less than 40 per cent currently thus available capacity is also not fully utilised. Also, average ATP in India is very low compared to the U.S. and China due to, among other things, larger share of single screens with low ticket prices and regulated ticket prices in few regional markets. Another deterrent in increasing the screen count is the complex regulatory framework.

'Super30', multi-lingual *'Saaho'* being lined-up in the first half of the year. Further, multiplex chains are looking for organic expansion into new markets across India. The regional industry also has strong releases in the next year and the market is only expected to expand further. Also, with China and Saudi Arabia markets opening up, overseas collection of Indian films may continue to conquer box offices across the globe.

Digital rights pricing is likely to continue to see an upswing as OTT platforms further penetrate the India audience and scale up their film library. Pricing of C&S rights is expected to undergo adjustment due to impact of OTT platforms.

19. KPMG in India analysis based on primary and secondary discussions, 2018-19

Case study - Technology, taking 'amplification' to a new level!

"Ever since cinema theaters came into existence more than a century ago, their underlying objective has been to offer an experience, which is larger-than-life, bigger, better, and above all, amplified. The fact that the business of cinema exhibition is still peaking and gaining strength, proves that an 'amplified' experience has remained the decisive pull in bringing people to cinemas, and still remains a key objective for the operators.

The effort to 'amplify' has been on, forever. Thus, screens got bigger, projections became sharper, and sounds got sweeter, crisper and clearer. Thanks to the creators of various technologies, the journey has seen a lot of constructive 'amplification' over the decades.

With consumers' awareness levels peaking, aspirations with regards to entertainment at an all-time high and technology taking the centre-stage, the challenge just got more interesting. While the seasoned tech-warhorses continue to innovate, there are new players in the fray as well, who are adding to this 'amplification' journey.

While the experience with the sound, projection and screens kept getting better, interestingly enough, cinemas got the silent parts of the theater talking as well – the seats and the side walls.

The launch of India's first MX4D® EFX Theatre at our multiplex Inorbit Mall, Malad, Mumbai, ushered a new level of cinema 4D technology, providing a totally enveloping environment, where the viewers can 'feel' the action on the screen from the built-in motion and effects in the seats and theatre walls. The theatre seats move in sync with the movie

action and special EFX generators in the cinema, allowing one to 'feel' the movie's motion, jolts, pokes, wind, water and even scents. The in-seat features like neck-tickler, back pokes, air blast, water blast, seat popper, rumbler, leg-tickler, etc. along with the theatre's atmospheric interventions like snow, fog, rain, bubbles, strobe and scent will leave the audience enthralled. Who would have thought in the Indian cinema industry, that a usually nondescript seat armrest, would play host to theatre effects, and get patented for that.

The 270 degree multi-projection technology, ScreenX, offers a panoramic 270-degree movie watching experience to the audience. It allows the audience to go beyond theme of the traditional movie screen, utilising a proprietary system to expand select scenes of feature films to the left and right walls on each side.

We also introduced Samsung's ONYX LED screen offering more powerful, captivating and larger than life content. Through HDR refinement, guests get a more detailed, textured and visually rich content because it is 10 times brighter than a conventional projector and the infinite contrast ratio. Samsung ONYX is unaffected by ambient light, it upholds consistent and distortion-free picture quality that keeps audiences engaged and keeps it close to realism.

Technology is opening up new opportunities in the cinema exhibition space and we keenly await every new intervention. There cannot be a more opportune moment than now, to thank the creators of the immersive technologies, but also demand more from them, in a pursuit of 'amplifying' the experience of patrons."



Alok Tandon
CEO
INOX

The views and opinions expressed herein are those of the quoted person/s and do not necessarily represent the views and opinions of KPMG in India.



Industry perspective

2019 was a fascinating year where the Indian box office saw double digit growth with content being the star that beckoned audiences to theatres. Collections of Hollywood and regional films also achieved a new high as Indian movies continued to transcend boundaries leading to growth of international box office collection, especially from the China market. Digital distribution of films over OTT platforms has also opened up additional monetisation avenue for production studios.



Ajit Andhare
COO
Viacom18 Studios

Indian Film exhibition industry driven by multiplexes has been expanding its footprint across India to markets where the box office continues to be dominated by local language films. The film exhibitors are coexisting within the industry with other distribution platforms such as OTT, Broadcasting etc, 2018-19 was one of the best year in last decade. This exhibits that film content is improving and also there is an innate, social need for people to go out and entertain themselves.



Kamal Gianchandani
Chief of Business Planning
& Strategy,
PVR Limited and CEO,
PVR Pictures

Smaller films, high on concept, have been doing well at the box office. Audiences want to see strong, gripping and entertaining stories on the big screen. With content taking centre-stage, the demand for content producers and writers has seen growth by manifold in the industry as audiences' hunger for diverse content consumption continues to grow across screens-theatrical to digital platforms.



Shariq Patel
CEO
Zee Studios

India has only recently begun to understand the need for film and media education, as the demand for content increases the industry is in dire need of training and upskilling. The industry needs specialised artists and technicians who are well versed in fundamentals of content creation. Institutes like WWI play a vital role in this ecosystem – by training and educating their graduates in the latest techniques and accreditations to a global standard, and preparing them for future success of the nation's entertainment industry.



Rahul Puri
Head of Academics
Whistling Woods
International

Today, the audience is more acceptable towards stories beyond typical masala films and the recent box office performance has given much needed respite to film industry which was grappling with threat from piracy and increased production cost.



Kulmeet Makkar
Chief Executive Officer
Producers Guild of India

The supply side of the industry must be looked at to create market efficiencies, as there is too much focus on the demand side, which is being led by the integration of technology, media and telecom. The industry must focus on how it can build capacity to create sustainable careers for Talent across various skill levels and categories and at the same time invest in developing screenplays that push the envelope on a global level. The setting up of a single window mechanism for easing filming in India and the recognition of the audio-visual sector by the Economic Survey 2019 as one among the 12 Champion Service sectors for focused development, will help create supply side scale.



Vikramjit Roy

*Head – Film Facilitation Office
National Film Development
Corporation*

Indian cinema industry has been going through the best of its times. As we define 2018, it has seen the emergence of content based movies which has revolutionized the segment with many box office hits in 2018-2019. As satellite connectivity linked with digitization enabled this change in the sector, the industry saw a dramatic development and progress in the way people perceive and embrace cinema as a premium mode of entertainment. A by-product of this phenomenal growth in box office collections is an equally phenomenal growth in in-cinema advertising. Box office successes have reinforced advertiser's confidence in the medium and given them opportunity to leverage in-cinema advertising more often. They are now keen to advertise through the year as opposed to title-based advertising earlier. Indian cinema advertising industry is one of the fastest growing mediums in the country today with market size of over Rs. 100 crore, currently growing at a rate of around 20 % annually, which is the highest in the sector.



Kapil Agarwal

*Joint Managing Director
UFO Moviez*

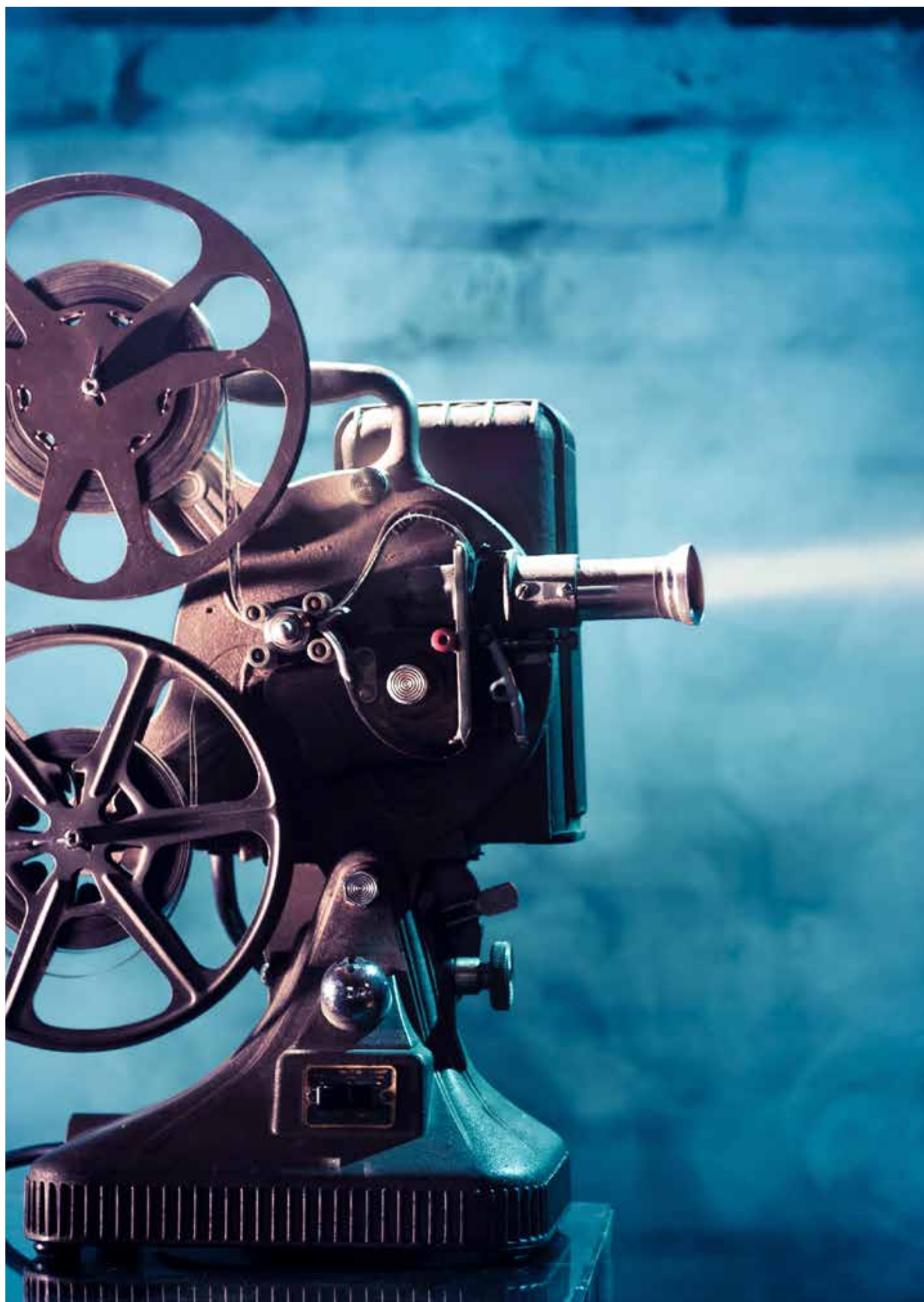
The Indian film ecosystem has been fast-evolving on the back of increased online penetration and growth in the number of cinema screens which is also reflective in customers' growing preference for movies. The online purchase of movie tickets and other out-of-home entertainment has proportionally increased, aided by improved and affordable data connectivity with the payment ecosystem simultaneously developing beyond credit and debit cards to include UPI and wallets as modes of payment for transactions. Over the years, both content as well as the process of consuming such varied content have transformed considerably. This means that both, the in-cinema experience as well as the booking experience carry equal weight in building a wholesome entertainment journey for the consumer. The cinema viewing experience in the country has improved greatly leading to more footfalls for cinemas and deeper penetration across markets beyond metros. Infact regional content as a whole has been improving greatly and is a significant contributor to the film industry nationally. The trend for such films and the rising user demand to watch such content, reflects the ever-evolving consumption patterns of audiences across regions and languages when it comes to cinema.



Mitesh Shah

*Head - Finance
Bookmyshow*

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Animation, VFX and post production

Turning imagination into reality



Animation, VFX and post production

Turning imagination into reality

The animation industry continues to grow on the back of content demand from television (TV), digital platforms, commercials and films. While over many years, the work-for-hire model primarily drove studio margins, the long-tail advantages of having own registered characters, brands and content have driven players towards investing in local IPs. Indian broadcasters and studios have been working towards delivering TV content that is rich, entertaining and customised to local tastes. In the recent past, the film animation space in India is starting to see a few film titles either hitting the big screen or getting a launch pad in the form of digital platforms.

Animation continues its double digit growth in India

The Indian animation industry registered a growth of 12.9 per cent in FY19, with revenues amounting to INR19.3 billion. While animation services continue to dominate the revenue pie, the animation IP production is fast catching up, growing at a CAGR of 12.3 per cent (twice that of animation services) during FY14-FY19.

Animation industry's performance

Amount in INR billion

Segment	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18	CAGR (FY15-19)
Animation services	8.2	8.5	9.1	9.8	10.7	8.9%	6.0%
IP production	5.2	5.7	6.3	7.2	8.6	18.4%	12.3%
Total	13.4	14.2	15.4	17.1	19.3	12.9%	8.5%

Source: KPMG in India's analysis based on primary and secondary research

Key growth drivers

International projects continue to drive demand for animation studios' services

The animation services emerging from India have continued to gain traction among international production houses, particularly due to cost efficiency and improving quality. While cost in India is 1/3rd to 1/4th of North America and 25 per cent lower than countries such as Korea and Philippines, the quality of Indian animation services has improved immensely. Other benefits such as cultural synergies (huge English-speaking base in India), studio infrastructure and a robust M&E industry have seen foreign producers flocking toward Indian animation services. Albeit

growing slower compared to IP production, the services segment continued to account for the majority of revenues in the animation industry, accounting for a share of 55.6 per cent in FY19.

Episodic continue to account for a lion's share:

Services work for 11 or 22 minutes episodic content for TV and OTT platforms accounted for 58 per cent in FY19, followed by revenues from film and advertising. The Indian animation studios have worked with major international producers such as Sony, Disney, BBC, 20th Century Fox, Warner Bros., DreamWorks, Viacom, Turner, among others.¹ The work for episodic content is now no longer just coming from the TV production houses. However, Indian studios have gained some traction with the OTT players too.

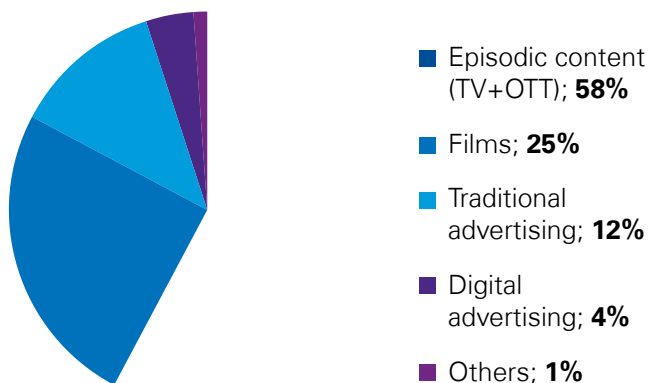
1. Demand For Homegrown Animation Content Growing, Broadcast and Cable Sat, 3 April 2019

Animation services for international films witnessing a healthy increase: Though only a handful of studios, with Assemblage Entertainment at the forefront, are involved in animation work for films, the segment is still the second biggest revenue generator.

Animation in advertisements – both traditional and digital – finding its footing: Though ads contribute about 16 per cent to the total animation services revenue, the share of animated content in Indian ads is still miniscule. Considering India is home to more than 900 TV channels, the potential is enormous. The BARC’s proposed plan to bifurcate kids’ viewership data further into two age groups — 2 to 8 years, 9 to 14 years, would be a welcome move as this would give advertisers a fair idea about pre-school viewership and their preference for animated content.

Animation no longer restricted to just entertainment industry: A number of start-ups has mushroomed in cities such as Chandigarh, Ahmedabad, Gurugram owing to rising demand of animated content from non-entertainment sectors – education, healthcare, real-estate, industrial trainings, etc. The ‘Others’ category share that currently stands at one per cent is expected to grow stupendously over the next five years and capture a significant share in the pie.

Break-up of India’s animation services – by segments in FY19



Source: KPMG in India’s analysis and estimates, 2019-20

Note: Others includes animation work pertaining to segments such as Augmented Reality (AR)/Virtual Reality (VR), gaming, simulation, education, medical, industrial, etc.

The original animation IP rush continues

Push towards local originals is allowing Indian studios to create IPs with strong monetisation potential. The animation IP production segment was estimated at INR8.6 billion in FY19, growing at 18.4 per cent from INR7.2 billion in FY18.

2. OTT has been favourable for animated content, Indian Television, 1 March 2019
 3. Spark Magazine, Animation Express, December 2018

The OTT allure continues to drive content production:

OTT platforms have given producers an avenue to experiment with new ideas, stories and characters, while also giving them a range of audience that is not restricted to TV screens. The animation studios, including Green Gold, Cosmos Maya and Toonz Animation have been appointed or are in discussions to produce new shows.

Broadcasting continues to be the backbone of Indian animation:

Broadcasters continue focusing even more on commissioning original animated shows and building their own library rather than simply licensing content. The number of kids’ channels now stands at 24, paving the way for a much higher demand for local content. Though the share of digital has surpassed in the overall IP production revenue pie, the importance of TV content cannot be ignored as catch-up TV too contributes to the digital revenue stream. While viewership on OTT is growing and a host of English TV genres have been affected greatly in terms of audiences, the kids’ genre, on the other hand, continues to rely on TV for growth.²

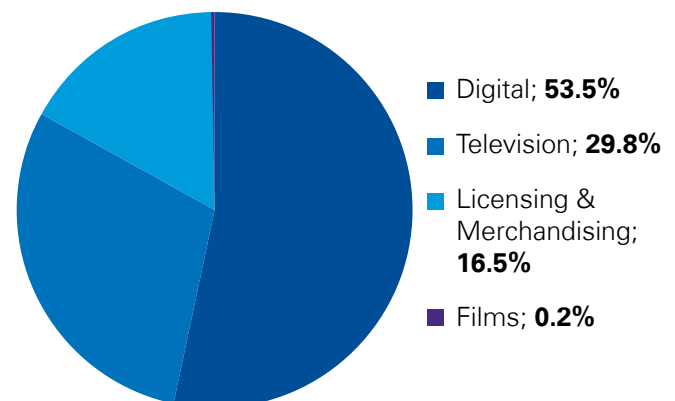
Growing proclivity for original IPs driving the L&M segment:

The licensing and merchandising (L&M) segment accounted for a share of 17 per cent in the animation production pie in FY19. There has been a growing demand amongst studios for agencies that provide holistic licensing and branding solutions concerning domestic expansion, increasing IP awareness, symbiotic business deals etc.³

Animated films continued to get a cold shoulder from production houses:

While attempts are being made to attract audiences to theatres to watch local animated features, their share in IP production continued to be non-existent even in FY19.

Break-up of India’s animation production – by segments in FY19

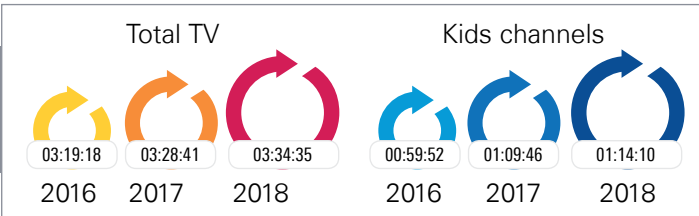


Source: KPMG in India’s analysis and estimates, 2018-19

Kids' viewership insights

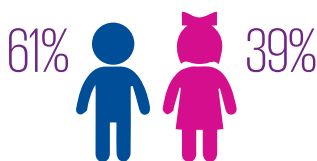


Despite growing popularity of OTT apps, TV viewership is growing in India and so is Kids viewership



Content mix on Kids channels is skewed more towards boys...

61 per cent boys and 39 per cent girls watch animated content on TV



..which in part could be due to few female protagonists

There are a number of male characters such as Chhota Bheem, Motu Patlu, Rudra, Kisna, Little Singham, etc.

However, Indian TV lacks a female protagonist in animated shows

Higher urban viewership for kids channels...

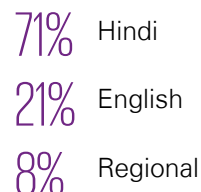
Urban viewership is 61 per cent while rural is 39 per cent for kids channels.



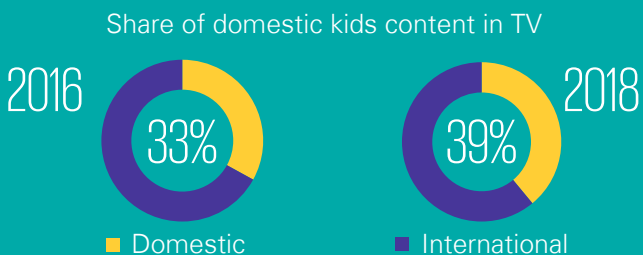
..however the gap shall reduce with inclusion of audio feeds for kids content

Kids channel viewership in 2-14 years age group

Urban kids are more comfortable in English, and their parents also intend to prefer English as a viewing language for them (while regional languages garner higher eyeballs in rural)



Recognizing the potential of home-grown content, broadcasters are changing the content mix on kids' channels...



... channels with mix kids content showcase higher viewership compared to channels predominantly airing international content

- Nick recorded a viewership of 58% from Indian content, followed by 56%, 54% and 52% by Pogo, Discovery Kids, and Sony YAY! Channels respectively
- Cartoon Network, which airs a mix of international and domestic content, garnered 49% viewership from the 2-8 years age group, and 51% from kids aged 9-14 years

Healthy viewership among 2-8 year olds for channels airing international content; with 45% viewers watching Disney channel, and 40% and 43% watching Disney XD and Hungama respectively

Source: '000 impressions, Week 1-32, BARC, 2018

Key trends in the Indian animation space

Broadcasters betting their monies on home-grown shows and regional content

Indian animation studios are investing in originals with the budgets for such shows doubling in the last decade, and content portfolio shifting in favour of home-grown shows.⁴ There is a growth in appetite among the broadcasters, with a number of them commissioning newer shows and that too with a much larger library. Earlier while 13 or 26 episodes were commissioned during the launch of new IPs, now broadcasters are straight away giving green light to 100 to 200 episodes for the new IPs. For instance, Viacom18 has commissioned 200 episodes for yet-to-be launched 'Golmaal Jr'. The producers have also been betting their monies on regional content. Major broadcasters are airing kids' content in several languages. For instance, Viacom18 is focusing on increasing its original content across the three channels to 205 hours in FY20 from 105 hours in FY19. Nick Jr. has announced its plan to add four new language feeds to its existing audio feeds in four languages — Hindi, Tamil, Telugu and Kannada.⁵ Similarly in April 2018, Discovery Kids introduced its new show Little Singham, which instantly gained success. In FY20, the broadcaster is planning to double series content library from the existing pipeline of 156 episodes. In order to expand its reach in Tamil Nadu, Andhra Pradesh and Telangana, Discovery Kids launched Tamil and Telugu audio feeds in FY19.⁶

Live action producers joining the animation bandwagon⁷

TV production houses, engaged in producing live action TV series, are testing the waters with animation content. Such studios are leveraging their in-house writing and creative talent (and in doing so, keeping them creatively refreshed), infrastructure and cash flows from live action shows to try out new concepts and eventually turn them into pilots.

- In January 2019, Sphereorigins, a Mumbai-based production firm with around 6,500 hours of content produced for leading broadcasters acquired an animation studio, Hopmotion
- Contiloe Pictures, having produced thrillers, historical and mythological fiction, which require extensive VFX, has set up an animation facility in Odisha, to add to its current facility which is in Mumbai. The studio plans to increase the hours of animation output for both broadcast and OTT platforms
- Swastik Productions is remaking its previously produced live action historical and mythological shows as animated series.

4. Demand for homegrown animation content growing; India no longer just an outsourcing hub, Money Control, 2 April 2019

5. Viacom18 goes bullish on its three kids channels - Nick, Nick Jr and Sonic, Brand Equity, May 2019

6. Discovery Kids launches Tamil, Telugu language feeds, Exchange4Media, March 2018

7. Spark Magazine, Animation Express, April 2019

8. Spark Magazine, Animation Express, October 2018

Creators find newer ways to increase engagement⁸

In order to gain more traction for their IPs, broadcasters have embraced several avenues to reach out to a multitude of kids and animation fans, including:

On-ground events: In September 2018, Sony YAY celebrated Teacher's Day by bringing the second season of its flagship initiative, Heroes behind the Heroes. The initiative acknowledged renowned personalities across many fields such as tennis, choreography, film direction/production/screenwriting, music. The event was promoted by the company's IP - KickO.⁹

Contact programmes: In February 2019, Nickelodeon launched its immersive school contact programme that will reach out to 250 schools across several cities, including Mumbai, Delhi, Bengaluru, Hyderabad, Pune, Kolkata, etc. Backed by the company's characters, Rudra and Shiva, the programme will focus on a series of fun and interactive games and activities in classrooms.¹⁰

Gamifying IPs: Discovery Kids' has been able to increase its reach over the last few months, partially led by the Little Singham game, which has garnered more than five million downloads.¹¹

The animation films space emerging from obscurity

Indian animation studios are gradually foraying into the animated feature film space. Compared to only one film release in FY18, four Indian animated features were released in FY19 and according to our discussion with industry expert, 12 feature productions are already lined up for theatrical release in FY20. In order to attract audience to theatres, studios such as Green Gold, Cosmos Maya, Toonz Animation, Bhasinsoft, Vaibhav Studio, Golden Robot, Reliance Animation, etc. are experimenting with relatable characters, appealing narratives and fresh music. For instance, Green Gold Animation's Hanuman Vs Mahiravana took a page out of the global studios' book. The film was made across five countries and involved several studios and artists from the U.S., Japan, Australia, Mexico and India. Growth in digital platforms and broadcasters experimenting with longer duration animated content (75 to 90 minutes) have also created more room to try out novel concepts and methods of story-telling.¹¹

Novel tools and technologies to spawn changes in the animation landscape

In light of rising cost of the licences, a number of players are choosing open source software that gives artists the requisite freedom to create a wide variety of artwork and simplifies the process of animation.¹²

9. Sony YAY! Launches Season 2 Of 'Heroes Behind The Heroes', Mumbai Live, 5 September 2018

10. Nickelodeon launches an immersive school contact programme, Indian Television, 11 February 2019

11. Indian indie animators are bullish about 2019's prospects for the industry, Animation Express, 31 December 2018

12. Open source softwares and the Indian AVGC industry, Animation Express, 27 July 2018

Real-time rendering is fast replacing the traditional rendering techniques used for visualisation with a render engine that is capable of rendering on the fly, in real time.¹³ Players such as Disney have already incorporated the technology into its pipeline of animated features, TV shows and short films.¹⁴

Animation industry outlook

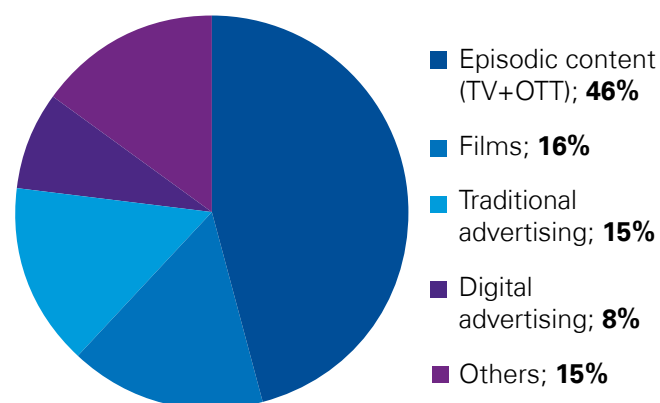
The animation industry revenue is expected to surpass INR36 billion by FY24, growing at a CAGR of 13.8 per cent during FY19-24. While animation services are projected to account for the majority share of animation pie, the coming years are likely to witness increasing activity in the original IP production space.

Animation industry's potential							
Segment	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
Animation services	10.7	11.8	13.1	14.9	17.0	19.3	12.5%
IP Production	8.6	10.0	11.6	13.3	15.3	17.5	15.3%
Total	19.3	21.7	24.7	28.2	32.2	36.7	13.8%

Source: KPMG in India analysis based on primary and secondary research, 2019-20

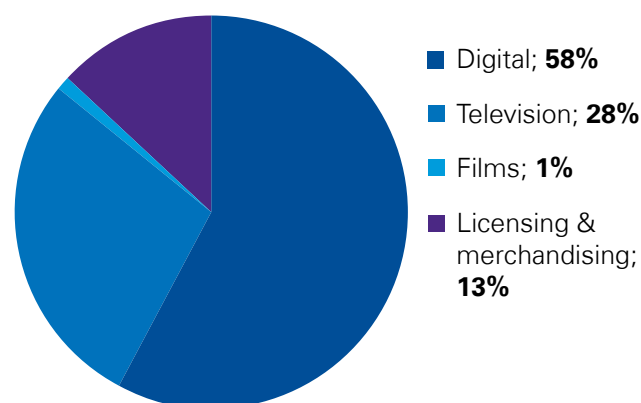
Break-up of India's animation — by segments (FY24P)

Animation services



Source: KPMG in India's analysis and estimates, 2019-20

IP production



Source: KPMG in India's analysis and estimates, 2019-20

Animation services: Globally, the content consumption on digital platforms has gained significant pace, with a number of players joining the OTT bandwagon. The intense competition in the market has compelled players to broaden their content portfolio and invest in original and exclusive IPs across genres, including kids. While Disney's streaming service is all set to launch towards the end of 2019, Netflix reported that 60 per cent of 139 million Netflix's audience worldwide watches kids and family content on its platform every month.¹⁵ According to Ofcom, pre-schoolers spend more than eight hours per week watching online services. The growing demand for kids' animated content globally is expected to propel demand for Indian studios services over the next five years. Further, the non-entertainment sectors

that currently account for less than 1 per cent in the revenue pie are likely to gather about 15 per cent share by FY24.

IP production: In addition to Hindi and English kids' content, regional animated shows are expected to drive content demand, on both TV and OTT platforms. The launch of new kids' channels such as Star Movies Kids and continued investments by OTT video players would also add to the slate of new IPs. The share of digital revenue is expected to further go up from 53 per cent over the next five years, given the strong demand for original IPs from OTT players such as Netflix, Amazon Prime, Hotstar, Voot Kids and rising revenues for kids channels (for the likes of ChuChu TV, WowKidz, etc.) on YouTube.¹⁶

13. Trends in Real-Time Rendering, Arch Daily, 15 October 2018

14. Disney Television Animation Is Exploring Real-Time Rendering With 'Baymax Dreams', Cartoon Brew, 15 August 2018

15. Netflix's Quest for World Domination Includes a Diversity in Animation, NDTV, April 2019

16. KPMG in India's analysis and estimates, 2019-20

VFX industry in India

The Indian VFX industry has matured from a largely outsourcing destination to one with growing domestic demand. Domestically produced films from the Baahubali and the Robot franchises have demonstrated audience interest in quality visual effects content and has opened the door for more effects-heavy productions across Hindi and regional films, in turn bolstering work pipelines of domestic studios.

Globally, VFX in digital video has also seen significant traction with significant increase in episodic production budgets which in turn has allowed content developers to invest in VFX. Although in early stages, India is also seeing similar trends with the major OTT players having announced a gamut of original productions, the scope and the volume of work for Indian VFX players are likely to grow.

VFX and post-production witnessing an unprecedented growth in India

VFX and post-production industry's performance								
Segment	FY14	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18	CAGR (FY14-19)
Total VFX and post-production	28.2	33.1	39.0	46.9	56.8	68.4	20.4%	19.4%

Source: KPMG in India analysis based on primary and secondary research, 2019-20

India's VFX and post-production industry was pegged at INR68.4 billion in FY19 having grown at a CAGR of 19.4 per cent over FY14-19.

Key growth drivers

India continued to be amongst the preferred outsourcing countries for VFX:

While cost continues to be a pivotal factor for foreign studios in narrowing down India as an outsource destination, the quality of the talent has also been improving, moving gradually towards global standards. India is no longer viewed as a cheap option to offshore tasks such as rotoscoping and matchmoving, and domestic studios have been attracting more complex VFX jobs from Hollywood.

VFX work taken long strides in domestic projects:

The improving quality of talent has also reflected in the increasing use of VFX in domestic films, though the Indian film industry has a lot of ground to cover in terms of matching international VFX budgets and standards. The year 2018 saw Indian film studios offering a larger slate of experiential viewing for the viewers. Movies such as 2.0, Zero and Thugs of Hindostan saw extensive use of visual effects. While an estimated INR700 million were spent on VFX in Zero, which featured around 5,000 VFX shots, 2.0 on-boarded 10 different VFX studios to work on the special effects, and more than 3,000 technicians from around the world contributed to the film.¹⁷ Further, Tamil cinema provided India's first space film, Tik Tik Tik. The film saw 85 minutes of graphics and VFX, which

took around five months to complete.¹⁸ The makers from the Southern film industry are also exploring and experimenting further with genres such as superhero, science fiction and survival thriller.

Stereoscopic 3D conversion bolstering the demand for post-production in India:

On the back of factors such as people skills, pipeline management, strong relationships with major production studios and their position on the experience curve, Indian studios have continued to attract post-production jobs, both domestic and international, such as stereo conversion (2D to 3D), video editing, colour grading and corrections, sound recording and editing, and dubbing, amongst others. With the growing popularity of 3D content in Hollywood, India has witnessed an upsurge in 2D to 3D conversion work in the recent years for both new and old films.

Growing workforce supply: On the back of huge demand from the West, the industry witnessed a much needed shift in workforce mindset. As against five years back, the workforce now recognised the potential of VFX and post-production industry in India and thus, the industry saw a growing ingress of talent. While the demand for VFX work has been growing in the past few years from both international and domestic projects, the increasing workforce enabled firms to operate at a much higher capacity.¹⁹

17. With more money and new focus on special effects, 2018 was an eventful year for Indian VFX industry, Money Control, 11 January 2019

18. Tik Tik Tik: Breaking down the visual effects in India's first space film, Indian Express, 22 June 2018

19. Industry discussions conducted by KPMG in India, 2019-20

Key trends in the Indian VFX and post-production space

Special effects on TV catching up with films

As TV content budgets have been increasing, TV content is seeing greater investments into VFX globally. The quality difference in VFX between major blockbusters and TV shows is diminishing, with major VFX houses working on both in equal measure. Special effects for TV are being developed using the same tools and processes used for tent pole films.

While the VFX budgets for Indian TV shows are not commensurate with their global counterparts, domestic producers' penchant for effects-driven shows is growing. Mythological, fantasy and historical TV shows are seeing productions featuring the use of grand backdrops, sets, landscapes and creatures made possible by the use of VFX. For instance, Swastik Productions, having produced 25 shows across different genres, recently expanded their studios with a facility dedicated solely for VFX.²⁰ Despite increasing demand, challenges persist. Since the mythology and fantasy genres demand a great degree of effects, workflows come with tight deadlines and low production budgets from producers, which hamper the quality of shows.

OTT platforms, a new gateway to high-quality VFX

OTT has opened new doors for VFX-rich content as evident from a gamut of exclusive shows and original programmes that are being launched by players such as Amazon Prime, Hotstar, Alt Balaji, Netflix, Zee5, etc. Increasing digital video consumption has been a springboard for content creators, widening the quantum of possibilities in terms of how stories can be told. These also include the use of VFX, that producers previously fell short on budgets for.

Consumers' growing expectations for content to have the same level of cinematic quality once reserved for theatres has, in turn, been an advantage for the VFX and post-production community, adding to studios' work pipelines. Artists are now involved in bringing theatrical production quality to digital streaming series, and the increasing use of VFX has reflected in several shows garnering plaudits recently. For instance, Netflix's *Altered Carbon*, *Lost in Space* and *Stranger Things* have been nominated in the Outstanding Special Video Effects category at the Emmy Awards.²¹ Digital has opened up a plethora of monetisation opportunities for studios in India as VFX players such as Prime Focus have been offering their services to on-demand content providers, delivering VFX and DI for both international shows and home-grown productions such as *Sacred Games*.²²

20. Swastik Productions expands its VFX Studios, Ad Age India, 13 March 2019

21. Netflix's *Largesse*: a nod to superlative VFX-work, Animation Express, 6 February 2019

22. Prime Focus extends its services to Netflix and Amazon Prime, Exchange4Media, 6 July

Start-ups in the South emerging as VFX game changers

The VFX start-up space in the South has seen growing traction with production houses from the regional film industry teaming up with home-grown tech start-ups specialising in novel technologies. A number of start-ups have come up in cities such as Hyderabad, driven by favourable policies for ease of doing business and an ecosystem that encourages mentorship and development.

Film producers and private investors have also been growth catalysts. For instance, in 2018, Anthill Ventures, an investment and scaling platform dedicated to early growth stage start-ups, along with Suresh Productions, a film production and distribution player, launched Anthill Studio to focus on co-innovating solutions in technology areas such as AR/VR, Artificial Intelligence (AI), VFX, real-time cloud rendering, and Big Data.²³

Kannada film space is also seeing an increase in the number of local start-ups that are taking VFX to a higher level. Bengaluru based start-ups such as Om Studio, Thought Cloud Studios, MRT Studios and Videogyan have been primarily creating content for Kannada films. Further, as the Kannada film industry increasingly transitions into more realistic story-telling via movies such as *U-Turn*, *Rama Rama Re* and *Lucia*, the concept of invisible effects could open up several doors for these start-ups.²⁴

Technologies disrupting VFX and post-production workflows

In a bid to establish more efficient production pipelines, it has become critical for VFX studios to stay on top of technology trends. This is particularly significant for mid-sized studios that lack capital to build up to the scale of bigger houses and face challenges in staying afloat. Advances in VFX and post-production technology have spurred studios into trying out novel ways to disrupt workflows. Technologies such as cloud rendering, AI, software-as-a-service (SaaS), game engines for real-time production and light-field capture are finding suitors across the VFX and post-production space.

SaaS is gradually proving attractive for VFX studios as it allows for rational means to keep track of expenses. The *Jungle Book*'s use of game engines for virtual production has ushered the VFX community towards a greater adoption of products from companies such as Unreal and Unity. Artificial intelligence and machine learning are being leveraged to induce automation in a number of areas, including rendering, character animation, camera tracking, motion capture, image processing,

23. Anthill Ventures and Suresh Productions launch Anthill Studio, Economic Times, 19 July 2018

24. Bengaluru based start-ups emerge as game-changers in VFX in the Kannada Film Industry, The News Minute, 16 May 2017

rotoscoping, etc. Further, more studios are turning towards cloud due to the scalability and security it offers in order to meet the growing content demand and global production schedules.²⁵ Going forward, technologies such as 5G could further amplify connection speeds and improve latency, opening doors to cloud processing in real-time and enhancements in post-production speeds.

Visual Reality (VR) pushing storytelling to new places

VR-driven content, although in its formative stages, is likely to become a major segment in the entertainment space in the coming years. Major studios such as DreamWorks, Fox and Warner Bros. have been making investments in the technology and have also established dedicated divisions for VR content. Film directors are

also experimenting with VR projects in order to push the medium of film-making and convey narratives. Studios are also trying out several genres, such as 360 degree films, animated shorts, interactive experiences and documentaries.²⁶ For instance, in 2018, Double Negative, a studio based out of the U.K., collaborated with Australia-based White Spark Pictures for an immersive VR documentary about Antarctica, titled The Antarctica Experience. The project used 360 degree 3D video technology to give viewers the experience of flying in a helicopter over glaciers and moving around icebergs in an inflatable boat.²⁷ Also, in August 2018, Technicolor Experience Center (owned by Technicolor) launched Mars Home Planet, a VR Experience, that gave a glimpse of life on planet Mars.

Outlook

VFX and post-production industry's potential

Amount in INR billion

Segment	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
Total VFX and post-production	68.4	81.4	96.1	111.8	129.1	147.2	16.6%

Source: KPMG in India's analysis based on primary and secondary research

The VFX and post-production industry in India is expected to chart a compounded annual growth of about 17 per cent, with revenues amounting to INR147.2 billion in FY24. With steady growth in international demand and growing share of special effects in domestic productions, VFX will continue on its growth trajectory over the next five years. We expect a gradual shift in mix towards a greater share of domestic demand and digital content requirements for VFX.

Original local productions are becoming a selling point for OTTs globally, which in turn is driving demand for VFX and post-production as the budgets that were

inconceivable earlier — particularly in case of TV shows, are now becoming a reality. Further, viewers' appetite for rich, photorealistic, seamless imagery, and immersive content is growing, compelling production houses and digital players to invest in VFX-rich storytelling formats. The ability of Indian studios to develop specific capabilities and compete with their foreign counterparts on both price and skill would continue to enable them to cater to the demand of high-end as well as labour intensive VFX and post-production jobs such as stereo conversion.

25. Google partners with Sony Pictures Imageworks to launch an open-source VFX render manager, Tech Crunch, 24 January 2019

26. Filmmakers Are Embracing VR, But Are Audiences Ready For VR Feature Films?, Forbes, 17 October 2018

27. DNEG supports new Antarctic immersive VR experience, DNEG, 9 July 2018

Conclusion

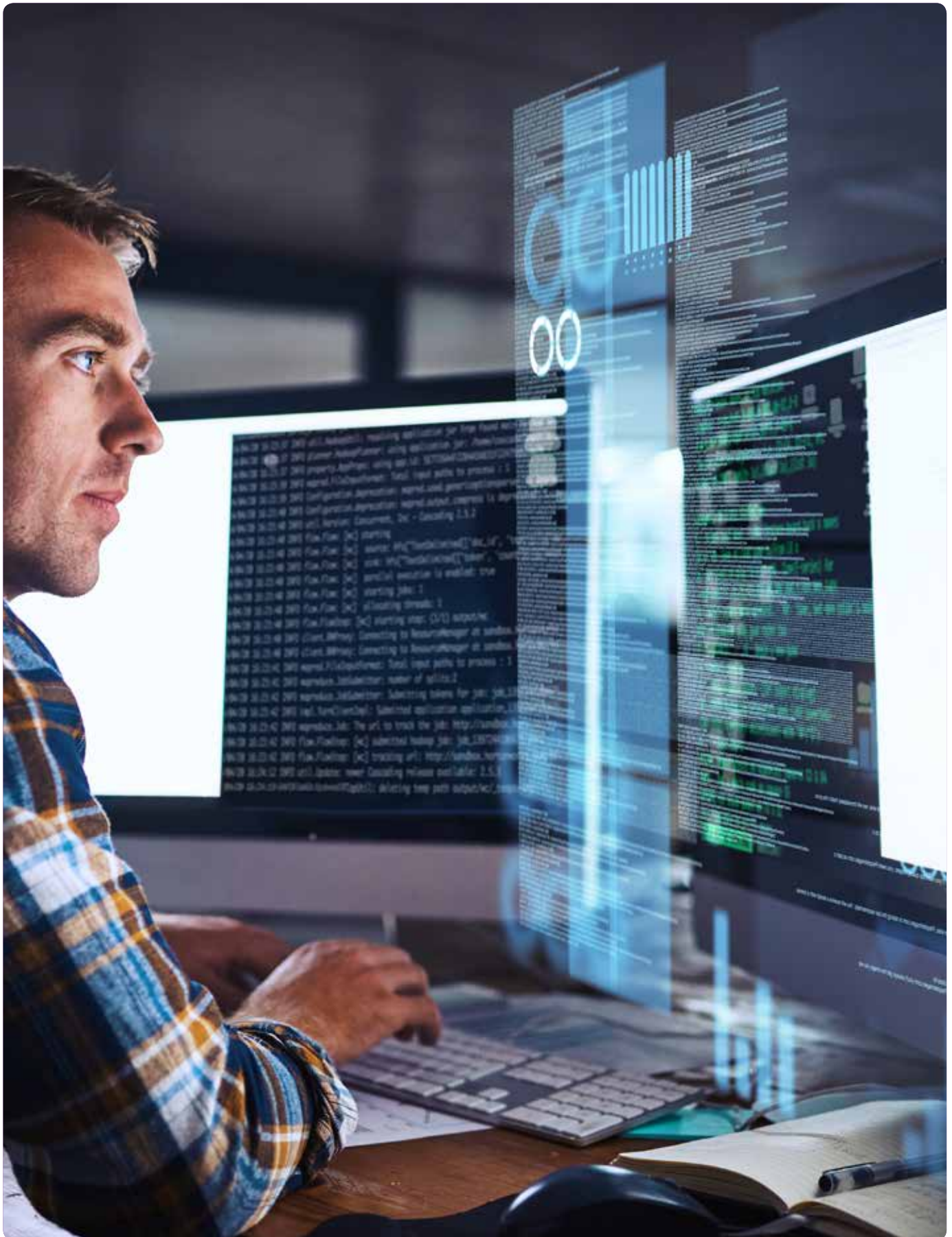
The Indian animation, VFX and post-production industry is expected to more than double in the next five years, growing at a CAGR of 16 per cent between FY19 - 24.²⁸ However, the challenges pertaining to shortage of required talent and funds are holding back the sector from achieving its true potential.

Developmental challenges such as conceptual design, storytelling and prototyping are the hurdles that domestic creators are facing owing to skill gap prevalent in the industry. The curriculum updates for local animation and VFX courses have been slower than desirable. This has led to the studios facing

challenges in acquiring fresh talent, in terms of base knowledge and prolonged onboard training time. Further, a huge proportion of Indian studios still have a high dependency on external financial support, epitomising the challenge of sustaining businesses. Though alternate funding avenues such as private equity and venture capital are opening doors and exhibiting focus on this industry, a much higher rigor is needed at this hour. Addressing certain roadblocks along the way is likely to help the industry in traversing a much steeper growth path. The industry could look at the following to support studios scale up and mitigate challenges through collaboration and cooperation.

Building an ecosystem	Building an animation and VFX community within a designated space that supports production, learning, mentoring and networking and catalyses creativity among young talent. Also, regional partnerships with other South East Asian countries to build stronger IPs can be looked at.
Investing in education	The government could (1) provide financial support to institutions that invest in advanced training tools/instruments for students (2) facilitate first-hand experiences on the said tools for teachers and students, before they get involved in production and venture into the market.
Experimenting with knowledge exchange programmes	Information exchange between schools and animation studios could help avoid mismatch between curriculum and industry skills. Knowledge exchange programmes where animators can give lectures and hands-on showcases could help create industry-ready talent.
Diversifying talent knowledge	Stakeholders should focus on imparting both technical and business skillsets to make their businesses more sustainable. These could include skills around concept/character development, storytelling, project management, business management, sales and marketing etc.
Expanding funding avenues	In addition to the funds from the government and trade associations, other funding avenues such as crowd-funding could be explored. Monetary support and pledges from viewers can go a long way in supporting budding artists and fledgling studios.
Making way for a dedicated channel for kids	Prasar Bharati could play an important part in establishing a dedicated FTA kids' channel, talks for which have been going on for the last few years. With its unparalleled penetration compared to cable and satellite channels, a FTA public broadcasting kids' channel could be a differentiator, as already witnessed with countries such as the U.S., Canada and China, which have public broadcasting for kids.

28. KPMG in India's analysis based on primary and secondary research



Industry perspective

Animation



The animation industry has seen steady growth as local broadcasters have commissioned shows and continue to invest in local content. The time has come for the industry to dream big and this can happen if 1) players partner to produce shows not just for domestic market but for the global market; 2) government operationalises co-production treaties that India has signed with countries such as Canada; 3) a public kids broadcaster DDKids, a vital piece that is currently missing from the Indian animation ecosystem, is launched; and 4) enough emphasis is given to skill development.



Munjal Shroff
Director & COO – Graphiti
Co-Chair FICCI Animation,
VFX, Gaming and Comics
(AVGC) Forum



The skill gap is a major concern for the Indian animation and VFX industry. However, the efforts of Media and Entertainment Skill Councils (MESCC) and industry partnerships with several universities over the last five years have shown positive results. Formal education in creative and performing arts through schools and universities is the sole answer to catching talent at a younger age. In the newly proposed National Education Policy 2019, industry is making an effort to get a level playing field for vertical such as creative and performing arts, design thinking, sports, etc. alongside Science and Commerce at school and even higher education level.



Ashish S K
Founder – Punnaryug
Artvisoin Pvt Ltd
Chairman FICCI Animation,
VFX, Gaming and Comics
(AVGC) Forum



From a domestic broadcast perspective, until a few years ago, a significant part of the work was being handled by a limited number of large, established studios. However, the exponential growth of kids entertainment channels in the market has paved the way for a vast number of small production studios to flourish since both the large studios as well as the broadcasters outsource work to them directly. This in turn has given a boost to the industry ecosystem, and with the right kind of checks and balances, this ecosystem has now become sustainable for all players.



P. Jaya Kumar
CEO
Toonz Media Group



Indian IPs are here to stay, here to delight kids and capture their minds and hearts. The connect that locally created and curated content has made with the audiences has been unparalleled. It is no surprise that the maximum ratings in the category comes from these IPs. With the investment in Indian IPs across different genres, formats and regional languages growing year on year, the momentum in local IP production is only going to increase further in the country.



Nina Elavia Jaipuria
Head - Hindi Mass
Entertainment & Kids TV
Network
Viacom 18



VFX



The media and entertainment industry is a true representation of a knowledge sector. The value of Indian media is increasing at an exponentially faster rate than its topline revenues. This is due to the fact that the quality of creative talent and technologists in the industry are making it an “ideas industry”. The business is now innovated through design driven emotions that creates contemporary content across new media platforms.



Biren Ghose
Country Head
Technicolor India & President,
ABAI



Technology is disrupting the VFX space in a big way. Studios are developing their own technology tools in order to do things differently and create a competitive edge. With technologies such as AI starting to automate a number of manual processes, VFX pipeline moving to cloud could emerge as a game changer allowing studios to work seamlessly across the world, and also opening up opportunities for viewers on the consumption side.



Jesh Krishna Murthy
Founder & CEO
Anibrain



OTT has emerged has a beacon of growth for VFX. Digital platforms are hungry for content, with shows such as Sacred Games and Ghoul not only focusing on content but also on the production values. However, there is a risk of quantity superseding quality and producers would have to be wary of the kind of content they put out.



Merzin Tavaría
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DNeg India and Co-Founder,
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The views and opinions expressed herein are those of the quoted person/s and do not necessarily represent the views and opinions of KPMG in India.

Gaming

Well played





Gaming

Well played

Digital revolution has been the primary contributor to the remarkable growth of online gaming in India. On the back of growing penetration of smartphones with bigger screen size and improved display pixel ratio, low data costs, improved bandwidth, growth in micropayments and rise in disposable income, the number of online gamers in India has risen exponentially over the last couple of years.

Classification of online gaming



Historical estimates of gaming in India

Industry size	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18	CAGR(FY15-19)
INR billion	24.3	27.6	32.4	43.8	62.0	41.6%	26.4%

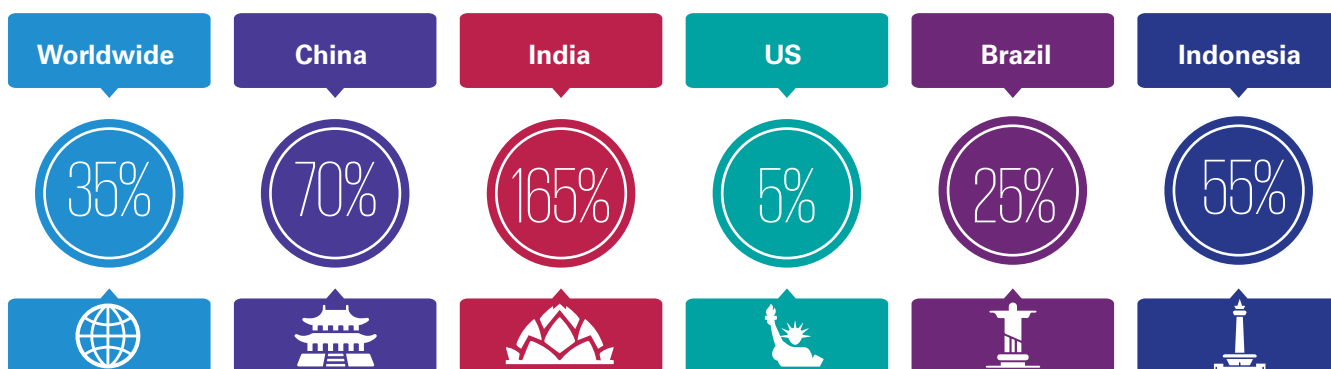
Source: KPMG in India analysis 2019 based on primary and secondary research

Online gamers in India

In million	FY18	FY19	FY20P	FY22P
Number of gamers	269	300	365	440

Source: KPMG in India analysis 2019 based on primary and secondary research

Growth in top countries by app store downloads (2016 – 2018)



Global app downloads exceeded 194 billion in 2018 gaming

Source: The state of mobile 2019: App Annie report

Key underlying trends and themes

User engagement gains further traction in India

In the year 2018, the user engagement on gaming platforms scaled to new heights and is soon expected to approach the global average.

With the younger audience continuing to hold the maximum share, 2018 also witnessed older audience engaging themselves on gaming platforms. Nearly one-third of the gaming population is aged over 35 years in India.¹



Source: State of online gaming report 2019 - Limelight Networks

	Growth in playing time globally	
26-45 years	25%	↑
18-25 years	9.9%	↑

Source: State of online gaming report 2019 - Limelight Networks

1. Kantar IMRB report – Understanding mobile gaming in India 2018

More women are now playing mobile games

Online gaming has traditionally been a male dominated leisure activity but more recently it has attracted a lot of attention from female audiences too with female gamers surpassing male gamers in certain genres. Female gamers are now equally inclined to this mode of entertainment.

Global observations²



Also, women are 79 per cent more likely to spend money on mobile games through in-app purchases.³ In India, the number of female gamers stands at 45 per cent.⁴ In 2017, women gamers in China outnumbered men on the world’s most popular battle arena mobile game, Honour of Kings at 54 per cent.⁵ In the coming times, gaming publishers are likely to launch more women inclusive games to further penetrate this segment.

Mobile continues to account for the majority share in online gaming

Gaming continues to be one of the most preferred online leisure activities, with about 50 per cent of smartphone users in India playing mobile games⁶. Globally, mobile gaming has surpassed PC and consoles in its contribution to overall market revenues with the share of mobile gaming increasing from 18 per cent in 2012 to 51 per cent in 2018. While PC and consoles are growing at a CAGR of two to three per cent, mobile gaming is growing at 26 per cent⁷ globally.

India is already one of the top five markets for mobile gaming in terms of number of users⁸. Mobile gaming holds a lion’s share, close to 80 – 90 per cent in the overall online gaming pie⁹. PC and console gaming are projected to report muted growth, catering to a limited, albeit engaged, audience while mobile gaming is expected to gain at their expense given its inherent flexibility and convenience. Casual games of skill and strategy are the most preferred genres. Hard core gaming demands time and dedication along with access to PCs or consoles, therefore, appealing to a smaller set of audience.

Top games of 2018 in India by consumer spend

	App	Developer
1	Teen Patti	Octro
2	Coin Master	Moon Active
3	8 Ball Pool	Miniclip
4	Teen Patti Gold	Moonfrog
5	PUBG Mobile	Tencent
6	Candy Crush Saga	Activision Blizzard
7	Clash of Clans	Supercell
8	Ultimate Teen Patti	Play Games24X7
9	Lords Mobile	IGG
10	Zynga Poker	Zynga

Source: The State of Mobile 2019 – App Annie (all mobile operating systems combined)

2. More Than 2.4 Billion People Will Play Mobile Games This Year, According To Analyst | Forbes.com, 6 March 2019
 3. Women are 79% more likely to spend more money on mobile games: Study | Money Control, 21 August 2018
 4. Kantar IMRB report 2018
 5. Tencent is bringing China’s biggest game to the rest of the world – theverge.com, December 2017
 6. Kantar IMRB report – Understanding mobile gaming in India 2018
 7. Mobile Revenues Account for More Than 50% of the Global Games Market as It Reaches \$137.9 Billion in 2018 | Newzoo
 8. India among top 5 markets for mobile gaming, Economic Times, August 14, 2018
 9. Industry discussions conducted by KPMG in India

Large console and PC games are now curated for mobile platforms

Many gaming publishers have now launched mobile optimised versions of console and PC games. These games meet the requirements in terms of quality and experience while offering the convenience of the mobile device. Multiplayer battleground game, PUBG which was originally a PC game, was extended to mobile phones in March 2018 and as on May 2019, the game has crossed 200 million downloads globally, on all mobile operating systems and, has achieved over 30 million daily users.¹⁰ Also, some of the other globally renowned games such as Fortnite, Asphalt Legends, Alto's Odyssey, etc. are widely accepted on mobile platforms¹¹. Given the scale and progress that a mobile platform offers, the lighter versions of games are likely to continue to attract eye balls and increase user engagement.

Slow but noticeable improvement in monetisation

While free-to-play games continue to dominate, there has been a noticeable development and increase in popularity of freemium models, where a gamer either makes an in-app purchase for an additional boost or to move further in the game. In India, 28 per cent gamers are now willing to make an in-app purchase for an additional boost and points in their gaming experience.¹² It is the casual gaming segment however, largely ad-supported, which is witnessing this change. Expectedly, gamers from an older demographic have a higher propensity to spend on games¹³. Also, growth in fantasy sports and other real money gaming platforms is likely to accelerate monetisation even further.

Online real money games are gaining popularity

The online Real Money games (RMG) comprises - rummy, poker, daily fantasy sports and quiz games. While the country has played real money games since earlier generations mostly in the form of card games, the online versions of RMG faced some initial hiccups. However, these games have started to witness tremendous uptake over the past couple of years. The growth in online RMG is clearly attributed to shift in mindset of today's Indian consumer. Traditional card games like teen patti and rummy are widely accepted on online platforms today given the emotional connect and mass appeal that they carry. The fourth edition of Rummy Premier League was hosted between 22 November 2018 to 22 December 2018 by Junglee Games that saw participation by over 1.63 lakh people and was played over the course of a month, with 1,765

tournaments being held to determine the ultimate winner.¹⁴ This change in approach and well supported infrastructure is driving growth of the online real money gaming engagement by 30-35 per cent and constitutes approximately INR24 billion¹⁵.

Social gaming helps create communities and increase stickiness with PUBG gaining prominence

Beyond sheer entertainment, gaming platforms are emerging as community networks that are enabling a gamer to connect, share experiences and understand the fellow competitor. Hitwicket, an online game platform, has introduced a gifting feature that allows one to gift points to fellow gamers. And, it is interesting to note that gamers who form part of the older target group have gifted to young gamers whom they have met on this platform¹⁶. Similarly, Mech Mocha's 'Hello Ludo' which was launched in October 2018, has introduced an in-game voice chat. In the span of six months since its launch, it has become popular with regional Indian users, with more than 25 minutes being spent per daily active user and 60 minutes for real-time voice chats¹⁷. Approximately 46 per cent of the Indian PUBG players use the in-game voice chat feature to not only discuss game tactics but also discuss non-PUBG topics at length¹⁸. With growth in mobile gaming, this culture of social engagement is expected to flourish in the coming years.



10. Five reasons why PUBG the most popular battle royale game in India | www.news18.com, May 22, 2019

11. PUBG Mobile, Fortnite to Asphalt 9: Top most popular mobile games of 2018 | Indianexpress.com, December 24, 2018

12. Kantar IMRB report, 2018

13. Industry discussions conducted by KPMG in India and KPMG in India analysis

14. Rummy Premier League 4: India's most sensational rummy tournament sends people into frenzy, Business Standard, 7 Jan, 2019

15. Industry discussions conducted by KPMG in India and KPMG in India analysis

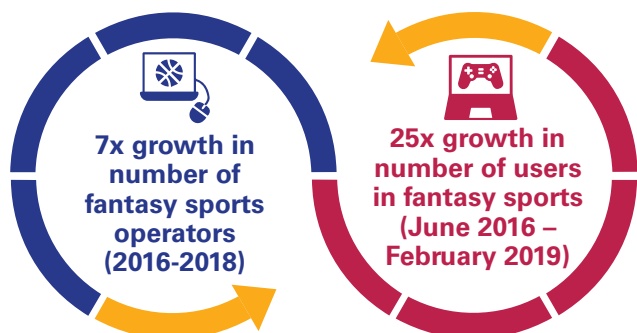
16. Industry discussions conducted by KPMG in India

17. Mech Mocha Game Studios ties up with US firm Agora.io, insidesport.com, April 2019

18. 40 per cent players use PUBG as a social communication channel: Research, Indiatoday.com, 12 December 2018

Fantasy sports gains prominence

The fantasy sports segment in India has gone through a massive transformation since the last two decades of its launch.



Source: Fantasy sports to have 100 million users in India by 2019, the journey has just begun, Financial Express, June 2018

Advent of sports leagues like kabaddi, badminton, football, etc. have played a crucial role in driving engagement of fantasy sports. Also, improved digital infrastructure and corporatisation have aided progress in this segment.

Gaming is being embraced by a variety of businesses

Various sectors that are transactional in nature are using gamification to strengthen their user base. It is now viewed as one of the key advertising and marketing tools to attract the right target audience, drive user engagement and ensure customer stickiness. Within the M&E sector, allied players are also keen to explore gaming offerings to drive user engagement. SonyLIV launched an AR-enabled gaming platform, with an aim to reach out to 50 million new users in the growing OTT market.¹⁹ In the recent past, in-app games from non-gaming companies like Zomato Cricket Cup, Swiggy Match Day Mania, PayTm First Games, Tez Shots by Google Play are some of the examples that showcase growing interest of players in this segment.²⁰ Also, monetisation models have evolved with time as games are getting more immersive. Loyalty points, incentivised ad-viewing, discounted transactions, etc. are some of the innovative approaches to drive engagement.

19. SonyLIV launches Augmented Reality games, Hindu Business Line, 1 July 2019

20. Payments & food delivery apps use games to increase subscribers, Economic Times, 29 June 2019

21. The Game Is On For Indian Gaming Startups, inc42.com, May 2019

22. How Digital Gaming In India Is Growing Up Into A Billion-Dollar Market, forbes.com, September 2018

23. Tencent leads \$100 mn investment in fantasy sport platform Dream11, vcircle.com, 6 September 2018

Investors continue to remain interested

The online gaming segment has witnessed an incredible transformation since the last few years. To bank on growing demand, India has observed progress in various gaming start-ups. Between 2014 and Q12019, the total venture capital funding in Indian gaming start-ups was USD337 million which is growing at a CAGR of 22 per cent.²¹ The segment has also witnessed increased overseas investments and partnerships given its growth trajectory. Alibaba-backed digital payments start-up Paytm and Hong Kong's AGTech Holdings launched a gaming platform Gamepind; Youzu launched local casual strategy games last year. Vietnam-based StomStudio also partnered with mobile game publisher Gamesbond to create mobile games in India.²² Tencent holdings invested USD100 million in fantasy sports platform Dream11.²³

Evolving into a lucrative career option

Gaming has come a long way in India and the segment is now seeing the light of day. Given the success of mobile games and corporate funds being pooled in, the segment is breaking stereotypes when it comes to pursuing it as a career. It is now attracting talent across the value chain - artists, programmers, designers, app developers, etc. The sector has witnessed surge in the number of professional gamers, catapulting e-sports into the league of professional sports. With voice and chat messages being embedded in various apps, it also provides an opportunity to simultaneously cater to a gamer's needs. Similarly, professional gaming tournaments have taken a centre stage in the past couple of years. As prize money of these tournaments continues to rise, more people are considering video gaming as a professional career.



Industry projections

With a rise in ARPU levels alongside the increase in the number of gamers, online gaming in India reported a nearly 40 per cent growth year-on-year for the twelve month period ended March 2019. Online gaming was

estimated at INR62 billion in FY19 with a compounded growth rate of 32 per cent predicted over a five year period.

Industry size	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
INR billion	87.8	118.5	154.0	200.2	250.3	32%

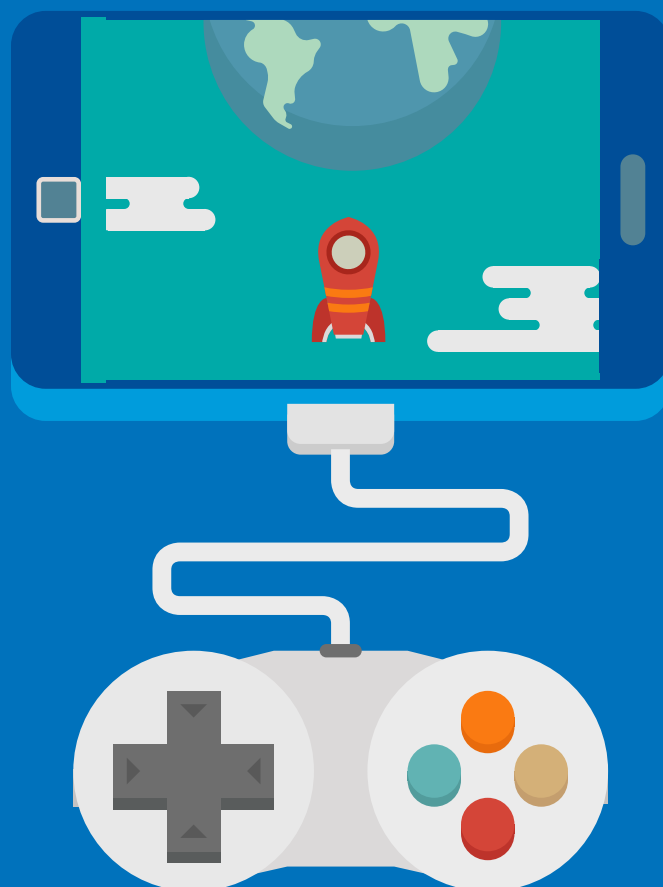
Source: KPMG in India analysis 2019 based on primary and secondary research

Real money games have been one of the key catalysts to upswing ARPUs that picked up the pace in the recent past. These numbers are only expected to rise in the

coming time with improved focus on user engagement, innovations and refinement in overall gaming experience.

Future outlook

Mobile games are likely to continue to dominate and hold a lion's share in the segment. With growth in engagement and willingness to spend, in-app purchases on gaming platforms are also set to rise in the times to come. Tier 2 and 3 cities hold a promising story and may accelerate the growth further. Also, the segment is expected to attain gender parity in the coming time given the rise in women gamers. Emerging technologies like augmented reality (AR) and virtual reality (VR), while at nascent stage of adoption in India, but could benefit the sector in the coming years. Also, the recent announcement of Google's cloud gaming service, Stadia is expected to make a console-like gaming experience more accessible and mainstream, without the need of a hardware box. Likewise, fantasy sports hold a promising future and are expected to gather further momentum. The current ambiguity around classification of online real money games (RMG) as a game of skill and chance can hinder or dampen its progress. Therefore, it is imperative to address this concern which is acting as a major roadblock. Lastly, gaming and sports industry bodies and federations will play a pivotal role to socialise gaming and aid further development.



Industry perspective



The All India Gaming Federation represents more than 30 members in four main genres of online real money gaming: fantasy sports, rummy, poker and online e-sports. These genres in online gaming grew around 35 per cent in the previous year and we only expect this momentum to continue. The biggest obstacle however remains the ambiguity in categorising online real money games as those dependent on skill and the lack of a unifying central regulation for online real money skill gaming. This hampers flow of capital as well as avenues for distribution online. AIGF has been created as an industry body to develop self-governing standards, codes of conduct and bye-laws for members to abide by towards establishing online real money skill gaming as a safe, credible and enjoyable source of entertainment for Indians



Roland Landers
CEO
All India Gaming
Federation (AIGF)



India has come a long way as far as perception of gaming is concerned. Industry has seen gamers progress from free to play to freemium gaming platforms. Today a gamer has a willingness to pay for his/her means of entertainment. While it still comprises a smaller segment but, there has been a positive shift in the mindset which is noteworthy. On our platforms, gamers in the age bracket of 30-40 years have a higher propensity to pay. Also, it is interesting to note that gaming as a segment is now providing multiple avenues to a consumer today, from casual gaming to pursuing it as a full time career option.



Ankush Gera
Founder and CEO
Junglee Games



Downloads and usage of mobile games are increasing exponentially in India every year, what is really encouraging is the trend of revenue increasing with more people willing to pay especially where modes of payments are opened up.



Anuj Tandon
CEO
Yoozoo Games India





We have seen a definitive shift on our platform from casual gaming to more immersive, emotion-driven experiences. Social gaming has become very important in increasing stickiness and the “fear of missing out” and peer pressure is a big motivator. Hitwicket has built strong online-offline communities that form alliances and have shared virtual experiences. Another trend from last year has been the increase in the number of women who are playing online. On Hitwicket II, we have around 23 per cent women gamers compared to 11 per cent in our earlier versions. An interesting insight we have observed is that female gamers tend to have a higher propensity to pay and make a purchase earlier in the game. We see their share of total revenue increasing gradually.



Keerti Singh
CEO Co-founder and Vice
President, Growth
Hitwicket



Content is a key driver for growth and customer engagement. With users gaining traction on various gaming platforms be it casual or real money games, it is imperative to innovate and improvise various gaming metrics to ensure customer stickiness. The current progress in online gaming sector would make it over USD 1 billion industry in the next two years.



Sudhanshu Gupta
CEO
Paytm First Games



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Out of home

Embracing digital





Out of home

Embracing digital

Introduction

OOH (Out of Home) is a versatile advertising medium on account of various advantages it offers over other forms of media such as high coverage in terms of area, better brand positioning, given the larger size of image and higher target audience reach of ~80 per cent.¹ These advantages are even more prominent in metro and tier I cities. Typically, brands are willing to pay more for the exclusivity and quality that premium OOH sites like digital screens at airports offer.

Further, despite being a mass media, OOH can be easily customised to meet the varied needs of brands and marketers across sectors. Creatives, size, location of sites, as well as duration of campaigns can be tailored to suit the client's requirements. Moreover, it is able to provide a high volume campaign in specific locations for a fixed period of time, and hence it can be used extremely well for tactical campaigns.

Historical numbers and KPIs

Industry size	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18	CAGR (FY15-19)
INR billion	22.3	25.5	28.6	32.0	33.6	5%	11.2%

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

The OOH industry has witnessed close to 11 per cent Compounded Annual Growth Rate (CAGR) over the last five years, growing from INR20 billion in FY14 to INR34 billion in FY19.¹

FY19 did not see a significant growth in OOH advertising expenditure, partly due to the ban on all forms of outdoor advertising in Bengaluru.¹ Starting from August

2018, the High Court ordered the removal of posters, banners, flexes and hoardings for one year because the civic body had not renewed or issued licences for them.²

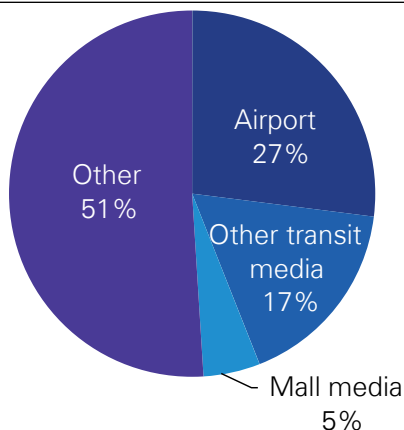
Further, most political parties started spending for central elections which were held in 2019, post March 2019; hence the positive impact on revenues is likely to be felt in FY20.³

1. KPMG in India analysis 2019 based on industry discussions

2. "BBMP bans all types of outdoor ads for a year", The Economic times, Aug, 2018

3. KPMG in India analysis 2019 based on industry discussions

Segregation of OOH revenue

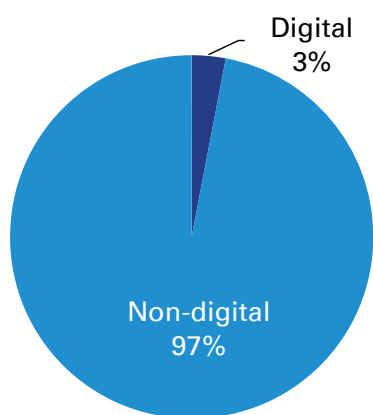


Source: KPMG in India analysis based on primary and secondary research

The airport segment is one of the most significant contributors to OOH growth. While airports in New Delhi and Mumbai have been the major contributors to the OOH story, the segment is also witnessing traction from smaller airports situated in tier 2 and tier 3 cities. These airports, while featuring in nationwide media plans, tend to get a lion’s share of their advertising monies from local retail players who are using airport OOH not only for reach but also for brand building.

The revenue contribution from airport segment was the highest at 27 per cent in 2019, followed by other transit media like trains, buses, etc. and 5 per cent from mall media. The balance was contributed by other indoor media like buildings, hubs, etc. and road facing media, including roadside hoardings, billboards, bus stop/ metro hoardings, etc. The airport segment is a popular model for advertisers as it provides them a controlled environment for experimentation and innovation.

Proportion of digital OOH (DOOH)



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

4. KPMG in India analysis 2019 based on industry discussions
 5. "NEONS OOH Conference: Industry experts on how DOOH still has a long way to go in India", Exchange4Media, March 2019

The controlled versus non-controlled environment principle is also responsible for one of the core distinctions in trends between Indian OOH and global OOH. While digital OOH (DOOH) contributes to nearly 30 per cent of OOH revenue globally, this contribution has been limited to ~INR100 crore (3 per cent) in India.⁴ The increase from 2 per cent in the last year to 3 per cent this year has primarily been observed in metro cities.

Key trends and themes

Digital OOH – still at a nascent stage in India, but picking up pace

One of the major reasons for low adoption of DOOH is that advertisers prefer to take such bets only in specific controlled environments (such as airports and malls), where instances of vandalism, exposure to elements and overall maintenance is relatively lower. Even in other controlled environments such as railway stations, wagons and metros, DOOH has failed to pick up pace in India. Further, roadside DOOH expansion is almost blocked due to various restrictive regulations in major metros.

However going forward, DOOH is expected to see an increase in adoption. Digital outdoor advertisements are becoming increasingly dynamic. Digitally connected billboards can be altered in real time, linked to social media networks and offer interactive content. For example, in order to promote their air purifiers, LG and Times OOH displayed real time data on air quality and displayed it on digital billboards at airports in Delhi and Mumbai.⁵

Another reason brands are expected to increase their use of DOOH is that the cost to brands can be kept in check. Since it allows multiple brands to block slots on one display board during the day, it splits the cost of inventory between media owners and reduces each one’s spend.⁸

Integration of Internet of Things (IoT) in DOOH

Another area which could contribute to DOOH growth is IoT. Interactive outdoor creatives, combined with customer information and increasing data analytics capabilities, can provide advertisers with targeted and customer-specific DOOH media plans. For example, IoT can be used to track, which customers were exposed to a particular ad, who engaged with that ad and other metrics to determine user engagement. Though this is at a nascent stage currently, the next wave of growth in DOOH can come from these areas.

Media planning for OOH campaigns – technology to play a key role

Historically, brands have depended on in-house teams, which conduct research and use their prior experience to carry out the initial planning for site selection. The industry is in an immediate need of a technology-backed paradigm shift in the media planning area, which will help brands identify cities, locations, and even streets that can provide them high returns based on their target group profiling and segmentation. Advertisers are increasingly insisting on Return on Investment (ROI) benchmarking, proper planning of outdoor sites, metrics on site performance and correctness of billing. Development of effective planning tools and a scientific approach to site selection is expected to lead to better distribution of ad inventory based on customer segment to be targeted.

Monitoring of OOH campaigns – need for standardised tools

Monitoring is a key component in the lifecycle of advertising as it keeps a check on the accuracy of creative deployment and campaign implementation. In the age of geo-tagging, and lower cost of data over mobile network, the sector is hoping for single industry accepted technology platform which could help brands get comfort over the performance of their advertising spends in OOH.

Once these systems are in place, the lack of control in open, public areas can be reduced to a certain extent, which may, in turn, propel the sector to grow faster than its historical growth rates. However, the current offerings in the industry are restricted to specific sites/locations/vendors. Further, there are no industry-wide standard tools, which can be used by OOH players for monitoring of campaigns, which results in ineffective comparisons of campaign effectiveness. To make the current technology solutions more acceptable, concerns of cost effectiveness, robustness and linearity of reporting need to be addressed. The measurement system needs to be easy to implement, affordable, tamper-proof, and with a user interface that enables clients and agencies to monitor multiple dashboards at the same time.

The Indian Outdoor Advertising Association unveiled a new initiative where Display Metrics India, working with Ipsos India and MGE Data of Czech Republic, are developing metrics for OOH displays. Their work involves mapping inventory and monitoring site displays and then combining those with traffic intensity data and travel survey data. They are launching their initiative in Delhi, followed by Mumbai, before expanding to other metro cities.⁶

6. "India's OOH sector tackles lack of metrics", WARC, Jan 2019

7. "15 more cities will soon have metro rail in India" The Economic Times, October, 2018

Growth in transit infrastructure

Expansion of transit infrastructure, primarily airports and metros across the country is expected to provide a boost to OOH advertising.

Currently, 10 Indian cities have metro rail infrastructure of over 500 km. The Government has announced that an additional 15 cities are expected to implement metros over the next few years.⁷

The Government of India has also undertaken an initiative to launch airports in smaller towns and cities with the Ude Desh ka Aam Nagrik (UDAN) initiative. This can provide an excellent opportunity for brands, which are looking at engaging population from smaller cities where they see organic growth for multiple product lines. Some of the categories that may invest heavily in these sectors include FMCG, banking, telecom and automobiles.

Development of smart cities

An area that could provide impetus to OOH is the Smart Cities campaign of the Indian government. These cities can be positioned as model cities to the rest of the country on how OOH and specifically DOOH can be used effectively in non-controlled environments as well. This requires defining terms of usage at the contracting stage, providing long term rights to licensees and maintaining such sites.

OOH regulatory landscape – appointment of single regulatory body expected to increase transparency in the sector

One of the core problem areas of the OOH sector is the large number of regulatory constraints applicable on the sector. OOH, primarily located in public areas, is subject to multiple regulations subject to traffic, aesthetics, licensing and structural safety. While OOH players bet big monies on various sites as part of their revenue projections, a large number of projects fail to materialise due to policy/regulation deadlock. The regulatory landscape also does not allow digital media at various places in the country. The Municipal Corporation of Greater Mumbai (MCGM) is set to implement new regulations, which will ban hoardings on top of rooftops, terraces and hoardings that come under high-tension wires.⁸

A single body could be appointed to take charge of licensing and approving site plans to address concerns of OOH players.⁹

8. "The new OOH regulations and what needs to be done", Printweek, April 2019

9. KPMG in India analysis 2019 based on industry discussions

OOH industry projections

Industry size	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
INR billion	33.6	37.1	40.5	44.1	48.1	52.4	9.3%

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

Although the growth of the OOH market in FY19 was muted, FY20 is expected to see a significantly higher growth, primarily driven by the central election spending which took place post March 2019, the cricket World Cup and IPL. Further, many brands which had postponed their campaigns on account of elections are expected to run them in FY20, which will add to the overall growth. These factors are expected to lead to a growth of around 10 per cent in FY20.

Post FY20, the industry is expected to increase at a CAGR of around 9 per cent growth till FY24 primarily driven by factors such as expansion in transit

infrastructure including airports and metros in metro cities, development of smart cities and increasing transparency for brands on account of improved monitoring technology.¹⁰

In conclusion, the OOH market in India is going through a transformation, with digital OOH gradually gaining traction with an increase in usage of data and analytics for customer targeting. However, restrictive regulations in metros and lack of standardised tools for planning and monitoring of OOH campaigns still remain major pain points for the sector.



10. KPMG in India analysis, 2019 based on primary and secondary research

Industry perspective



The key stakeholders in the OOH industry in India need to collaborate and use one universal tool for planning and monitoring, which will lead to higher efficiency, and bring in more visibility for brands in the planning and monitoring process.



Pawan Bansal
COO
Jagran Engage



The OOH industry in India needs an industry body which can represent the opinion of the players with regard to regulation and create transparency for advertisers.



Archana Aggarwal
VP Media
Airtel



Digital OOH has been growing in the controlled environment like airports, metro rails and malls rapidly, but roadside digital expansion is almost blocked due to restrictive regulations within cities.



Pramod Bhandula
Executive Chairman
JCDecaux India



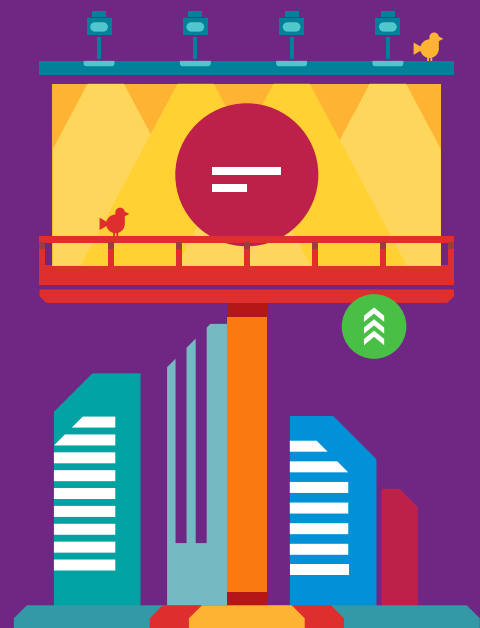
Planning, execution and monitoring are the three pillars for any OOH campaign. Now, the time has come for these three things to have scientific answers backed by data and supported by logic. This will help the clients optimise their OOH spends and get greater ROI.



Amit Kapoor
MD
US Advertising Agency Pvt. Ltd.



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Radio

Waiting to be heard





Radio

Waiting to be heard

The year 2019 was a year of tepid growth and critical time was lost due to indecisiveness over the next batch of the phase III auctions. The phase III auctions, which have the potential to exponentially grow the industry have been inconclusive since 2013, constant delays and the lack of clarity being the primary hindrances.

Out of the 163 stations successfully auctioned in Phase III, 148 stations have gone live. A major focus of Phase

III was to bring expansion of the private FM networks throughout the country with a greater focus on tier II and tier III cities. A majority of these channels are expected to now feature in the next batches of auctions. A shift in the reserve price strategy from population size to looking at the market potential of the city could see more players participating for more than 600 channels in the C and D category

Size of the radio industry

Industry size	FY15	FY16	FY17	FY18	FY19	Growth FY19 over FY18	CAGR (FY15-19)
INR billion	19.8	22.7	24.0	25.9	27.5	6.17%	6.68%

Source: KPMG in India analysis 2019 based on primary and secondary research

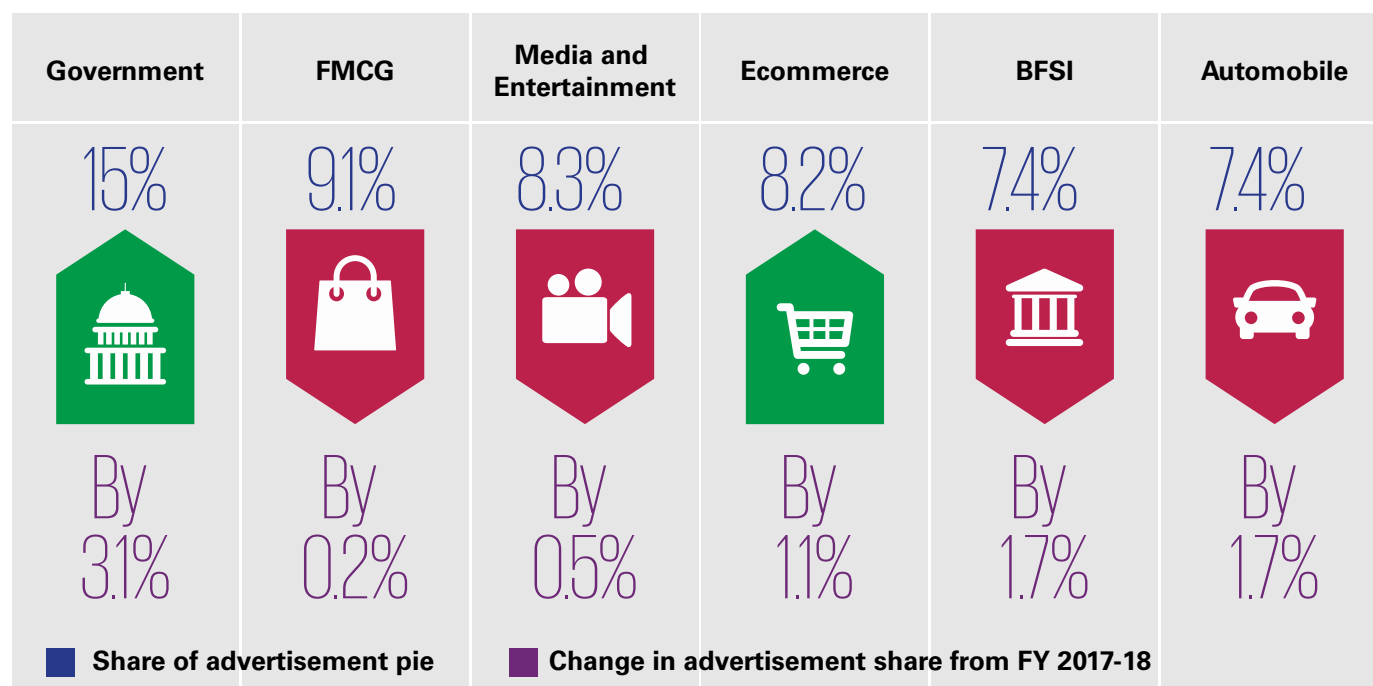
While the radio industry's last five years (FY 2015-19) CAGR is at 6.68 per cent¹, the growth during the FY 19 has remained weak at of 6.17 per cent¹.

The industry saw impetus coming from the increase in spends due to elections. While the real estate sector continued to face slowdown, the sector spends on radio continued as a means to liquidate existing inventory. The automobile industry is going through a tough period, but it too continued to spend on radio to promote new launches. The festive season saw the E-commerce players increasing their advertising spends as the economy slumbered out of after-effects of demonitisation and GST. Other industries like FMCG and the media and entertainment sector held on to their share of the advertising pie.



1. KPMG in India analysis based on primary and secondary research

Snapshot of industry-wise split of advertisers on radio for FY 2018-19²



In terms of advertisement, the industry estimate of ad rates varied across cities from over INR60 per second² in the metros to INR15 per second² in certain tier 3 cities. To use ad rates as a reference point, it further provides evidence that the population may not be the only factor in determining the potential of the market. Other matrices like spending power, demographics, etc. also need to be considered.

Due to the sluggish economy, pricing continued to be under pressure and growth has come mainly due to increase in utilisation. Inventory utilisation continues to be high in the A and A+ category cities whereas the newer stations are now operating at inventory utilisation of around 45-50 per cent². The average inventory per hour fluctuates from as low as 8-10 minutes per hour²

in newer cities in category C and D to 18-24 minutes² in the metros. During the festive season, for some channels the ad time is over 30 minutes² thereby having a negative impact on the listenership experience. In an industry competing with digital and other streaming services for user attention, the broadcasters need to find a fine balance between monetisation of popular programmes and quality listenership experience in order to remain relevant.

In terms of the overall share, radio advertising is 8-9 per cent² internationally, whereas in India it remains constant at around 3-4 per cent².

As at the end of June 2019, 381 FM radio stations are operational in 107 cities³. A snapshot of key players in the industry is as below:

Radio network	Entertainment Network India	Sun	Reliance Broadcast Network	Music Broadcast	DB Corp	HT Media	Others
No. of channels	73	63	58	39	30	15	103
No. of Cities	65	62	58	39	30	12	75

Source: KPMG in India analysis based on primary and secondary research.

2. KPMG in India analysis based on primary and secondary research

3. List of 381 operational Private FM Radio stations as on 18.06.2019, Ministry of Information and broadcasting, accessed on 3 July 2019

The industry has seen consolidation over the past two years, post the expiry of the mandatory lock-in period and the trend has continued in the current year.

With the uncertainty around the auctions, there is still potential for larger players to fill in gaps in their reach (in terms of cities/towns) through inorganic growth. Large capital investment coupled with long gestation period act as a barrier for new aspirants (from outside the radio industry) to enter this sector and therefore the trend of consolidation within the industry seems to be the logical way forward to the larger players.

Keeping pace with other mediums, radio players have continued to innovate and integrate their existing content in digital space. This has provided radio operators with monetisation opportunities and expanded their existing revenue streams. For instance, Radio City which has online stations which can be accessed at any time on the convenience of the listeners. Radio Mirchi has also started licensing its original content to multiple platforms, including national OTT players⁸ to cash-in on the same convenience of content being available on demand.

Influencer

The role of radio jockeys (RJs) have evolved from captivating the listeners through narrative and music to being media influencers. Radio has now become a livelier medium, more like social with users being able to share their views. RJs are now able to connect with more people, share more content through social media. Radio restricts RJs to the duration of the specific programme that they are hosting on air and social media has become their extension of thoughts.

From using the radio platform to encouraging people for a cause, the radio stations have truly contributed in resolving social issues. There have been multiple campaigns initiated during the year with Radio City's "Kar Mumbaikar"⁹ initiative to free Mumbaikars from rain woes, Red FM's "Bachpan Bachao Aandolan"⁹ to end child labour, Radio Mirchi's "Road pe dikhegi tabhi to chalegi"⁹ campaign for promoting cycles, MY FM's "Halla Bol"⁹ for helping listeners with one issue affecting their city and BIG FM's "Big Green Ganesha"⁹ for promoting environmental conservation and sustainability.

Radio no longer remains a medium for only music as it offers a package of multiple components like live hyper local news, engagement of listeners with RJ through games/talk shows and music. Ground activations, music streaming and concerts are areas of growth for the FM companies. The radio + on ground + digital package,

which together make up the 360 degree solution for the advertisers, is believed to grow in future¹⁰. Several Bollywood celebrities are now connecting with their fans through radio. This year saw Karan Johar, Kareena Kapoor Khan and Vidya Balan amongst others to transition as RJs¹¹. With growing competition, having a popular voice helps a radio station to reach out to more audience, innovate and add more star value to their content.

Radio going international

Indian radio operators who are also expanding their geographical footprints by expanding in overseas countries – USA, UAE and Bahrain. These markets have a large population who are of Indian origin who do not have easy access to local Indian content. The 24 hour stations play a combination of Bollywood music, infotainment and comedy in addition to airing the show of popular Indian RJs¹².

Consolidation

With the mandatory lock-in periods coming to an end, the industry is witnessing consolidation. Subject to obtaining regulatory approvals, Music Broadcast Limited (MBL) has decided to acquire the radio business of Reliance Broadcast Network Limited (RBNL) which comprises 58 pan India stations of BIG FM for an enterprise valuation of INR1,050 crore. Forty stations will be retained and the balance 18 stations will be surrendered¹³. MBL currently has 39 stations and with the acquisition of BIG FM, their geographical presence will expand to 79 stations spanning 69 cities. MBL had also announced the acquisition of the radio division of Ananda Offset Private Limited (Friends FM) by way of a slump sale. This acquisition gives MBL access to the Kolkata market¹⁴.

This year saw another acquisition by HT Media Limited of 51 per cent stake in Next Mediaworks Limited of seven radio stations taking their tally to 22 stations spanning 15 cities¹⁵.

Consolidation has some interesting by-products – it allows for economies of scale to develop. But it will also allow for added differentiation between the brands. Where frequencies are available so rarely, it will allow for interesting differentiation to be created.

4. What does acquiring BIG FM mean for Music Broadcast Limited, exchange4media, 31 May 2019

5. Music Broadcast to acquire Ananda Offset's Friends 91.9 FM radio, livemint, 24 April 2018

6. Radio One acquisition strengthens our position in metros: Harshad Jain, HT Media, exchange4media, 14 May 2019

7. Radio City launches digital platform, radiocity.in, exchange4media, accessed on 3 July 2019

8. Radio Mirchi starts licensing original content to multiple platforms, exchange4media, 23 July 2019

9. Noteworthy social campaign done by various Radio stations in 2018, radioandmusic, 25 September 2018

10. KPMG in India analysis based on primary and secondary research

11. Celebrities go on air, Deccan Chronicle, 2 March 2019

12. Radio Mirchi starts operations in the US, exchange4media, 28 January 2019

13. Music Broadcast Limited – Investor Presentation for Q1 FY 2020

14. Music Broadcast to acquire Ananda Offset's Friends 91.9 FM radio, livemint, 24 April 2018

15. Radio One acquisition strengthens our position in metros: Harshad Jain, HT Media, exchange4media, 14 May 2019

Disruptions in the radio industry

Measurement system

The measurement system continues to be a cause of concern for the industry. Addressing this challenge has the potential to attract high quality advertisers to invest in radio. Different stations have resorted to different ways to measure their audience as the industry lacks unified audience measurement system. While there have been initiatives taken by the Association of Radio Operators of India (AROI) and Media Research Users Council (MRUC), it has remained a work in progress¹⁶.

Different players in the industry are using different ways to combat this lack of measurement. For instance, some players are using Indian Readership Survey as a tool to measure the listenership; some others are using data provided by Radio Audience Measurement (RAM) by TAM media Research; some players have also appointed independent market research companies or completely developed their own surveys to track the listenership.

While these attempts do mitigate the lack of measurement to some extent, from an advertiser's standpoint radio continues to be a judgment and intuition based buy.

Rise of smartphones

India has now become the world's second largest smartphone market with a user base of 400 million¹⁷ making it a preferred mode of consumption of media for the masses. This trend is fueled by affordable data prices, availability of large diverse content, affordability of the new range of smart phones and convenience. A downside to an ever evolving technology in the smartphone space is that more and more smartphone makers are excluding the humble radio receiver in order to pack in the maximum features in the minimum size of the smartphone. Listeners are then compelled to access the radio content through digital streaming. While radio companies have gone digital in order to capture this smartphone audience, video on demand is becoming more popular than merely streaming audio online. Radio companies are using the power of their influencers in order to mitigate this impact.

Social media platforms

The traditional strengths of radio are now under increasing threat from social media platforms. Radio has banked on the popularity of the RJs and their connect with the masses; these RJs are now interacting with

fans live through the social media platforms, which provide an instant visual connect which radio lacks. In terms of the hyper-local advertising and local news, with advance location tracking services and increasing use of AI, social media platforms are able to customise the advertisements exactly to individual users' tastes and preferences. Local news is now being circulated through instant messaging platforms, thereby further reducing the reliance of the consumer as a source of local news and updates.

Social media platforms also provide the number of views/hits instantly in a transparent manner. This solves a key problem of measurement associated with any form of media. Advertisers are able to know the customer feedback and react to it almost on a real-time basis.

Policy changes that can contribute to the success of radio

Lowering of the reserve price

Auctions for the second batch of Phase III held in 2017 drew a lukewarm response. It is anticipated that the government may seek remediation measures. An alternative to the high reserve price could be a revenue-sharing model without any reserve price. Benchmarking the reserve price with the advertisement potential of the cities can also be considered¹⁸. While setting a reserve floor price is necessary, the auction methodology should also consider actual bids which should provide for a reduction in the reserve price based on actual demand.

Freedom to broadcast news

The government adopted a mixed approach to permit broadcast of news on Radio. Private FM radio broadcasters have to carry the AIR news bulletins on an 'as is' basis, in an unaltered form, restricting the free speech in the process and restricting content differentiation to attract new listeners. In addition, the commercials which are broadcast during news bulletins have to be carried along with the news in totality¹⁹. Private radio operators are not excited by the fact that they broadcast news sourced from All India Radio. They feel the move infringes on their right to present news in a format suited to them, and would make all radio channels sound alike. Most large radio broadcasters are part of large media groups and have their own new content and pride themselves on credibility and independence.

16. No unified measurement: So, how does the radio industry work?, exchange4media, 27 August 2018

17. Pitch Madison advertising report, 2019

18. Radio frequency auctions: No one's tuning in, operators say reserve prices too high, Financial Express, 21 February 2019

19. Terms and Conditions, News on Air – News Services Division, All India Radio News, accessed on 3 July 2019

Frequency

In order to increase the number of stations in popular metros with a higher consumer appetite, the government should consider decreasing the minimum space between the stations from the current 800 MHz. This is also in line with the TRAI recommendation in order to increase the number of stations available in metros. This may potentially lead to rationalisation of the advertisements run during peak hours thereby improving the listenership experience. To draw an analogy, the city of Mumbai has nine radio stations whereas the city of New York has 45 radio stations²⁰.

Road ahead

With an estimated CAGR for FY 2019-24 of 10.08 per cent and estimated industry size of INR 44.5 billion²¹ by FY 2024, the radio industry is heading towards a slower growth rate. Pending clarity on when the next round of auctions will be held, we have not considered in any growth from the launch of stations not yet auctioned and existing phase III stations are expected to reach their full potential over the next three years.



Projected size of the radio industry

Industry size	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
INR billion	30.5	33.7	37.6	40.5	44.5	10.08%

Source: KPMG in India analysis 2019 based on primary and secondary research

Radio is among the last free-to-air medium with a relatively large reach, and therefore it continues to be an important mass medium. For now, it is able to fend off competition from the ever increasing internet penetration. Given the high gestation period and the challenges around measurement, if the long overdue phase III auctions are not rolled out soon, radio industry may be running out of time and may not be able to sustain in this increasingly evolving market.

The radio listenership is decreasing at a rate of 1 per cent²² globally. The Europe and Asian countries are

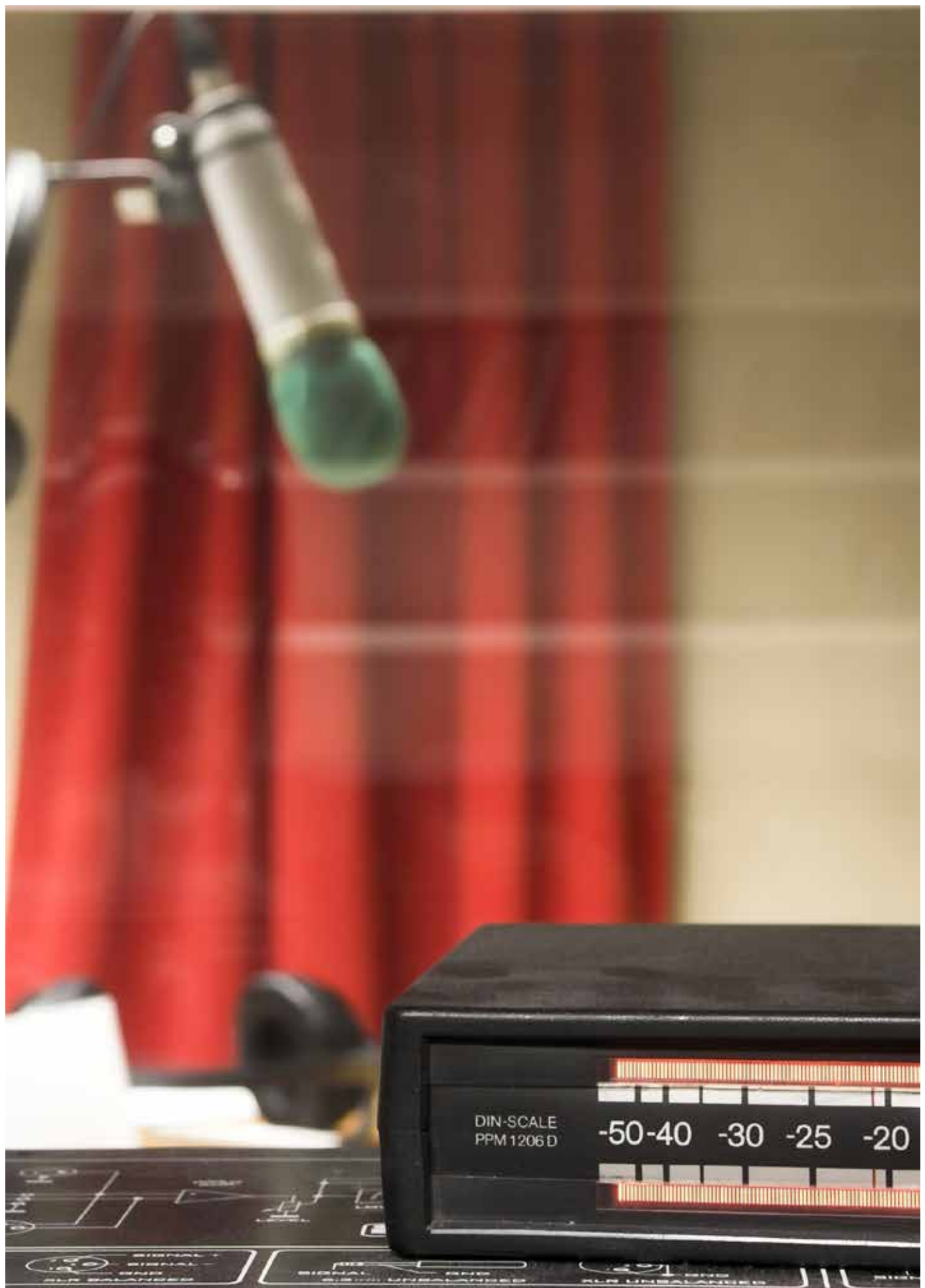
witnessing the decrease in line with global trend. However, the number has been fairly stable in the U.S. This is primarily because of more number of car commuters in the U.S. who prefer listening to radio.

With the 2019 elections done, the industry is awaiting the government's intervention to provide clarity on the next batch of the phase III auctions, resolve the copyright issue and deregulate the industry.

20. Radio could be three times bigger than it is now: Prashant Panday, exchange4media, 3 December 2018

21. KPMG in India analysis based on primary and secondary research

22. CRISIL research



Industry perspective



The ask of media advertisers has shifted from buying media inventory to demanding “Solutions”. We have developed solutions that go beyond Radio and straddle other media verticals including print, TV, OOH, on-ground, digital and social media. We are not restricted to developing the solutions for our advertisers but executing them as well. Another shift in the tide is from merely using digital platforms for marketing and communication purposes, to becoming a full-fledged digital publisher. We have extended our FM content to digital, creating digital-first content, adding a digital leg to on-ground events and even creating digital only web-radios.

Having built a successful test model of creating engaging video content, the focus would be on two separate revenue streams – brand integration into the content and licensing to platforms on multiple formats and in multiple geographies.



Prashant Panday
*Managing Director & CEO
 Entertainment Network
 (India) Limited*



The acquisition of the BIG FM network operated by RBNL, subject to regulatory clearances will make MBL the largest radio player in the country with 79 frequencies with minimal overlap, covering majority of the FM footprint of the country. We believe the consolidation that the industry has witnessed will bring further efficiencies in business operations and improve the medium’s ability to attract advertisers of significant scale and size.



Apurva Purohit
*President
 Jagran Prakashan Ltd.*



With focus on the millennial generation, multi-media content creation is what we believe would drive the radio industry in the coming years especially in the markets, Indigo operates. Radio and social media pointing at each other besides on ground activations and curated events. With more innovations including a strong digital play the days ahead look exciting.



Sanjay Prabhu
*Vice Chairman
 Radio Indigo FM*





As the Indian economy propels to the INR 5 trillion, the radio industry is aggressively pursuing growth on the back of content curated on the basis of local insights and customised solutions for brands which can go across other mediums apart from radio. We are also betting big on programmatic, by proposing to invest in a programmatic solution designed to enhance and catalyse advertiser experience and also increase the advertiser base in Tier II and Tier III cities. This will help the industry to capture a wider range of advertisers – from MNCs to smaller advertisers with minimal budgets through state of the art frictionless service.



Asheesh Chatterjee
*Chief Financial Officer &
 Chief Business Office
 Reliance Broadcast Network*



Radio to grow in Real Bharat - In the years to come Radio will witness faster growth than traditional medium on the back of Private FM stations reaching new markets. The consumption of Radio in tier II & III markets is increasing and nowhere have we seen digital as a threat, we believe all the mediums will co-exist as each medium has its own strength.

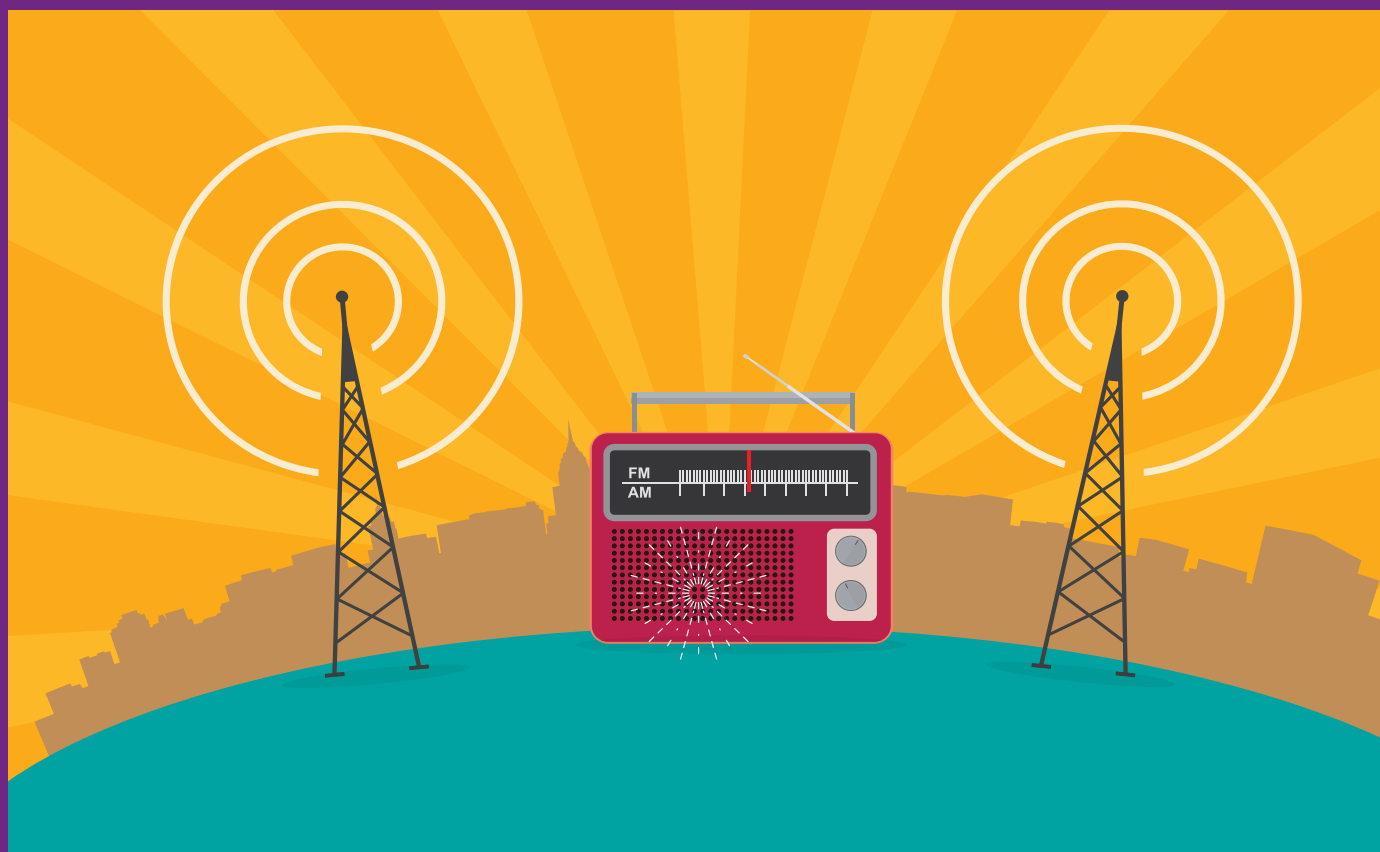
Advertiser realises the potential of this medium in terms localisation and massive reach to top it up customized 360 business solution as per the client challenge is our strength



Rahul Namjoshi
*Chief Operating Officer
 MY FM – DB Corp Ltd*



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Music

In tune with the masses



Music

Tuning with the masses

Introduction

In line with the trends in the global music industry, the Indian music industry is witnessing a revival in the last few years which is majorly driven by the introduction of digital music platforms. The strong growth over the last year has resulted in the industry leapfrogging in

worldwide rankings from 19th in 2017 to 15th in 2018¹. The Indian music industry stood at INR16.6 billion in FY19, having grown at 15.3 per cent over FY18². The industry recorded a compounded annual growth rate (CAGR) of 13 per cent between FY15 and FY19³.

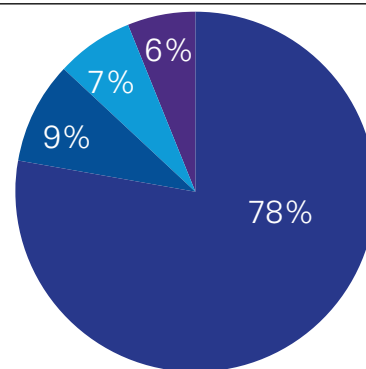
Historical performance of the music industry

Industry size	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over FY18	CAGR (FY15-FY19)
INR billion	10.2	11.2	12.6	14.4	16.6	15.3%	13.0%

Source: KPMG in India analysis 2019 based on primary and secondary research

Digital content consumption, including online music, has been growing quite steadily, resulting in digital becoming the largest contributor (from 55 per cent in FY15 to 78 per cent in FY19)⁴ to the overall growth and revenues of the Indian music industry. The Indian consumer is estimated to spend 21.5 hours per week listening to music, higher than the global average of 17.8 hours a week, indicating popularity of music as an entertainment option among Indian audiences⁵. Increase in digital distribution and consumption of music is being led by strong growth in broadband subscribers due to proliferation of smartphones and lower data tariffs.

Indian music industry revenues by format, FY19E



- Digital*
- Performance rights
- Physical
- Synchronisation

Source: IFPI Global Music Report 2019

* Digital revenue: Includes streaming, mobile personalisation and downloads. The share of digital channel has remained unchanged at 78 per cent in FY19 vs. FY18 as increase in share of streaming is balanced out by the decrease in share of downloads.

1. IFPI Global Music Report 2019
2. KPMG in India's analysis 2019 based on primary & secondary research
3. KPMG in India's analysis 2019 based on primary & secondary research
4. IFPI Global Music report 2019
5. IFPI Global Music report 2019

Growth accelerators

Exponential growth in user engagement applications

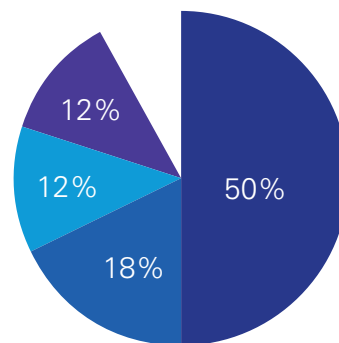
User engagement applications include apps wherein the user is allowed to use a visual input with audio input running in the background to create engaging content. The music industry has acted as a catalyst in the growth of user engagement applications. As of April 2019, TikTok has over 120 million monthly active users in India and licensed music has played a major part in its growth⁶. At the same time, rise of user engagement applications has also created a new monetisation avenue for the music industry. Following the success of TikTok, social media giant Facebook has obtained licences from record labels to feature music in its applications. Earlier, such content due to lack of licence deals was taken down. In addition to providing access to licensed music to its large user base across Facebook and Instagram, Facebook Inc. plans to compete with the music app TikTok with its work in progress application Lip Sync Live⁷.

TikTok is also a big hit among the younger population and the platform has made rapid headways into the tier II, tier III and beyond markets. It has contributed to some viral hits – “Lamberghini” song is a case in point. Industry can expect such viral hits more frequently as more user engagement applications enter the market and as social medial players allow their subscribers to include the use of licensed music in their stories. All in all, increasing use of licensed music by users to create appealing content provides a significant growth opportunity for the music industry.

Increase in consumption of non-Bollywood music

The listeners’ music preferences are no more dictated by what’s playing on TV and radio and are not restricted to Bollywood anymore. There has been a surge in demand for non-Bollywood genres of music including regional, spiritual, Indian rap, international etc.

Genre-wise music consumption, FY19E



- Bollywood
- International
- Punjabi
- Tamil and Telugu
- Other regional

Source: KPMG in India analysis 2019 based on primary and secondary research

In mid-2016, prior to the democratisation of wireless data usage, Bollywood accounted for 65-70 per cent share of music consumption on streaming platforms. This share has dropped to a little over 50 per cent by early 2019. The share of international music has also decreased from late 2016 due to increased accessibility of streaming platforms in tier II and tier III cities⁹.



6. “With over 120 mn monthly active users in India, how effective will the TikTok ban be?”, The Economic Times, 2019, accessed as on April 17, 2019
 7. “Facebook Finally Allows Licenced music In Videos, Starts Testing Musical.ly Rival”, tech-times.com, 2018, accessed as on June 5, 2018

8. Discussions with Industry Participants
 9. Discussions with Industry Participants

Regional music segment accounted for around 32 per cent of the market in FY19¹⁰. Punjabi music leads the share of revenue among regional languages. This high share of Punjabi music also reflects its popularity that has been built since the mid-90s. The robust demand for Punjabi music both within India and among NRI audiences has created monetisation potential for the artists, both in online world and on traditional TV and radio platforms. Tamil and Telugu music have always been popular given the captive audiences of their respective movie industries. Regional players have evolved to become more social media savvy by using tools such as social media optimisation (SMO) to boost their content.

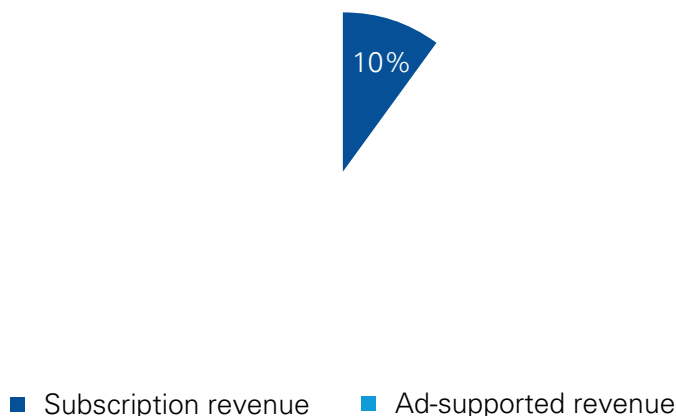
Going forward, the share of regional music consumption is expected to increase while the share of Bollywood music consumption is expected to go down. However, the size of the overall pie will also expand substantially. So Bollywood music consumption, in absolute terms, will remain large. Access to streaming platforms for users in tier II and beyond markets has meant increase in consumption of local/regional music and this trend is likely to continue over the medium term. Streaming platforms are also focusing on offering regional content to build differentiation.

Key themes

Entry of international platforms spices up music streaming

The base of monthly active users (MAUs) on audio streaming platforms is estimated to have increased from 110 million in March 2018 to 165 million in March 2019, registering a strong growth of 50 per cent¹¹. This growth has fuelled the interest of international music streaming platforms - including Amazon Prime Music, YouTube Music and Spotify - which have entered the Indian market over the last one year¹². ByteDance Ltd., the owner of popular user engagement app TikTok, is contemplating entry into the music streaming market of emerging countries (including India) with the launch planned as early as the third quarter of FY20¹³.

Composition of music streaming revenue, FY19E



Source: KPMG in India analysis 2019 based on primary and secondary research; the advertisement vs. subscription revenue mix takes into account music streaming on YouTube in India.

In FY19, advertising accounted for around 90 per cent of music streaming revenue while paid subscriptions accounted for the rest 10 per cent (INR 1.2 billion in absolute terms)¹⁴. However, with the launch of subscription-only services such as YouTube Music and Amazon Prime Music as well as Spotify, which have a strong impetus on converting free subscribers into paid ones, the industry is likely to sharpen its focus on realising monetisation. Music streaming platforms across the board are offering attractive subscription plans and bundled offers for users. For instance, YouTube Music, Gaana and JioSaavn are priced at INR99/month while Amazon Prime Music is bundled with Amazon Prime's INR129 per month plan.

Of the total audio streaming subscriber base in India, around 1 per cent are paid subscribers¹⁵. In China, which was a predominantly pirated music consuming market like India, music streaming platforms have achieved 5 per cent paid subscriber base in a short span of time¹⁶.

For the music industry as a whole, per capita revenue in India stands at 10 cents while the same number for China is 21 cents and for UK it is USD20¹⁷, signifying tremendous headroom for growth.

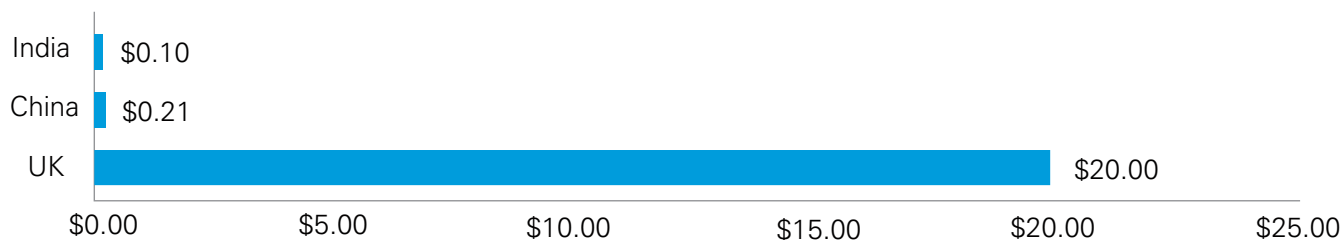
10. Discussions with Industry Participants

11. Discussions with Industry Participants

12. "Why two music-streaming giants have entered India in less than a month", Quartz India March 2019 story accessed on 17 July 2019

13. "TikTok owner to challenge Spotify and Apple with Music Service" Bloomberg May 2019 story accessed on 17 July 2019

Global comparison: per capita revenue for music industries in India, China and the UK for 2017



Source: Vision 2022 – The Indian Music Convention 2018 document

In China, consolidation of music platforms, government focus on reducing/eliminating pirated content, increased paying ability of users, cheap smartphone and data availability have all contributed to the music streaming success story. Indian music streaming market may follow a similar growth trajectory if steps are taken to significantly reduce consumption of pirated music. Also the overcrowded nature of the Indian streaming market may make it a prime candidate for consolidation.

Synchronisation to get a boost due to targeted advertising tailored to users' listening habits

In the global music industry, "Indian music synchronisation" is ranked seventh in terms of revenue¹⁸. Synchronisation involves distribution and placement of sound tracks in feature films, television shows, advertisements, video games, etc.

With changes in the advertising sector, the industry has witnessed increasing emphasis on analytics-dependent marketing, which aims to target the relevant audience with more precision. The ad-supported streaming subscriber base, which contributes around 85 per cent (excluding 1 per cent paid subscriber base and 14 per cent bundled subscriber base) to the overall streaming subscriber base in India, presents a significant opportunity for advertisers to tap into¹⁹. Advertisers are increasingly focusing on programmatic advertising tailored to the user's listening habits. This is likely to improve user engagement and therefore increase effectiveness of the ad campaign. In this scenario, advertisers can also keep the focus of their ad campaign on the targeted customer group. Although programmatic advertising is picking up in India, there is significant headroom for it to grow given its appeal to the advertisers. The use of music in such tailored ad campaigns presents a significant growth opportunity for the music industry.

Partnerships with social media platforms, video sharing platforms and gaming consoles open up new monetisation avenues for the music industry

Partnerships with social media platforms, video sharing platforms, gaming consoles, etc. help the music industry increase its distribution reach and also open up new monetisation avenues. In its efforts to improve user engagement, the social media giant Facebook Inc. announced a licensing deal with three Indian labels - namely T-Series, Zee Music Company and Yash Raj Films²⁰. With this licensing deal, it will now be possible for its nearly 300 million users in India to include music in their stories on Facebook and Instagram. Facebook already has licensing deal in place with Universal Music Group, which is helping the platform offer personalised and interactive music features for its users around the world.

Phonographic Digital Limited (PDL), a global digital music collection company, has entered into a partnership with Dailymotion, a leading video content discovery platform, to offer Indian music content to worldwide audience. PDL is planning to monetise the works of various PDL member artists and labels on Dailymotion which has around 250 million monthly users²¹.

Spotify is now accessible on Sony's gaming console platform PlayStation 3 and 4, months after its debut on Microsoft's gaming console Xbox one, where it was available since its launch in February 2019. With this deal, more than 50 million songs and 3 billion playlists are now accessible to gamers in India. It works for both paid and free users and doesn't require subscription of Spotify on PlayStation. Spotify is already available on Sony's PlayStation globally since 2015.²²

14. Discussions with Industry Participants

15. Discussions with Industry Participants

16. Discussions with Industry Participants

17. Vision 2022 – The Indian Music Convention 2018 document

18. IFPI Global Music report 2019

19. Discussions with Industry Participants

20. "Facebook inks licensing deals with 3 Indian music labels", Live Mint, 2019, accessed as on March 14, 2019

21. "Dailymotion & PDL India Join Hands to Bring the Indian Music Industry to Greater Heights" IndiaTelevision December 2018 story accessed on 22 June 2019

22. "Spotify is now available on PlayStation in India", musicplus.in, 2019, accessed on June 06, 2019

Judicial and legislative interventions bode well for the music industry

The verdict by Hon'ble Bombay high court on 23rd April, 2019 in Tips Industries Vs. Wynk Music Ltd. held that online music streaming and digital downloads are not covered under the statutory licensing provision (Section 31D) of the Copyright Act, 1957. The verdict makes it clear that market dynamics should drive commercial negotiations between labels and streaming platforms and streaming should not be clubbed with use of music in radio and TV broadcast which is subject to price regulations. It needs to be seen how the industry dynamics evolve in light of this decision.

In July 2018, the Union Cabinet approved the accession to the WIPO copyright treaty (WCT) and WIPO performers and phonograms treaty (WPPT), collectively known as the WIPO Internet Treaties, which extend coverage of copyright to the internet and digital environment²³. The Indian music industry is likely to benefit from this accession through protection of music industry's work and creation across the member countries signatory to the treaties. In part due to the accession to Internet treaties, the US Chamber of Commerce has ranked India at 36th place in its international intellectual property index in 2019, eight places above the previous year's rankings²⁴.



23. "Cabinet approves accession to WIPO Copyright Treaty, 1996 and WIPO Performance and Phonograms Treaty, 1996" Press Information Bureau, Government of India, Cabinet, 2018, accessed as on July 4, 2018

24. "India vaults eight slots to 36th rank in IP index" February 2019 story accessed on 22 July 2019

The way forward

The music industry is expected to build on the momentum of the last 2-3 years and reach a market size of INR34.6 billion by FY24 at a growth rate of

around 15.8 per cent per annum²⁵. Several factors would underpin the projected growth in the industry.

Projections for the music industry

Industry size	FY19	FY20P	FY21P	FY22P	FY23P	FY24P	CAGR (FY19-24)
INR billion	16.6	19.3	22.3	25.8	29.9	34.7	15.8%

Source: KPMG in India's analysis 2019 based on primary & secondary research

The music streaming segment would continue on its growth trajectory recording around 20 per cent growth per annum through FY24, which is about 5 per cent higher than growth of the overall music industry²⁶. The streaming platforms, especially those with deep pockets or backing of strong conglomerates, are likely to embark on category building marketing initiatives, which will organically increase consumption of licensed music and in the process, reduce piracy. The freemium plans offered by platforms will continue to drive penetration of licensed music in underserved markets. As the ad-supported user base of audio streaming platforms expands, brands will start recognising the meaningful and targeted engagement this user base can provide supported by data on users' listening habits.

Synchronisation revenue would see a strong growth due to increasing use of music in user engagement applications such as TikTok and ad campaigns.

Initiatives of the Government of India, including new reforms such as the WIPO ratification, will go a long way in protecting intellectual property of original creators. Increased government initiatives towards curbing piracy and stream ripping platforms will be needed to increase consumption of licensed music. These steps can increase uptake of audio streaming platforms leading to rise in label incomes and a trickle-down to creative artists, thereby leading to increase in both quantity and quality of music in India.



25. KPMG in India's analysis 2019 based on primary & secondary research

26. KPMG in India's analysis 2019 based on primary & secondary research

Regional music: The next big frontier in music streaming

Indians are spending a large part of their leisure time hooked on to their smartphones, and this has opened up a world of opportunities for OTT players. What is interesting is that music is no longer the bastion of urban Indians but proliferation of music streaming has been far and wide with more than 50 per cent of music consumption on Gaana happening in markets other than the eight key metros. With this growth, the fabric of music consumed by the users has also changed significantly. What we experience today is the rich cultural heritage of India being represented through music tastes of our users and the experience at Gaana is representative of broader changes in the music streaming market.

Regional music consumption forms more than a third of the overall music consumption on Gaana with Punjabi, Telugu, Tamil, Bhojpuri, Marathi, Gujarati and Malayalam music ruling the charts. OTT players and music labels are excited about the future prospects of regional music content for a simple reason - the sheer size of the addressable market. As the country's largest music streaming app, Gaana has registered a 10X growth in overall consumption and a far greater 25X growth in regional music traction in the past two years. The phenomenal growth in regional music is led by growth in Punjabi music which now contributes 15 per cent of consumption on Gaana.

OTT music streaming apps can play a big role in the future growth of regional music consumption. At Gaana, we have started to help users discover more

regional music by exposing them to adjoint languages. For example, if there is a user in Maharashtra who is listening to Hindi music, we try to expose a couple of Marathi songs to the user through interventions to see if he enjoys Marathi music also. This has worked very well for us.

India is currently one of the most promising music markets in the world and is at an inflection point right now thanks to cheaper smartphones and 4G tariffs. The biggest differentiating factor between the Indian music industry and other global markets is the diversity of music content available in regional languages and the affinity users have for songs in their mother tongue. To build consumer loyalty, music platforms will have to offer a sense of belonging to the users and promote quality regional music to such audience.

India has a fan for every regional music we have to offer.

The views and opinions expressed herein are those of the quoted person/s and do not necessarily represent the views and opinions of KPMG in India.



Prashan Agarwal
CEO
Gaana

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Industry Perspective

Affordability of data has led to breaking down of age, location and language barriers. This, coupled with explosion of social media 2.0, i.e., the rise in hyper participative user engagement oriented applications, has led to the resurgence in the Indian music industry.



Mandar Thakur
Chief Operating Officer
Times Music

Push towards paid subscription model is critical to the long-term sustainability of the music streaming ecosystem. Increase in share of paid subscriptions would be a win-win for all the stakeholders and would increase both quality and quantity of creative music in India. Experiences of USA and China confirm that this is doable. This, in turn, could open up huge growth possibilities for the industry.



Vikram Mehra
Managing Director
Saregama India Limited

If Singapore's Esplanade and London's O2 Arena are prime tourist attractions which generate both local employment and revenues for the local exchequer, India's cities with their diverse musical and cultural richness, have the potential to host performing centre ecosystems that can support cultural tourism, creative industries, the #Gig Economy and other allied services. A vibrant live music ecosystem can contribute over USD500 million to the city's economy. Vancouver which is a designated Music City gets USD520 million in revenues, Glasgow from its festival earns around USD200 million in terms of economic contributions. We are hopeful that the state governments encourage a performing centre as part of their smart city roll out. The Ministry of Housing & Urban Affairs should develop a policy that would encourage FDI into this sector, which helps preserve culture, generate employment and an important leisure component across all ages in a concrete jungle.



Blaise Fernandes
President & CEO
The Indian Music Industry

With increasing adoption of apps, not only amongst the youth, but consumers at large, the approach to advertising and outreach has also begun to change. Influencer campaigns, which till a year ago were 'nice to have', have become the new normal.



Arjun Sankalia
Director International Music
and Publishing
Sony Music Entertainment
India



Streaming platforms are leveraging massive data sets and sophisticated AI/ML to personalize experiences for hundreds of millions of users. In the process, they will create closer relationships between artists and fans in online and offline worlds. As part of this experience, platforms are innovating with advertisers to help them engage with users in relevant, timely and useful ways.



Vinodh Bhat
*Co-Founder, President & Chief Strategy Officer
 JioSaavn*



Original music content outside of conventional Bollywood music is set to witness healthy growth as music discovery increasingly starts taking place on digital platforms. The IP created in this process will have huge monetization potential on streaming platforms for years to come.



Shameer Tandon
*Founder & Managing Director
 JetSynthesys Music Boutique*

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ASPAC markets

ASPAC markets

The media and entertainment industry in ASPAC markets: At the forefront of the digital revolution

I. Asia Pacific Overview

Darren Yong

Asia Pacific Head of TMT
KPMG



The Media and Entertainment (M&E) industry is one of the most rapidly evolving, due to its close links with technological developments. This is particularly true in Asia Pacific as the region is an early adopter in terms of technology and mobile consumption. In a market where consumers are more and more demanding in terms of quality and convenience, companies have to continually fine-tune their business model, their distribution scheme, the way they talk to their consumers, and the way they generate revenue. Major markets like China, India, Japan and Korea have created their own unique market opportunities.

Dominant trends in the market

Media and entertainment (advertising, online and offline press, movies, TV, games, music, and video platforms) is and has always been a big part of consumers' lives, and in Asia more than ever. With a smartphone adoption rate of 69 per cent and unique mobile subscribers penetration rate of 67 per cent¹ in Asia Pacific, Asia Pacific region is the biggest market for media and

entertainment in the world (leading countries within the area: China and Japan). With Asia Pacific to account for 33.8 per cent² of global ad-spend by 2020, the changing landscape of advertisers have clearly shifted towards digital. 5G will further expand the market opportunities.

• New ways of consuming and distributing content

The way we consume media has drastically changed over the past ten years, moving from offline to online. Beyond the platforms, business models have also shifted: from buying units of content (a CD, a DVD, a magazine) to subscription-based models offering unlimited access to a broad catalog of content (Spotify, Netflix, Medium). The emergence of new disruptive players on the market has deeply changed consumer behaviors (for the better, cutting down illegal download habits), and forced traditional players to adapt their business models as well. Advertisers have shifted their minds towards capitalizing on these new business models with Asia Pacific digital advertising reaching 49 per cent³ of total ad spend in 2019.

• Synergies and alliances are here to stay

If disruption has hit the industry hard, it has also opened the way to synergies between previously independent subcategories. Telecom and PayTV players are partnering and consolidating with new platforms (Netflix, Hulu, Spotify, Disney) in order to adapt to new consumption behaviors, Telecom

1. GSM Association 2018

2. Zenith's "Advertising Expenditure Forecasts" for June 2018

3. Dentsu Ageis Network 2018

companies have targeted media content, traditional TV channels are working with the Telco sub-industry in order to go mobile. Across the board, Telco's play a key role as content aggregators in the digital market given the access to the consumer. In 2019 only, major mergers and/or acquisitions have happened. AT&T, bought one of the leading media companies worldwide, Time Warner Inc. Verizon acquired a landmark in the Internet landscape, AOL. The other way around, M1, a Singaporean telecom company, was bought by Singapore Press Holdings and Keppel Corporation.

• Social media - the big disruptor

Social media has tremendously impacted the direction the M&E industry is taking, with platforms such as Facebook, Snapchat or Instagram empowering consumers to become creators of content themselves, be it text, video or photo, taking down the hegemony of traditional content sources such as newspapers and magazines. Phones being used increasingly (in terms of the number of phone owners and the number of hours spent on the device daily), this is an immense shift for the sector. Social media has also broken traditional routes-to-market for players such as newspapers, TV Broadcasters, advertising agencies and brand owners who used to partner with them to promote their brands.

• Gaming takes centre stage

The gaming market, with in-app advertising and large investments into content, appears to be the next large area of revenue that consumers are spending on. With the gaming market exceeding \$70bn⁴ in Asia Pacific in 2018, the opportunity to target this market has gotten the attention of the global and regional community. Gaming has become so mainstream in some ASPAC markets that in 2019, gamers in Japan, Singapore, and South Korea were watching other people play video games online more often than they were tuning in to traditional broadcast sports⁵.

Traditional versus New entrants

Both traditional players and new entrants have their stake in the constant evolution of M&E. Traditional TV (Cable and Pay TV), which has been integrated to Telco offerings over the last ten years, is now faced with the challenge of VOD and Over The Top (OTT) video. The transformation in the way consumers, mainly Generation Z, and millennials consume video content has forced TV broadcasters to adapt by creating their own VOD offerings as well as catch-up services. With the global expenditure on advertising shifting from TV to online, the dynamics faced by TV broadcasters impacts advertising agencies.

The traditional way of ideating and distributing ads are directed towards a platform (mobile apps and internet) where consumers' attention span is smaller, and competition is almost infinite. In an interview published by The Financial Times with the CEO of WPP, the biggest advertising conglomerate in the world, Sir Martin Sorrell mentioned feeling the pressure of big accounts shrinking their ad spend. While cost-cutting was mentioned as a reason for that, the founder of WPP also touched-upon a more deep-seated challenge: the traditional model of advertising is not adapted to the way brand owners, and marketers promote their brand today. They seek more clarity and higher integration of technology. It doesn't come as a surprise, as marketing has shifted to digital marketing, and marketers and brand owners now deal with tech companies for their advertisement needs: Google, Facebook and Tencent to name a few.

Advertising agencies are now competing with tech startups and corporations. Today, their scope of work has moved from creating ideas to understanding the latest trends and tactics in digital marketing as well as supporting their clients in their online advertising campaigns. The reality is that advertising agencies, as big as they may be, cannot ignore this crucial fact: consumers are not watching TV and reading paper magazines anymore, they are on their phone, scrolling through their Instagram feed, spending time on WeChat or watching videos on Youtube.

The increasing hegemony of social media and search engines as the consumers' go-to to get information is putting pressure on the traditional business model and pushing information creators and broadcasters to look for new revenue models.

In summary

The new reality of the media and entertainment industry is technological and fast-paced. The march of technological development cannot be stopped, and traditional business models have to evolve, or risk to fall behind and perish. M&E leaders are now faced with new challenges coming from disruptive technology such as Artificial Intelligence and Machine Learning, and companies, big and small, which are using it to create an ever more compelling, seamless and convenient user experience. The constant acceleration of technological developments, shortening innovation cycles, will put increasing pressure on the market, delighting consumers, and sharpening companies' strategy and marketing chops.



4. Statistica 2019

5. The state of online gaming 2019, Limelight Networks

A

Japan



Hikaru Okada
Media and Telecommunications
Lead Partner
 KPMG in Japan

Demographic statistics (2018)



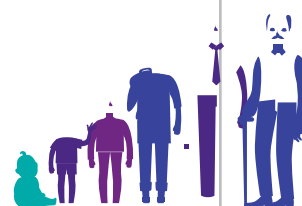
Population: **122.23 million**⁶



Urbanization: **92%**⁷



PPP (USD): **44,277**⁸



Median age: **47.3**⁹

TMT statistics (2018)



Internet penetration: **93%**¹⁰



Mobile penetration: **89.9%** (individual) **94.8%** (household)¹¹



TV HH penetration: **95%**¹²



Preferred device to go online: **Smart phone (59.7%)**¹³



Mobile activity: **Email (80.2%)** **Weather (65.8%)** **Transportation (63.4%)**¹⁴

6. United Nations, DESA/ Population division
 7. United Nations, DESA/ Population division
 8. IMF data
 9. World population review
 10. Internet World Statistics
 11. Cabinet office
 12. Cabinet office
 13. Ministry of Inter Affairs and Communications
 14. Ministry of Inter Affairs and Communications



In Japan, among the four mass media – newspapers, television, radio and publishing (book, magazine, etc.) – television has historically occupied a significant position. However, in recent years, with greater penetration of the internet, the presence of conventional media has become less significant with few opportunities to engage directly with consumers in the way that digital businesses can.

TV is a strong incumbent but viewing preferences are changing

Television in Japan is mainly terrestrial and viewers enjoy high-quality content for free. Although the usage rates for subscription to payable broadcasting (including pay-per-view such as broadcasting satellite and communications satellite (BS and CS)/cable TV/internet TV and VoD) remain at 13.9 per cent¹⁵ currently, it is expected that the number of subscribers will increase as the original content library is enriched and large events such as the Olympics are watched by more people in the near future.

With the expansion of mobile usage, the environment for area-free/time-free programs has been established, and people are spending more of their time on the internet, which has resulted in a decrease in the average TV viewing time. Consequently, advertising revenues on television have decreased by 4.8 per cent in the last 10 years¹⁶. Broadcasters are now keen to invest in the life cycle management of their content, and aim to make profits on a multi-channel and long tail basis by enhancing the initiatives of its second usage. Broadcasters are also actively promoting the simultaneous distribution of content to television, mobile and PC via the internet.

Online gaming is a mainstream and popular pastime

Japan reported the highest number of novice online gamers at 61.6 per cent¹⁷ (novice gamers play less than four hours a week with a third playing less than an hour) in a recent survey. Japan also had the longest average duration of game play at 5.14 hours with eight per cent reporting more than 15 hours of play¹⁸ of the nine countries in the study.

Traditional media takes a hit

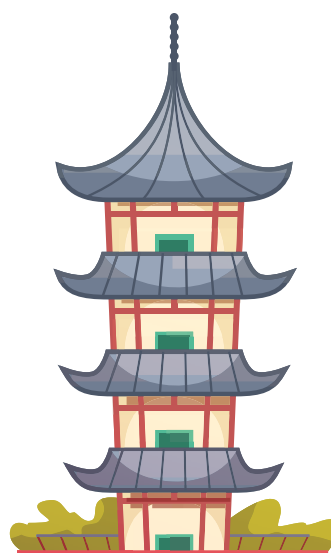
Radio, newspaper and publishing have all also seen falling revenues over the same period – de-growth of 17.2 per cent¹⁹, 19.9 per cent²⁰ and 32.1 per cent²¹ in the last 10 years respectively – which clearly underlines the changing business scenario for traditional media in Japan.

While digital continues to forge ahead

Internet usage, on the other hand, is only increasing and now stands at 93.3 per cent²². Of these users, 59.7 per cent use smartphones to access the internet and 52.5 per cent use PCs.²³ Digital advertising has grown to rival television with a rise in programmatic advertising spend. Advertisers have shifted their placement away from television advertising because they can measure and analyze the effectiveness of their internet advertising with more accuracy and in detail.

In Japan, content suppliers have built robust supply-side business models in which media companies especially television and advertising agencies are closely linked and gather sponsors for advertisements. In this environment, many people are not in the habit of paying for content and therefore, conventional media still occupies a strong position in the market to some extent.

However, the media industry as a whole has rapidly transformed due to changes in consumer behavior and a shift in ad-spend in response to the digital revolution. We expect the full-fledged spread of 5G will accelerate the digital media shift, with the enhancement of two-way interactivity. The content distribution methods will be diversified, and we expect that the profit structure will be realigned by the further penetration of subscription business models. We expect the digital transformation of conventional media to only accelerate further in the near future.



15. Japan Video Software Association

16. Dentsu Inc.

17. The state of online gaming 2019, Limelight Networks

18. The state of online gaming 2019, Limelight Networks

19. Japan Commercial Broadcasters Association (JBA)

20. The Japan Newspaper Publishers and Editors Association

21. The All Japan Magazine and Book Publisher's and Editor's Association/ The Research Institute for Publications

22. Internet World Statistics

23. Ministry of Internal Affairs and Communications

B

Republic of Korea



Seung-Yeoul Yang
TMT Leader
KPMG Korea

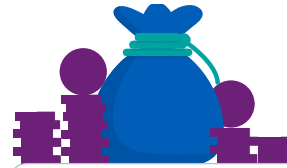
Demographic statistics (2018)



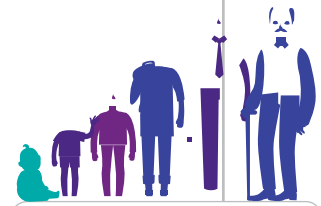
Population: **51.6 million**²⁴



Urbanization: **81.5% (2017)**²⁵

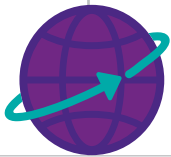


PPP (USD): **41,350**²⁶



Median age: **42.6**²⁷

TMT statistics (2018)



Internet penetration: **99.5%**²⁸



Mobile penetration: **95.8%**²⁹



TV HH penetration: **97.9%**³⁰



Preferred device to go online: **Smart phone (94.3%)**³¹



Mobile activity: **Communication (95.2%) Information Search (94.0%)**³²

24. Korea Statistics Office

25. United Nations Population Division, World Urbanisation Prospects, 2018 revision

26. IMF data

27. Korea Statistics Office

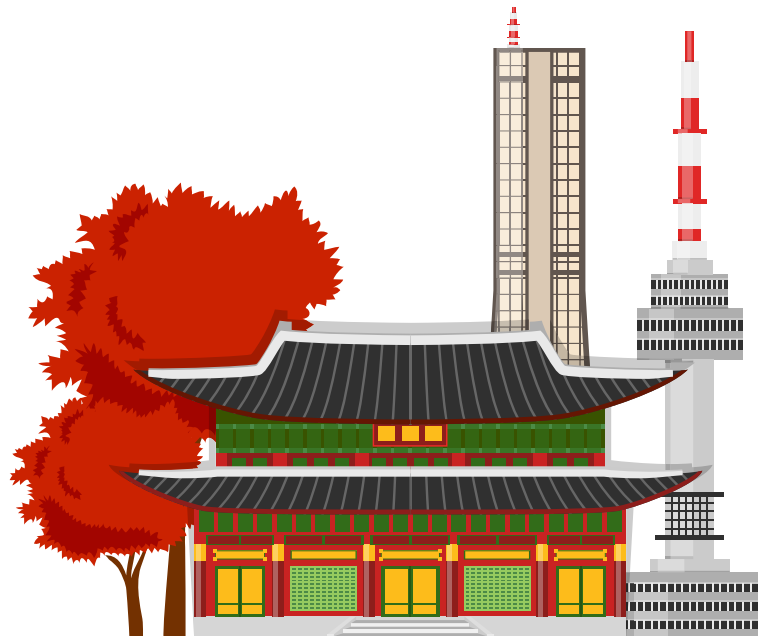
28. Ministry of Science and ICT, Korea Internet and Security Agency

29. Korea Information Society Development Institute

30. Korea Information Society Development Institute

31. Ministry of Science and ICT, Korea Internet and Security Agency

32. Ministry of Science and ICT, Korea Internet and Security Agency



South Korean media and entertainment industry has rapidly evolved over the past few years. Digital transformation enabled by new technologies, network infrastructure and smart devices is changing the way creators produce entertainment content, as well as the way users consume media. Various innovative business models, products and services are being developed and UX (User Experience) in the media and entertainment industry is becoming a core differentiator in this age of transformation.

South Korea is among the most digitised countries globally

South Korea has long had a reputation for technological prowess. Korea is now one of the most digitalized countries in the world with 99.5 per cent Internet penetration rate, 95.8 per cent mobile penetration rate and 97.9 per cent TV household penetration rate in 2018. Nearly 100 per cent of households in South Korea now have access to the Internet and 87.2 per cent of the population holding smartphone is accessing Internet wirelessly. According to a survey conducted by the Korean Ministry of Science and ICT in 2018, the average download speed of LTE mobile broadband exceeded 150Mbps. Fixed broadband subscribers with gigabit Internet (download speed of 500mbps-1Gbps) service occupied 40.5 per cent of total households using broadband services.

In April 2019, South Korea launched the world's first nation-wide 5G mobile network. Various new media content, ranging from cloud gaming services to VR (Virtual Reality) and AR (Augmented Reality) content are expected to be developed in the coming years. Such technological development not only spurs the emergence of the new media services but also the way we express in the traditional media industry. Highly advanced CG (Computer Graphics) technologies adopted in today's Korean film industry are creating scenes beyond imagination. Additionally, 5G has the potential to revolutionize the way we create, distribute and consume media.

Digital disruption is all pervasive in media and entertainment

Network, platform and digital technologies are transforming the traditional media and entertainment industry. OTT (Over-the-top) service is disrupting the video industry such as broadcasting and film. Likewise, music streaming service is replacing the traditional music record product. Traditional publishing media are being substituted by webtoon (web-based comic subscription) and webnovel (web-based genre novel service). Rather than reading paper comic books and novels, Korean consumers now use smartphone to read webtoons and webnovels anytime, anywhere just like a

snack culture. In a recent global survey, gamers in South Korea were found to be spending a lot of time watching other people play video games online, with 80 per cent watching weekly³³.

Media ecosystems straddle multiple digital categories

Platform owners are now aggressively entering the media and entertainment ecosystem to seize the future business opportunity. For instance, in 2016, one of the biggest South Korean tech giants, Kakao, acquired Melon, a leading music streaming service provider. In January 2019, South Korea's mobile carrier SK Telecom agreed with three major terrestrial broadcasters to merge their OTT services and a dominant OTT player emerged as the result of this merger. The strategic purposes of these cases were to expand their platform by increasing users and be the first-mover in the digitized media and entertainment industry.

Local context is important and homegrown stories resonate

The moves made by global players are triggering significant changes in the Korean media and entertainment industry with local contextualization of content. Netflix entered the Korean market in 2016 penetrating the Korean OTT market, with local subscribers increasing at an exponential speed. Another important aspect is that such global OTT giants are investing a significant amount to the South Korean original series production. Such investment has led to the creation of high-quality local series. One recent example is a horror series called "Kingdom." The series achieved a global hit with favorable comments from the Netflix global users.

The global success of K-Pop

Korean pop music, also known as the K-Pop, is also becoming a global cultural phenomenon. A range of digital channels such as Youtube, Facebook and Twitter allowed artists to create original content and communicate directly with the global audience. Korean artists including BTS, EXO and Blackpink are now playing a leading role in rebooting K-pop boom in the global market, leading a new chapter in the history of K-pop.

South Korea has developed sophisticated digital infrastructure alongside quality content supply. The country boasts of one of the highest internet penetration rates globally and this along with a strong pop culture makes the media and entertainment industry one of the most vibrant in the ASPAC region.

33. The state of online gaming 2019, Limelight Networks

C

Singapore



Guillaume Sachet (*Partner*)
Diptendu Mitra (*Director*)
 KPMG Services Pte. Ltd.

Demographic statistics (2018)



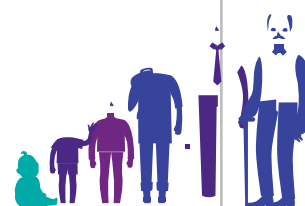
Population: **5,791,901**³⁴



Urbanization:
100%³⁵

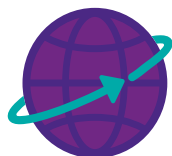


PPP (USD): **90,091.40**³⁶



Median age: **40.5**³⁷

TMT statistics (2018)



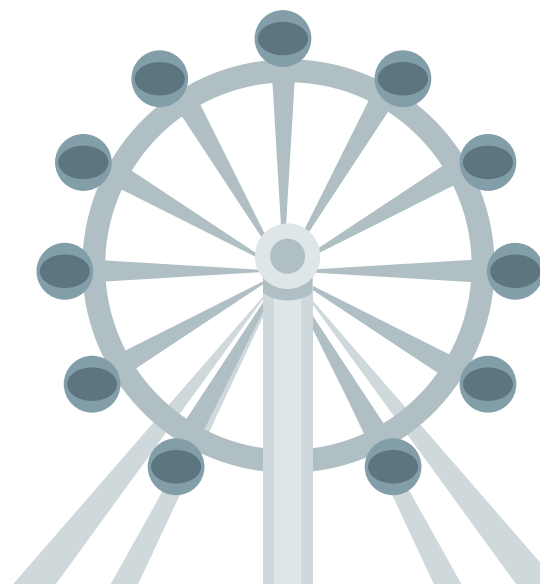
Internet
 penetration:
84.0%³⁸



Mobile penetration:
147.3%³⁹



TV HH
 penetration:
98.9%⁴⁰



34. Singapore population, Worldometers

35. The World Factbook, CIA

36. Tradingeconomics

37. Singapore population, Worldometers

38. 4.83 million Singaporeans are now online, Singapore Business Review, 30 January 2018

39. Mobile penetration rate, Singapore Government data, data.gov.sg

40. The future of the Internet combines the power of liner and OTT, The Drum, 06 February 2018

The media and entertainment industry in Singapore has constantly adapted according to the needs of its consumers. Over the past few years, it has evolved to keep up with providing real-time information and new content for users who have grown to be digitally attuned. With over 80 per cent⁴¹ of Singaporeans online, digital technology disruption has clearly been welcomed by increasingly demanding consumers. Singapore is home to some of the world's most connected, mobile, social and digital users boasting a 147.3 per cent mobile penetration rate⁴² and 98.9 per cent TV penetration rate.⁴³ Online gaming is clearly a popular pastime, with local gamers spending 7 hours and 44 minutes per week on video games, which was the third highest globally after Germany and the US⁴⁴.

Digital disruption is affecting traditional media

As Singaporeans shift online, market players have noticed a decline in print media revenue and viewership for their Free-to-Air (FTA) and Pay TV services. This is largely due to an increase in the number of substitutes available such as OTT offerings, and pirated content stemming from both locally and abroad. Due to high barriers of entry imposed by the Infocomm Media Development Authority (IMDA) which requires firms to obtain a newspaper permit for publishing a newspaper⁴⁵, news outlets in Singapore have a greater incentive to shift their investments into digital media and provide digital versions of print media. Premium subscription packages, including digital-only packages, for its flagship daily – The Straits Times – have also been launched to cater to the different reading needs of subscribers.

But business models are evolving to keep pace

Furthermore, with only a handful of local content providers dominating the market in the space of print, television (both FTA and Pay-TV), and Radio, such market players are turning to streaming content to stem the decline in content consumption of their traditional consumer models. For example, local provider

MediaCorp, which holds the monopoly in Singapore's FTA TV market, has established its own digital platform "Toggle", offering online access to MediaCorp's TV channels, radio stations, catch-up TV. In the case of Pay-TV, dominant players such as StarHub launched its online streaming TV product, StarHub Go, to stem the decline of their traditional Pay-TV subscription base as well as by rationalizing its product portfolio with simplified pricing and contractual terms.

Radio and films remain resilient

Markets feeling less of an impact include commercial radio, which continues to be resilient despite the presence of Internet radio stations. The localized content on radio, catering to listeners' preferences, encourages them to tune in. In addition, commercial radio is also available when driving, when an economical alternative like digital radio is not.

In the case of film businesses in Singapore, although content production remains small with limited local creative content generated, the film distribution business is thriving, dominated by four major players. Despite challenges such as online piracy, the cinema industry is still projected to grow at a compounded annual growth rate of 11.8 per cent (from 2019 to 2023)⁴⁶ with a large concentration of revenue generated by international films due to a value proposition offered by cinemas in terms of quality of viewing experience offered.

Digitisation has necessitated a realignment and repositioning of media and entertainment players across the value chain. As digital transformation progresses, consumers have become the centre of which offerings have evolved around, providing them with more options and greater flexibility in their media and entertainment consumption.

41. We are Social 2019

42. Mobile penetration rate, Singapore Government data, data.gov.sg

43. The future of the Internet combines the power of liner and OTT, The Drum, 06 February 2018

44. "Singaporeans spend more time playing video games than South Koreans, Japanese", Straits Times, March 22, 2019

45. Freedom on the Net 2017

46. Statista



D

Indonesia

Guillaume Sachet (Partner)
Diptendu Mitra (Director)
KPMG Services Pte. Ltd.

Demographic statistics (2018)



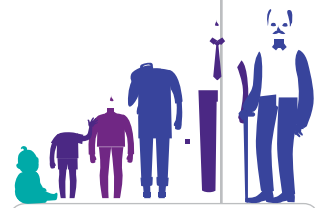
Population: **266,794,980**⁴⁷



Urbanization: **55.3%**⁴⁸



PPP (USD): **11,605.60**⁴⁹



Median age: **28.3**⁵⁰

TMT statistics (2018)



Internet penetration: **53.7%**⁵¹



Mobile penetration: **67.0%**⁵²



TV HH penetration: **75.0%**⁵³

47. Indonesia population, Worldometer
48. The World Factbook, CIA
49. Tradingeconomics
50. Indonesia population, Worldometer
51. Statista
52. We are Social, Digital 2018 Indonesia
53. Indonesia In View, AVIA 2019



The media and entertainment landscape in Indonesia has changed significantly over the past few years. This is largely attributed to changes in consumer tastes as a result of urbanization, the rising purchasing power of the middle class, and increased mobile penetration. While these changes have invited increased competition across several traditional industries – notably print and television – the other facets are poised for high potential growth in the near future.

Media consumption habits are changing in the country

The traditional industries have been wary of the effects of shifting consumer taste. The print industry – a highly fragmented one with 793 players in the Serikat Penerbit Surat Kabar (SPS)⁵⁴ – has been facing a general decline in profits, largely due to the rise of online media substitutes. In 2017, five print media companies stopped publishing altogether due to the inability to maintain profitability.⁵⁵ In contrast, the Free-to-Air (FTA) TV market remains the most popular medium to reach the population. With a 75 per cent TV penetration rate⁵⁶, FTA TV advertising accounts for 51 per cent of the entire advertising market in Indonesia.⁵⁷ Despite its dominance, the industry is set to face looming threats from the Pay TV segment in the upcoming years as a result of rising affluence and the expanding middle income class.

While the Pay TV market is expected to grow, providers do not enjoy high profitability due to intense domestic competition and piracy issues. In the last few years, many large providers engaged in price wars to maintain market shares which resulted in their detriment. Smaller players were able to stay afloat through collaborations with internet providers, offering cross subsidies and bundling packages that provide cheaper and more convenient alternatives for consumers. However, the nation's weak piracy enforcement has resulted in a sharp rise of illegal Pay TV, which is a key challenge that the industry will have to overcome in the future.

There remains an audience for radio and films

Unlike its peers in the traditional segments, radio has been on the rise. Despite the industry's fragmented nature and abundance of small players, the industry is expected to grow at a rate faster than the global growth rate, given that radio channels are becoming more accessible due to increased mobile penetration.

The recent allowance of foreign investors to hold 100 per cent stakes in companies involved in production, distribution and exhibition of media has created an anticipation of attractive future growth. As such, foreign firms such as CJ CGV and Lotte Cinema are expanding in Indonesia.⁵⁸ This is a sign that the film industry is expected to reap even more benefits from the rising affluence of the Indonesian consumer.

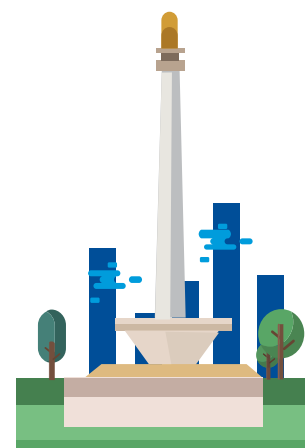
Online video is growing in popularity alongside

For OTT and film distribution companies, Indonesia's large population and rising middle class has earned their focus for expansion. These two factors, coupled by the country's growing broadband infrastructure, has created a large opportunity space for OTT – a space currently dominated by Genflix (serving 6 million subscribers as of March 2019).⁵⁹ Unfortunately, the majority of the population's entertainment needs are met through free online video content⁶⁰, resulting in a decline in the average revenue per user (ARPU) as OTT players slash prices to increase their competitiveness. Despite this metric, future prospects are promising. This may be attested by the recent investment made by Go-Jek – the country's leading mobile application – into this industry, with plans to launch a platform in partnership with US player Vice.⁶¹

Gaming among the fastest growing segments of media and entertainment

Online gaming has been the other big beneficiary from the favourable age demographics and improving internet access in Indonesia. The mobile gaming market in Indonesia was predicted to grow at a CAGR of 60 per cent during 2015-2019, making it both the largest and fastest growing country in South East Asia⁶².

The media and entertainment industry in Indonesia is at a crossroads with digitisation making its presence felt and challenging traditional business models. New media segments like OTT and online gaming are witnessing high growth but it's still too early to dismiss the incumbent strength of radio, films and FTA TV.



54. Indonesia – Media Landscape Eriyanto 2018

55. Indonesia – Media Landscape Eriyanto 2018

56. Indonesia In View AVIA 2019

57. Indonesia In View AVIA 2019

58. Is Indonesia the world's next big growth story? ScreenDaily, 04 November 2018

59. Indonesia: OTT resurrect, Asia TV Forum, 24 May 2019

60. Indonesia In View, AVIA 2019

61. Go-Jek ventures into video streaming, partners with Vice on original content, TechnAsia, 27 April 2018

62. Mobile gaming sees rapid revenue rise in Southeast Asia", emarketer.com, January 20, 2017

E

Thailand

Guillaume Sachet (*Partner*)
Diptendu Mitra (*Director*)
 KPMG Services Pte. Ltd.

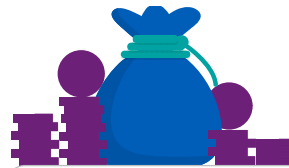
Demographic statistics (2018)



Population: **69,183,173**⁶³



Urbanization: **49.90%**⁶⁴

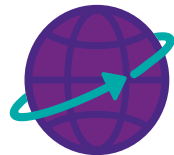


PPP (USD): **16,904.70**⁶⁵



Median age: **38.3**⁶⁶

TMT statistics (2018)



Internet penetration: **82.4%**⁶⁷



Mobile penetration: **80.0%**⁶⁸



TV HH penetration: **98.0%**⁶⁹



63. Thailand population 2019, Worldometers
 64. The World Factbook, CIA
 65. Tradingeconomics.com
 66. Thailand population 2019, Worldometers
 67. Thailand, Globalopolis 2019
 68. Thailand has huge mobile potential, The Asean Post, July 19 2019
 69. OTT in Thailand: An Analysis of The Opportunities and Constraints, The IJMAS Journal, May 2019

Thailand's media and entertainment industry has seen a transformation of its traditional industries such as print and television. As users become increasingly sophisticated in their use of digital technologies, the industry has had to make drastic changes to keep pace with Thailand's digital appetite. As of 2018, Thailand has achieved an 82.4 per cent internet penetration rate⁷⁰, an 80 per cent mobile penetration rate⁷¹ and a 98 per cent TV penetration rate.⁷²

Print, TV and radio face tough times

Digitalization has disrupted the media and entertainment industry through an addition of users onto digital platforms and shifting market demand away from traditional sources of media and entertainment. In its highly competitive print media industry, consumers have shifted to online news on social media platforms, causing the advertising revenue from the print industry to decrease drastically, with newspaper advertisement spending taking the largest hit of 21.96 per cent year-on-year decline.⁷³ In the television industry, analog TV is being replaced by digital TV. In the radio industry, radio advertising expenditures declined 3.5 per cent from 2018 as advertising expenditure migrated to more popular online channels.⁷⁴ Due to increasing operating costs, many radio companies have exited the industry altogether.⁷⁵

In response to that, companies have been upgrading their digital capabilities to stay relevant. One example is Mithoon, a stock and investment newspaper startup that successfully migrated online to provide news services via their website while charging membership fees, experiencing positive growth despite being in a sunset industry. Currently, many newspaper companies provide real-time news through online channels such as Facebook and LINE Today, credibility has become the key differentiator instead of speed. To remain competitive, some TV operators have also opted to go through major restructuring to reduce operating costs while others overhauled their content offerings.

However, digitalization does not necessarily mean good news for digital service providers. Despite forecasts that the digital TV market will grow, most of the digital TV operators are struggling, having to face with challenges such as the rise of digital media and increasing operational costs. Channel 7HD, Channel 3HD and WorkPoint TV are the most popular digital TV channels for the Thais. As a result, most of the TV advertising spending has been allocated to these higher-rated channels in the past few years, making it difficult for other TV operators to stay profitable.

Regulatory challenges for Pay TV

Competition in the Pay TV market has also heightened due to the implementation of the "Must-carry" regulation. This requires providers to pack all terrestrial channels together which smaller players find difficult to achieve due to higher associated costs.⁷⁶ Moreover, operating costs have been increasing due to the high costs of acquiring exclusive content. This has resulted in a decrease in the number of providers in both cable and satellite TV as smaller players find it difficult to compete with the larger platforms.

Digital media is highly competitive

Competition in the media and entertainment industry has intensified due to lower barriers to entry. With increasing internet connectivity and a growing middle-income class, the number of subscribers in OTT platforms is projected to grow at a compounded annual growth rate of 20.7 per cent from 2016 to 2020.⁷⁷ However, key players have engaged in price wars in a bid to increase the number of subscribers in their platforms, leading to depressed ARPU (Average Revenue Per User).

In light of increased competition, firms have had to reconsider their value proposition and appeal to new markets. LINE TV, a platform that provides localized content free of charge to its viewers, has defined a unique value proposition for itself. By providing exclusive content targeted at viewers aged 18 – 22 years old, through collaborations with famous local content producers, it is able to differentiate itself from the other OTT platforms. LINE TV has developed a large customer base and is currently a popular platform amongst the Gen Z population. In the film industry, Major Cineplex Group, which holds 70 per cent of all the cinema revenue in Thailand⁷⁸, has had plans to expand into the rural areas of Thailand.

Piracy a serious threat

The media and entertainment industry in Thailand has had to deal with the problem of piracy. This, together with the economic slowdown and large availability of online substitutes, has made the Pay TV market in Thailand remains a tough industry to operate in. Likewise, the cinema industry faced a 25 per cent decline in advertising revenue in 2018 and piracy remains a challenging issue left unsolved.⁷⁹

The digital revolution has drastically transformed the way firms in the media and entertainment industry operate. Moving forward, firms must consider reevaluating their existing business models and digital capabilities to stay relevant and appeal to an increasingly digital population.

70. Globopolis

71. Thailand has huge mobile potential, The Asean Post, July 19 2019

72. OTT in Thailand: An Analysis of The Opportunities and Constraints

73. InfoQuest, Thailand Media Landscape 2018

74. Nielsen, Advertising Information Services Data 2019

75. InfoQuest, Thailand Media Landscape 2018

76. Thailand in View 2016, CASBAA Ltd.

77. Online Video Study in Thailand 2016

78. Major Cineplex Group PLC, 2Q18 Analyst Meeting

79. Thailand's advertisers power the shift to online media in 2019 as print loses out to the Internet, February 18 2019

F Vietnam

Guillaume Sachet (*Partner*)
Diptendu Mitra (*Director*)
 KPMG Services Pte. Ltd.

Demographic statistics (2018)



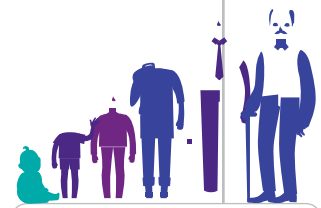
Population: **96,491,146**⁸⁰



Urbanization: **35.9%**⁸¹

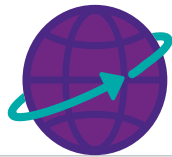


PPP (USD): **6,608.60**⁸²



Median age: **30.9**⁸³

TMT statistics (2018)



Internet penetration: **57.0%**⁶⁴

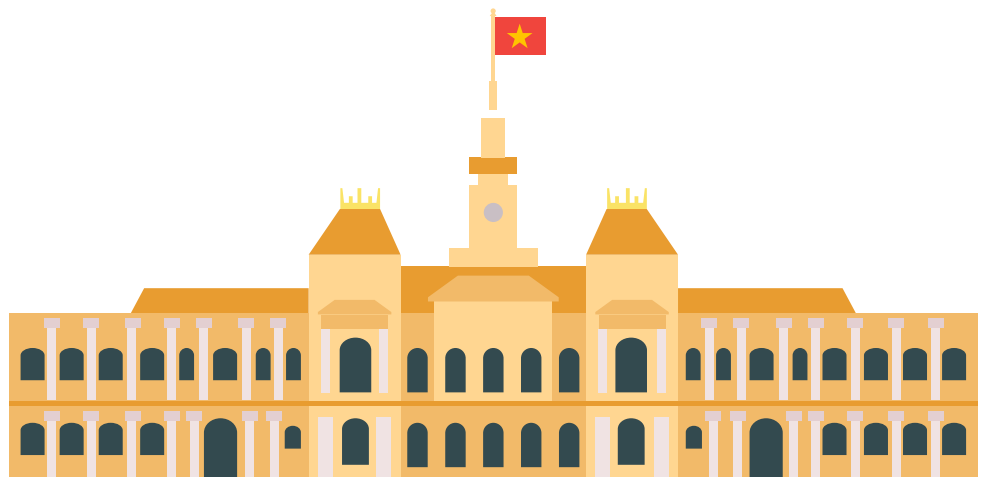


Mobile penetration: **73.0%**⁶⁵



TV HH penetration: **93.2%**⁸⁶

80. Vietnam population, Worldometers 2019
 81. The World Factbook, CIA
 82. Tradingeconomics.com
 83. Vietnam population, Worldometers 2019
 84. Statista
 85. We are Social, Digital in 2018 in Vietnam
 86. Vietnam In View, AVIA 2018



As one of Asia's fastest growing economies, Vietnam has seen its media and entertainment industry change drastically. This is largely due to the increased mobile and internet penetration, which reached 97 per cent and 55 per cent respectively in 2018. With greater digital literacy, Vietnamese have become increasingly more receptive to digitalization and its idiosyncratic benefits.

TV and print – changing tides

Pay TV service providers were quick to ride on this rising trend and as early as 2014, Pay TV players were engaged in a price war to capture greater market share. As the price of premium content continues to hike upwards, industry players have been showing deep concern about the sustainability of procuring quality content.

Print media readership has been on a downward trend accompanied by falling newspaper sales and advertising revenues. This can be attributed to the shift to digital media which can provide free and timely news reports via the web. However, due to large state subsidies available to companies that fulfill a political function, this is not a major concern for industry players.

With TV penetration rates hitting 97 per cent, the Free-to-Air TV market, which is heavily dominated by state-owned broadcasting companies Vietnam TV (VTV) and Vietnam Multimedia Corporation (VTC), has benefitted. According to the Ministry of Information and Communications (MIC), TV advertisement spending is set to grow at a modest rate despite competition from online advertising. It is projected to grow to USD.85 billion in 2018 from USD1.82 billion in 2017.⁸⁷

Radio – a fringe player

Increased TV penetration has, however, impacted the radio industry adversely, as Vietnamese view the TV as a preferred substitute over the radio. Like the newspaper industry, the radio industry is heavily controlled by government regulations and censorship. The market is dominated by national broadcaster, Voice of Vietnam (VOV) while other players include local broadcasters in the rural regions. Statistics show that the advertising spending attributed to the radio industry in 2018 is USD2.4 million, which is insignificant when compared to the total advertisement spending of USD2.9 billion.⁸⁸ With a small market share and slow growth rates, the future of broadcast radio is uncertain.

OTT – a crowded market

Digitalization has lowered the barrier to entry for players to enter the media and entertainment industry. In the over the top (OTT) service industry, the MIC has issued about 30 OTT licenses to local operators.⁸⁹ The high degree of competition has left an insignificant market share for international OTT services such as Netflix, Amazon Prime Video and HBO. Moving forward, the MIC is seeking to regulate the OTT industry further by drafting new legislation in 2019 to ensure that foreign Pay OTT services be licensed before they can provide service in Vietnam. This might further deter other international players from entering into this market.

Movies – still a popular medium

The driving force behind the digitalization of an economy is increased economic prosperity. This has underpinned the 25 per cent year-on-year growth⁹⁰ of the film industry as consumers are more willing to pay for entertainment activities that were once considered luxurious. The film distribution industry in Vietnam is heavily dominated by foreign players such as CJ CGV (45.3 per cent) and Lotte Cinema (18.2 per cent) which together holds about two-thirds of the market.⁹¹ CJ CGV is able to maintain its large market share as it holds exclusive distribution rights to Hollywood's two biggest film studios – International Pictures and Buena Vista International. This is essential as Vietnamese movie-goers prefer Hollywood blockbusters as compared to local productions and this further fuels growth for CJ CGV. Although local productions do not fare as well, they are still able to generate respectable revenue. Roughly 20 per cent of the films screened in Vietnam cinemas are locally produced. Em Chua 18 – a local comedy film – generated USD7.6 million in revenue in 2017, surpassing that the takings of top foreign movie – Kong: Skull Island at USD7.5 million.⁹²

In the turmoil of Vietnam's digitalization, consumers have become the ultimate beneficiary accruing not just the benefits of convenient digital solutions, but also greater choice and lower prices as industry players embark on a long and drawn-out war of attrition.



87. Avia, Vietnam In View (2018), pg 1

88. Vietnam to spend USD2.9 billion on advertising

89. Vietnam In View, AVIA 2018

90. Vietnam Entertainment Fund makes a debut, The Voice of Vietnam, July 27 2018

91. Foreign players dominate Vietnam's blossoming cinema scene, September 28 2018

92. Cinema Industry in Vietnam, B&C Company 2018

II. Conclusion

As is evident, many trends in the Indian media and entertainment industry are mirrored in ASPAC markets. Digital disruption has affected traditional players in these markets – TV, print and radio – most radically, and businesses have had to reassess their value propositions and market

standing. This realignment and the emergence of digital media has however also been the impetus for successful partnerships and alliances among players. The most popular example is the way in which telcos have helped grow the OTT viewer base in India as well in other ASPAC countries.

Online gaming is more entrenched across ASPAC

Compared to most ASPAC markets that have a mature ecosystem in place to support the growth of online gaming, India still has some catch-up to do to realize its full potential. Equally, the emerging concerns in India around the mental health of gamers and addiction to online gaming are more pressing in more developed markets in ASPAC.

Social media is ubiquitous

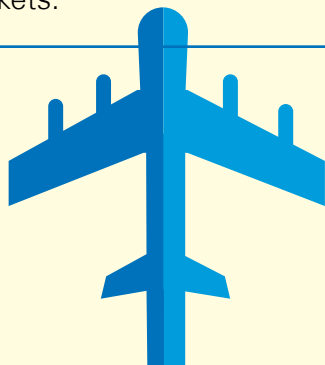
Social media is being leveraged in diverse businesses as a tool to improve consumer engagement and loyalty across digital touch points, and this trend is likely to strengthen over the next few years in India. Eastern Asia, Southern Asia and Southeast Asia (in that order) together account for two billion social media users⁹³ and encompass a highly lucrative, influential target market.

Regional content resonates

The popularity of regional/ local content within ASPAC markets is another trend that finds resonance in the Indian media and entertainment industry. Stories that have relevance and context for the domestic consumer are attracting a larger audience and global media and entertainment players have had to invest in creating content tailored to these markets.

Infrastructure will emerge as the differentiator

South Korea and Japan have paved the way for 5G in Asia Pacific but there is a wide gap between them and the rest of the region where a lack of demand, compelling business use cases and monetization possibilities are delaying deployment⁹⁴. Among Asian countries, India ranks considerably lower on Availability (10 out of 21 countries⁹⁵) compared to its top rank in Affordability and third in Readiness and underscores the progress that needs to be made on this front for continued digital development.



93. We are Social 2019

94. "5G adoption will be slow across Asia Pacific: Moody's", Gadgets360.com, July 01, 2019

95. The Inclusive Internet Index 2019, The Economist Intelligence Unit



Japan



Republic of Korea



Singapore



Thailand



Indonesia



Vietnam

Themes

The New Tariff Order (NTO)

A paradigm shift

Decoding the new rules

The new regulatory framework for broadcasting and cable services introduced by the Telecom Regulatory Authority of India (TRAI) came into effect on 29 December 2018.¹ It was devised with a motive of ushering an era of transparency across the television distribution value chain, consumer choice and systematic growth of the sector leading to an equitable environment within the industry.

The new regulation is intended to introduce clarity into the pricing structure and revenue sharing between the stakeholders:²

1. **New tariff order (NTO):** To regulate the maximum retail price (MRP), excluding taxes, payable by a subscriber for à la carte pay channels; and
2. **Interconnection order:** To provide a framework on commercial and technical arrangements among service providers, i.e., distribution platforms and broadcasters for television broadcasting services provided through addressable systems; and
3. **Standards for quality of service and consumer protection:** To establish customer care services such as website, and customer care channels and centres.

Nevertheless, proper execution, monitoring and levy of penalties is crucial in order to achieve the desired outcome.

Key changes introduced³



1. Implementation of New Regulatory Framework for Broadcasting and Cable Services, TRAI, February 12, 2019, accessed on 15 April, 2019

2. FAQs on New Regulatory Framework for Broadcasting and Cable TV services, TRAI, January 08, 2019, accessed on 15 April, 2019

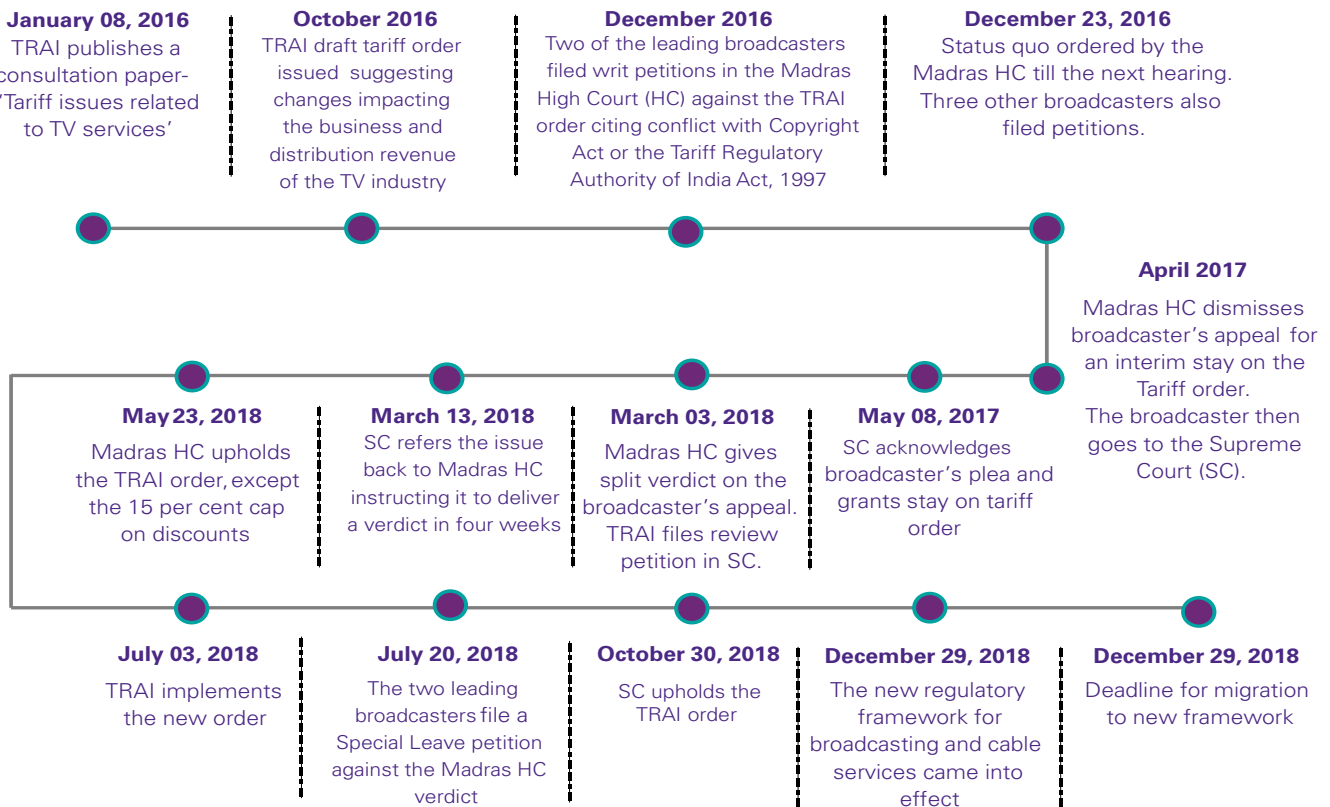
3. The Telecommunication (Broadcasting And Cable) Services (Eighth) Addressable Systems) Tariff Order, 2017, TRAI, March 03, 2017, accessed on 15 April, 2019

Implementation timeframe – a long drawn judicial process

After a three year long legal battle between TRAI and the TV industry stakeholders which began in January 2016 and involved multiple rounds of consultations, the Supreme Court of India finally upheld the new

TRAI regulations on 30 October 2018. The distributors were required to migrate their subscribers to the new framework by 29 December 2018. However, the regulator had further extended this deadline a couple of times to finally settle on 31 March 2019⁴ to ensure adequate time was available to complete the migration.

Timelines of the implementation and judicial rulings⁵



Withdrawing of the 15 per cent discount clause – diluting the essence?⁶

In its original manifesto, TRAI recommended a 15 per cent cap on the discounts that a broadcaster can offer on its bouquet of channels over the sum of MRP of all the pay channels in that bouquet. This essentially meant that price of bouquet would only become marginally lower than the sum of à la carte prices of driver channels. This would encourage subscriber choice through à la carte offering and also prevent skewed a-la-carte and bouquet pricing.⁷

Post the removal of the 15 per cent discounting clause by the Madras HC, broadcasters can continue to offer significant discounts on pricing of bouquets in

comparison to the a-la-carte pricing of pay channels, a move which is likely to compel subscribers to choose the channel bundles or bouquets offered by Distribution Platform Operators (DPOs) or broadcasters. The bouquet and a-la-carte pricing thus, is being thought of in a manner, which makes it attractive for the customers to choose bouquets over the a-la-carte channels.

This dilutes the core objective of consumer choice to a certain extent– with entities, especially the larger players in the value chain continuing to bundle channels as they did pre-NTO.⁸ However, smaller broadcasters find themselves at a disadvantage with limited portfolios and need to build strong content for their channels to find placement in DPO packs or get a-la-carte pickup.⁹

4. Deadline extended: DTH, Cable TV customers can select channels till March 31, Financial Express, February 2019, accessed on 15 April, 2019

5. The TRAI effect, Impact on net, November 05, 2018, accessed on 15 April, 2019

6. DPOs say TRAI tariff order lacks value without 15% bouquet discount cap, Indian Television, January 03, 2019, accessed on 15 April, 2019

7. The Telecommunication (Broadcasting And Cable) Services (Eighth) Addressable Systems) Tariff Order, 2017, TRAI, March 03, 2017, accessed on 15 April, 2019

8. How Trai's tariff order will affect your cable bill, Livemint, January 19, 2019, accessed on 15 April, 2019

9. KPMG in India Analysis, 2019, based on primary and secondary research

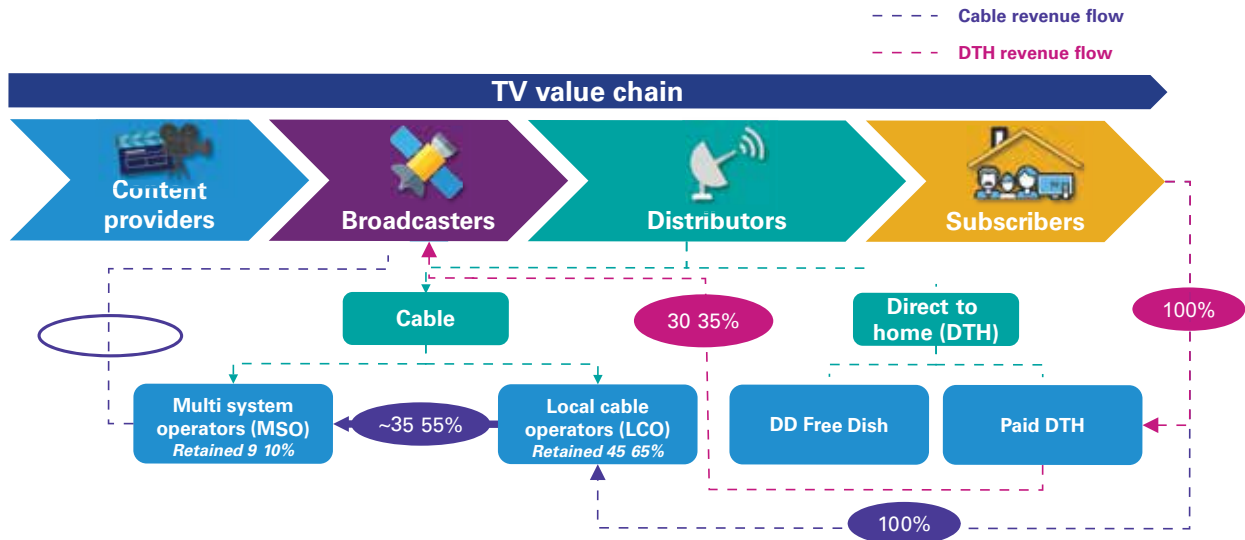
Mixed impact across the value chain: Win some, lose some

Implementation of the new regulatory framework means that consumers get to choose and select the channels of their choice, broadcasters stand to benefit from the transparency in the value chain and distributors get the

advantage of fixed network capacity fees and placement fees that they can negotiate.

In the new pricing regime, stakeholders that best cater to content needs across demographics and geographies are likely to emerge as likely winners.

Estimated revenue sharing across the TV value chain pre-NTO¹⁰



Although the revenue sharing post-NTO is likely to evolve over the next 12 months or so, our industry discussions indicate that the broadcasters stand to gain due to the implementation of the new regime.

The share of broadcasters in the end consumer revenues is likely to increase from about 30-35 per cent to approximately 40-45 per cent for DTH operators, while for cable operators, the same is likely to increase from approximately 20-25 per cent to about 30-35 per cent¹¹.

Consumers – the real decision makers?

As per the new TRAI regulation, the consumer has been granted complete freedom to choose what to watch and pay only for that. Yet, ultimately, subscribers are again being presented with pre-defined channel packs or bouquets, choosing which is a significantly more economical than the relatively higher priced a-la-carte channels, which in essence takes away some of the freedom that the NTO was intended to bring in.

Consumers getting the short end of the stick?^{12,13}

Pre-tariff order

- Bundle of channels were sold to consumer, no micro/a-la-carte choice
- Consumers enjoyed low average revenue per user (ARPU), especially in Phase 3 and 4, potentially due to non-addressability of the system.

Post-tariff order

- A-la-carte choice,
- Higher complexity in terms of choosing individual packs versus bundles,
- Confusion as there are both broadcaster bundles as well as distributor bundles, and
- Higher subscription fees in Phase 3 and 4 due to the INR130+taxes payout for 100 FTA channels.

Challenges

Blackouts in various pockets across the country due to migration

Higher subscription fees for comparable offerings

10. Beaming change – impact of TRAI's new tariff and interconnection orders, Crisil Research, February 18, 2019, accessed on 15 April, 2019

11. Based on industry discussions

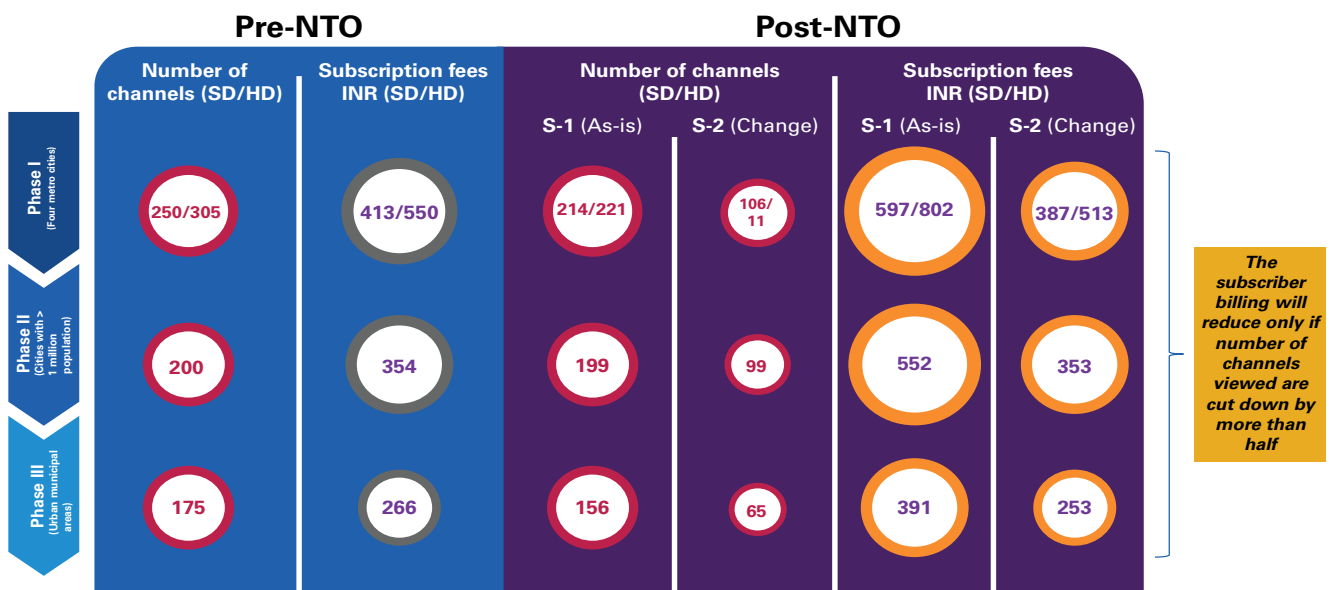
12. Beaming change – impact of TRAI's new tariff and interconnection orders, Crisil Research, February 18, 2019, accessed on 15 April, 2019

13. Netflix, Hotstar, and Others Released Over 100 Indian Originals in 2018, Gadgets 360, December 11, 2018, accessed on 15 April, 2019

Also, the subscription fees are declining only for consumers willing to cut down the number of channels or for consumers watching TV only for specific content like news or sports. In contrast, for families consuming varied type of content depending on the interests of different family members, channels need to be wisely chosen, only then will the NTO be favourable.¹⁴ In addition, the imposition of a Network Capacity Fee (NCF) has meant that there is a fixed pay-out of INR100-130 + taxes (while the stipulated NCF is at a maximum of INR130 + taxes for 100 FTA channels, distributors are

offering some discounts on the same¹⁵) every month. This cost further makes it difficult for consumers, especially those at the lower end of the spectrum, to choose all their pay channels. While the industry has witnessed ARPUs at the lower end shooting up, consumers at the higher end have tended to reduce their monthly outgo by exercising choice.¹⁶ However, as per our industry discussions; in each of the cases, the number of channels for a certain outgo are lower than the case in the pre-NTO era.

Subscription fees for a consumer (Pre and post NTO)¹⁷



Large broadcasters to gain the most¹⁸

Post NTO, viewership is likely to be concentrated across fewer channels aiding large broadcasters and channels with appealing content. They stand to benefit from higher subscription revenue as well as gain greater pricing power.

Further, some of the large broadcasters have also taken a strategic call to move the FTA variants of their popular GECs to the Pay regime, with a view to ensure that subscribers pay for the content they wish to watch. Although these Pay TV channels are priced very competitively, the initial traction for these channels has not been very encouraging.

These broadcasters also have the option of safeguarding the ad revenues of their less-popular channels by bundling them in bouquets with popular channels.

Conversely, smaller broadcasters with less-popular or niche channels may find it challenging to see uptake, unless there is a clear value for money proposition that they can establish with their content and offerings.

Another scenario which may play out could be consolidation in favour of bigger broadcasters absorbing the smaller broadcasters and single channels.

14. Does TRAI's new tariff order really benefit customers? Stakeholders weigh in, The News Minute, February 01, 2019, accessed on 15 April, 2019








15. Based on industry discussions

16. Based on industry discussions

17. Beaming change – impact of TRAI's new tariff and interconnection orders, Crisil Research, February 18, 2019, accessed on 15 April, 2019

18. Trai's tariff order will benefit players across broadcast value chain, says Sudhanshu Vats, Exchange 4 Media, December 26, 2018, accessed on 15 April, 2019

Enhanced transparency for the broadcasters¹⁹

Pre-tariff order	Post-tariff order
<ul style="list-style-type: none">  Fixed fee deals,  No clarity on number of subscribers,  Carriage fee was negotiated and not regulated, and  Upstreaming of revenue from consumer to broadcaster was not transparent 	<ul style="list-style-type: none">  Broadcasters to have a clear idea of how many people subscribe to their channels,  Carriage is also regulated, and  65-80% of the content costs to be given to the broadcaster

Challenges		
Future of niche channels in jeopardy; channels with unsought content to fade out	Reallocation of TV ad budgets from TV to over-the-top (OTT) platforms	Many channels may become FTA to keep ad revenues safe as they may not get picked up by the consumers

Content to rule sovereign and emerge as the key differentiator

Content quality will be of utmost importance, especially for small broadcasters and single channels.

The near future might witness increased traction in media investment, wherein broadcasters allocate higher budgets towards refreshing content.

Advertising landscape – clouded in uncertainty

While the distributors have their hands full ensuring a smooth transition to the new system, advertising on television saw a hit due to the challenges associated with the implementation of NTO. The embargo on ratings by BARC for a brief period, coupled with the uncertainty regarding the uptake and viewership of channels; meant that the advertisers pulled out some of the monies in Q4 FY19, preferring to wait and watch in terms of how the viewership unfolds.

The NTO in the long run might result in higher ad rates for popular channels and for channels with wider reach resulting in reallocation of TV ad budgets.²⁰ There might also be redirecting of ad budgets from TV to digital platforms like OTT and social media.

With the new regulations in place, many broadcasters have decided to convert their popular GEC and movie FTA channels into pay channels which is likely to result in the erstwhile FTA channel-linked ad revenues taking a hit. Whether this move will result in higher subscription revenues in the long run remains to be seen.



¹⁹. Beaming change – impact of TRAI’s new tariff and interconnection orders, Crisil Research, February 18, 2019, accessed on 15 April, 2019

²⁰. Ad agencies expect reallocation of budgets post TRAI tariff order implementation, Indian Television, January 29, 2019, accessed on 15 April, 2019

A mixed bag for distributors

The NTO appears to be mildly positive for distributors as content costs become a pass-through expense. The DPOs may also get the added advantage of higher carriage fees from smaller broadcasters.

However, this is likely to be partially offset by rationalisation of channel count by subscribers. Pushing for higher number of channels, negotiating for higher distribution fee from broadcasters and scaling up of placement fees which has been left to market forces could be critical growth avenues for the DPOs.











In addition, a better balance of power may be possible which was previously skewed in favour of Local Cable Operators (LCOs). In case of disagreement, the share of Multiple System Operators (MSOs) and LCOs in network capacity fee and distribution fee has been mandated at 55:45. MSOs are expected to leverage this to push for higher share from LCOs, resulting in a drop of LCOs' realisation by as much as 25-30 per cent. Thus,

LCOs have less of an incentive to go on ground level and undertake the necessary infrastructural changes as per the new norms.

Rural markets are typically characterised by low-ARPU subscribers with a monthly bill of less than INR150. Rural subscribers may opt for a very limited number of low-priced channels to maintain or reduce their bill. With a base fee of INR 130 + taxes per subscriber, the subscription fee is likely to increase significantly by more than 30 per cent.

Further, the implementation of NTO has also been facing significant on ground challenges, with customer education and subscriber management systems forming a major part of the challenge. As per our industry discussions, there have been cable TV blackouts in some areas, while the overall TV universe has shrunk as outlined earlier. However, despite the same, efforts are underway from all stakeholders to ensure a complete implementation of the regime.

Mildly positive for distributors²¹

Pre-tariff order	Post-tariff order
 Fixed fee deals,	 Clarity on revenues in terms of NCF and sharing with LCOs,
 Issues with LCOs (arbitrary arrangements with them and no clear idea on revenue sharing),	 Restricted ability to package channels and upsell,
 Low ARPUs in Phase 3 and 4,	 Rationalisation of channel count by subscribers,
 Customer addressability not uniform, and	 No specific guidelines on placement fees, and
 Carriage an important part of revenues	 Higher carriage fees from smaller broadcasters

Challenges in implementation of the order	
Subscriber management systems not equipped to handle load of a-la-carte choice	Could result in subscriber churn in rural areas if discounts are not given; urban audience may also shift to OTT

21. Beaming change – impact of TRAI's new tariff and interconnection orders, Crisil Research, February 18, 2019, accessed on 15 April, 2019

Over-the-top (OTT) to reap benefits

The availability of cheap data, library of original, curated and customised content and convenience of multiscreen viewing is encouraging viewership on OTT platforms. In addition, the increase in subscription fees for TV may result in some viewers choosing to shift from TV to OTT. Also the availability of some genres, especially English

and other niche genre content, in the near to medium term on TV may reduce in the aftermath of the NTO.

As a result, the country may witness cord cutting/shaving in the medium to long run for specific genres with content availability and economics favouring OTT consumption over TV subscription for them.

Impact of the NTO

In my view, 2019 is likely to be the defining year for the DTH industry. The New Tariff Order (NTO) mandated by TRAI has been implemented across the Pay TV industry and has created a level playing field between cable operators and DTH players. The broadcasters have to now mandatorily communicate their channel and bouquet prices publicly and hence there is likely to be more transparency in the content deals between broadcasters and distributors. Besides the content charge, the distributors can separately charge a Network Carriage Fee (NCF) for being the transmitter of content and overall service provider to the end customer. The NCF would bring some stability to DTH operators' revenues as it is entirely for them to keep. In case of cable platforms, this NCF would be shared between the LCOs and MSOs. The NTO brings in an era of a new business model for the industry, the impact of which will be fully known only over the next few quarters.

How could the industry pan out in the near future?

The customers (across distribution platforms) should ideally be able to exercise utmost flexibility in choosing the channels/bouquets they would want to watch and for how many days. As per NTO, they are free to change their options almost on a dynamic basis with no incremental cost to them. Having said that, it will take some time for all distributors to have a fully integrated backend system in place to be able to provide customers choice and flexibility on a dynamic basis.

In the earlier regime, customers had access to a whole host of channels, including those that they did not need and never watched as distributors bundled it in packs for no additional cost as content costs were not variable. However, under the NTO regime customers may need to optimise their overall monthly outgo by subscribing to only those channels/bouquets that they would actually like to watch. If they will end up subscribing to all channels that they had access to under the old regime, their monthly bill would go up substantially. Also in the case of multi TV, the platforms had offered substantial

discounts (as the content costs were fixed), which may not be the case anymore as the payment to the broadcasters are to be made for every set top box used by the customer.

The other unintended impact of NTO is that the percentage increase in ARPU (for those who do not want to massively optimise on the content) is the highest for those who were in the lower end of the ARPU range – particularly due to how package prices have been determined and the NCF component. While this is somewhat of a dampener from the customer point of view, India would still continue to be amongst the lowest ARPU markets in the world and would still enjoy more content than customers in other markets have access to.

The overall value proposition for the customer continues to be very strong. In addition, this would work out to be positive in the long-term for the industry as many distributors and broadcasters who have not been able to fully monetise their investments (because of low subscription ARPUs) would see some light at the end of the tunnel. Higher ARPUs and higher proportion of subscription revenues for the broadcasters would help fuel investments in creation of improved quality content by the broadcasters.

In the short-term, there would be some customer dissonance due to (a) the variety of packs that are created, (b) the multiplicity of choices being offered, and (c) increase in monthly pay-out.

For distributors to be fully compliant with the NTO, the entire back end system needs to be altered with big IT spends. The call centres need to be beefed up because of increased volumes. This would result in a sudden spurt in the operating expenses, for which there are no immediate visible benefits. Further, the opportunity to increase the margin by upselling new channels and bouquets has come down drastically as more than a lion's share of the incremental MRP goes to the broadcaster. Therefore, the distribution platforms would need to start thinking out of the box if they would like to improve ARPU in the new regime.



G. Sambasivan
Chief Financial Officer
Tata Sky Limited

The views and opinions expressed herein are those of the author and do not necessarily represent the views and opinions of KPMG in India.



Despite initial hiccups, the television industry has transitioned into the New Tariff Order (NTO) regime fairly smoothly. This has brought uniformity in consumer price across platforms (DTH / Cable) and across DPOs, which makes quality of service the biggest differentiator. Those DPOs who offer better customer service would tend to gain market share. We believe that the power of content would be reflected in consumer choices and in revenues. Television channels with engaging content would gain on subscription revenues. Going forward, the pay ecosystem will greatly benefit from ensuring complete transparency in subscriber base, which is not the case today.



Atul Das
Chief Revenue Officer –
Affiliate Sales
Zee Entertainment
Enterprises Ltd



Sports and General Entertainment channels are the driver channels for subscription in the New Tariff Order regime. Rights to sports properties and marquee shows will therefore be extremely vital for these channels respectively in order to have a sustainable strong pull for audiences.



Nitin Nadkarni
CFO
Sony Pictures Networks
India Pvt. Ltd



Regional markets

Moving into the limelight

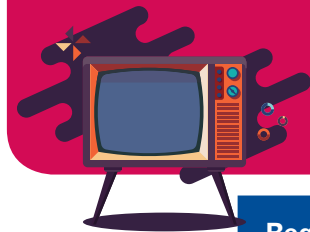
At 97 million¹, the number of people speaking Bengali is more than the entire population of Germany^{1,2}. Similar comparisons made for some regional languages reveal staggering numbers – the number of people speaking Marathi (83 million), Telugu (81 million) and Tamil (69 million) is higher than the entire population of Turkey (82 million), France (65 million) and UK (67 million) respectively^{1,2}.

The large audience size combined with their preference to consume content in their preferred language has led to media players/platforms expanding their portfolios to offer dedicated regional language content.

Increasing ad revenues on regional platforms is also testimonial to the increasing demand for regional content. Using advertisements on television as a reference point, the top advertisement channels are Tamil GECs which contribute about 10 per cent³ followed by Telugu GECs which contribute to about 6 per cent³ of the total advertisement revenue. In FY19, the growth in advertising revenue for regional channels has been around 16-17 per cent².

Segment highlights²

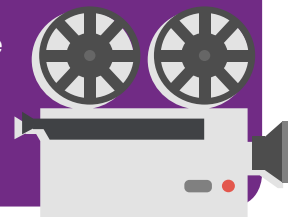
18-25 per cent of the total ad revenue on TV comes from regional channels



53 per cent of the newspapers are published in local languages



25 per cent of the total films produced are in regional languages



Regional music contributes to 35 per cent of the total music streaming



Consumers are spending 35-43 per cent of time on regional videos on digital platforms



1. ORGI. "Census of India: Comparative speaker's strength of Scheduled Languages-1971, 1981, 1991 and 2001.

2. KPMG in India analysis based on primary and secondary research

3. CRISIL Research and industry interactions

Regional content leading to widening TV viewership

The popularity of regional channels is evidenced by their sheer numbers - Out of 595 total channels tracked by BARC, 332 channels are regional channels across 16 languages⁴. In terms of new launches in 2018, 52 (about 70 per cent of total channels launched) were regional channels⁴.

In 2018, HSM* segment has seen an increase in viewership by 20 per cent⁶. Bhojpuri grew by 38 per cent⁶, Odia by 36 per cent⁶, Marathi by 26 per cent⁶, Assamese by 31 per cent⁶ and Bengali by 13 per cent⁶. Regional South has held onto its share in the overall pie and witnessed a steady growth of 7 per cent⁶ over the same period.

Print industry in India likely to witness positive growth, backed by increased readership in regional languages

Backed by increasing literacy rates and high rural population (rural population approximates 72 per cent of total population of India), the readership for regional newspapers grew from 19 per cent in 2017 to 20 per cent in Q1 2019 (an addition of approximately one crore readers)⁷.

A comparison of IRS 2014 with IRS 2017 saw languages like Urdu, Kannada, Telugu, Gujarati and Tamil witnessing growth in readership by 53 per cent, 37 per cent⁸, 63 per cent⁸, 45 per cent⁸ and 44 per cent⁸ respectively. Recognising the potential of regional market, pan-India players such as Dainik Bhaskar are also looking to expand their reach by launching regional newspapers, in addition to their Hindi language publications⁹.

The circulation of regional language publications (other than Hindi) is expected to rise by 5 per cent⁵ and Hindi language publication are expected to rise by 2 per cent⁵ year on year.

Regional cinema reaching pan-India audience through regional content

The Indian film industry is amongst the biggest in the world by number⁹ of films produced and released annually (2,000+films)⁹. Out of the total films produced in India annually, Hindi language accounts for 350-500

films with the remaining being in regional languages such as Tamil, Telugu, Malayalam, Kannada, Bengali, Punjabi, Marathi, Malayalam and Gujarati¹⁰.

Regional music driving growth in streaming services

Over the past couple of years, with technology being made available to the masses, especially high speed 4G data and digitalisation, music in non-Hindi languages has gained momentum with streaming platforms like JioSaavn, Gaana, Wynk and Hungama, Spotify witnessing success by building strong regional music libraries, which comprises not only film music but also music composed by solo/independent artists⁵. Regional With streaming platforms backing folk musicians creating compositions in languages such as Tamil, Hindi, Punjabi and Telugu competition¹¹ is likely to intensify in the coming years.

Punjabi contributes 15 per cent¹² of the total streaming across various platforms followed by Tamil at 5 per cent¹² and Telugu at 4 per cent¹².

OTT¹³ platforms investing in non-Hindi video content

It is estimated, that 40-45 per cent¹⁴ of consumption across OTT platforms is from regional content libraries. Digital platform players such as Zee5, Voot, Hotstar and Amazon Prime Video, are investing heavily in original content in regional languages as it not only has a vast audience, but the cost to create content is also ~30-40 per cent lower than that of Hindi¹⁴.

Regional impetus driving business perspectives and strategies

Regional entertainment channels backed by large viewership and rising potential in ad revenues have lead to broadcasters investing in producing original content which is evidenced by a majority of the new channels being launched in the regional space. In 2018, new channels such as Sony Marathi, Star Sports 1 Tamil, Colors Tamil and Colors Kannada Cinema were launched¹⁵. Over 2019-20, more regional channels are likely to be launched such as Star Sports1 (Marathi, Bengali, Kannada and Malayalam)¹⁶, Sun Bangla, Sun Marathi, Zee News Channels (Tamil, Bengali and Marathi)¹⁷.

4. What India watched, 2018, BARC

5. KPMG in India analysis based on primary and secondary research.

6. From content to genre, regional channels reaped benefits of localization, Business Standard, December 29, 2018

7. Indian Readership Survey Q1 2019, April 26, 2019

8. Indian Readership Survey 2017, January 22, 2018

9. CRISIL Research and industry interactions

10. Media and Entertainment – Film Segment, CRISIL Research, July 19, 2018

11. Spotify's entry into the Indian music streaming market bodes well for listeners, Money Control, February 28, 2019

12. Music Streaming penetrates deeper into the country in 2018, fast becoming a habit for digital citizen, Daily Hunt, February 27, 2018

13. OTT refers to 'Over-the-top' providing content over the internet

14. Amazon Prime, regional OTT players bet big on non-Hindi, non-English content, Financial Express, February 11, 2019

15. From content to genre, regional channels reaped benefits of localization, Business Standard, December 29, 2018

16. Star India to launch Star Sports 1 Marathi channel, Inside Sport, accessed on 4 July

17. Zee Media gets permission for 4 regional news channels, INDIAN television, accessed on 4 July 2019

* HSM – Hindi speaking markets include Maharashtra, Goa, Uttar Pradesh, Uttarakhand, Madhya Pradesh, Chhattisgarh, Punjab, Haryana, Chandigarh, Himachal Pradesh, Jammu & Kashmir, West Bengal, Gujarat, Daman and Diu, Dadra Nagar Haveli, Rajasthan, Delhi, Odisha, Bihar, Jharkhand, Assam.

Another strategy is that broadcasters have diversified their programming portfolio by investing in other media platforms such as radio and OTT¹⁸.

This space witnessed inorganic growth as a tool to establish presence in the regional markets, for example; Star India acquired Asianet¹⁹ and Viacom18 acquired channels such as Prism TV - ETV Marathi, ETV Kannada, ETV Bangla, ETV Oriya and ETV Gujarati²⁰.

Regional broadcasters such as Sun TV Network, Asianet and PTC Network expanded their geographical boundaries to serve larger dispersed audiences¹⁸, for instance Sun TV Network and PTC network broadcast channels with regional content to countries like the U.S., Canada, Australia, New Zealand, the U.K. and Ireland²¹.

Major print players like Dainik Bhaskar and Jagran Prakashan have adopted a strategy called 'Hyper-localisation' wherein the focus is on launching and promoting regional newspapers²².

Regional flavours leading to evolution of content

Big players realising the diverse nature of Indian audience have started to focus on regional content to improve the subscription.

Regional languages such as Telugu, Tamil, Kannada and Malayalam have seen growth in video watch time which is substantiated with players like ZEE5, Voot, Amazon Prime increasing their content in regional languages²³ to combat regional OTT players such as Hoichoi (Bengali) and Sun NXT (Tamil, Telugu, Malayalam, and Kannada), who are focussed solely on regional audiences²³.

The Indian players like AltBalaji, Zee5, SunNxt, which are offshoots of major production companies have a library of regional content which they are leveraging to their advantage²⁴. OTT players like Netflix and Amazon prime have started hiring writers to add contextual flavour to dialogues in English in addition to launching regional web series²⁵. For example Amazon Prime launched a Telugu comedy series called Gangstars²⁶ in June 2018 and ALT Balaji launching its regional stand-up comedy in Marathi, Punjabi, Gujarati²⁷. Thus in order to stay relevant, OTT players are bringing fresh content in regional languages in addition to translating their existing content.

To attract the audience, OTT players are also tying up with major production houses in regional languages to purchase the rights of films, a trend which was already predominant in the General Entertainment channels (GEC) segment where major players compete to purchase rights of regional language films from major production houses²⁴. For example, In Telugu, most film rights are purchased by the two big players i.e Zee Entertainment (Zee Telugu) and Sun Network (Gemini TV)²⁴.

Players in the Indian music streaming industry like Gaana, Google Play Music, JioSaavn, Hungama, Spotify, Airtel Wynk, Apple Music and Amazon Prime Music are gaining a foothold by supporting regional content, through partnerships with local brands like Saregama, T-Series, Zee Music, YRF, Sony Music as well as creating playlists considering Indian audiences and their preferences²⁸.

In terms of programming, national broadcasters brought in a shift in the market in terms of the content, whereby there has been a gradual move from traditional family dramas to more contemporary content based in urban and semi-urban settings like fantasy, historical as well as reality shows and movie premieres .

Popular sports events like IPL are also dawning regional flavours - IPL saw 23 per cent³⁰ of its total viewership from six regional languages²⁹ and two language feeds²⁹.

The content in regional cinema is undergoing a shift from folk stories to urban youth-centric stories which is in turn translating to better traction for Punjabi, Marathi and Gujarati films³¹. This change has also attracted acceptance amongst mainstream audience, corporate studios/production houses which are investing in this market. For example, Sony Pictures Entertainment India entering into the regional space with a Malayalam project, Dharma Productions continuing its foray into regional cinema by distributing Madhuri Dixit's Marathi debut film and Viacom18 Motion Pictures continuing to invest in regional cinema through another Marathi tale and a Punjabi film³².

18. KPMG in India analysis based on primary and secondary research

19. STAR India acquires 100% Stake In Asianet Communications, Medianama, March 13,2014

20. Viacom Acquires 50% Stake in Indian Regional Networks, Viacom Inc., 2015

21. Sun TV Network, accessed on June 06, 2019

22. CRISIL Research and industry interactions

23. Amazon Prime, regional OTT players bet big on non-Hindi, non-English content, Financial Express, February 11, 2019

24. KPMG in India analysis based on primary and secondary research

25. How content streaming platforms like Netflix have created an economy around subtitles in India, accessed on 3 July 2019

26. Amazon Prime video launches first Telugu web series 'GangStars', The New Indian Express, accessed on 4 July 2019

27. ALTBalaji offers original stand-up comedy in regional languages, Best Media Info, accessed on 3 July 2019

28. With A Million Users Within A Week, Has Spotify Already Hit The Right Chord In India?, Inc 42, accessed on 3 July 2019

29. Regional languages rule TV!, Rediff, accessed on 3 July 2019

30. BARC yearbook, 2018

31. KPMG in India analysis based on primary and secondary research

32. Top Bollywood studios are betting on regional cinema this year, live mint, accessed on 26 July 2019

Marketers jumping on the regional brand wagon

Considering the number of people speaking regional languages, marketers are tying up with content creators in regional language using regional media platforms to take into account cultural values and nuances of local languages with the intent of building trust with potential customers. In the past, marketing campaigns were disjoint for example a Tamil ad on a Tamil GEC leading to an online website completely in English which greatly limited the consumer appeal and thereby limiting the consumer rates³⁰.

Now focused ad campaigns are not limited to simply translating the existing content into regional languages. Intricacies of the culture associated with the regional language are often woven in to maximise the consumer appeal. Such marketing campaigns often employ a combination of various media such as television ads in regional languages combined with announcements in

regional newspapers, even have different websites or localised apps in different languages to maximise impact on the target audience which is also a focused group with carefully selected parameters³⁰.

On the other hand, with the rise of web/voice searches in regional languages, search engines are facing a shortage of quality websites equipped to cater these searches. This is giving regional marketers a unique opportunity to maximise impact by thriving on relatively low competition for regional language keywords. Brands are leveraging this take by optimising their content for these searches. This gives them access to a focused target audience at rates which are much below the rates for English and Hindi³⁰.

Website localisation involves rethinking visuals, currencies, units of measurement and of course the language. Localising your website helps your brand reach a larger audience and increase brand awareness.

Challenges hampering the growth of regional content³³

Under indexation of the market in terms of monetization

The show and content produced are specific to regional issues, sensibilities of that region/state, that may be unique. Thus, the contents may have limited acceptance and reach and thereby limited in the monetization potential.

Low budget for regional content

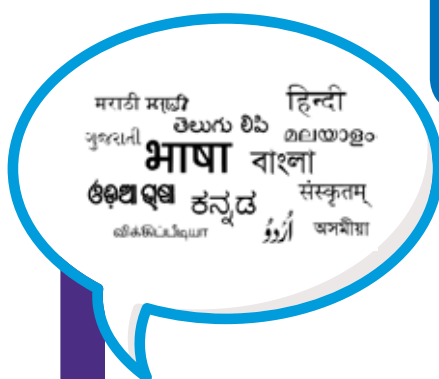
The ad revenues of English and Hindi content is comparatively larger than regional audience. Thus, the production houses prefer to spend more on sets, pre and post production of English and Hindi language content.

Local regional channels losing to national broadcasters

Many regional channels used to showcase dubbed version of popular Hindi shows. With national broadcasters now entering the market with better budgets to re-create content and larger network reach, local channels are struggling for survival.

Limited availability of talent

The talent base across various regional media is limited, the regional players struggle to find quality content creators and popular local talents.



30. BARC yearbook, 2018

33. KPMG in India analysis based on primary and secondary research

What next?

The variety of languages is one of the main reasons that gives regional media its weight. Regional content by its very nature is focused on a relatively smaller target group with similar social, economic characteristics. Since the content is customised to the target audience, the impact of regional content is significant as discussed in the chapter.

This combined with the fact that the regional market in terms of advertising revenue currently valued lower than the Hindi market in India gives advertisers a unique opportunity to tap into this market at relatively lower costs.

Media companies are increasingly realising the potential of regional media and most players in this space from broadcasters running TV channels to content creators are now not only developing relevant content for the regional market but also focusing on 24x7 programming to increase their share of the regional pie.

With increased focus on the part of the media agencies in terms of supply from creating focused content for regional market thereby increasing monetisation potential and the large demand given the population and diversity in India, regional content is poised for robust growth.



Redefining Indian viewing patterns – one town at a time!

A 50-year old shopkeeper beating the Jodhpur afternoon sun while the shop sees a lull, a 35-year old housewife from Mughalsarai, a 17 year old boy from Tirunelveli – what do they all have in common? In this context, no prizes for guessing – a smartphone that allows them access to OTT platforms and a wide range of content to view.

While the rest of the world was busy focussed on India, Bharat has been quietly weaving its own narrative in terms of the genres they prefer, the stories they like and the pricing they expect. This has been scripted, primarily, on the back of smartphone penetration, affordable data, 4G rollout and adoption of digital payments. Industry statistics on language content consumption indicated that more than half of the Indian internet user is non-English with languages including Hindi leading the roll followed by Marathi, Bangla, Telugu, Tamil, Kannada, Gujarati and Malayalam.

In our experience, digital premieres, regional language originals, dubbed versions of some of the Hindi/ English web series have been the trendsetters in these markets – it is about following the 3R philosophy of keeping them Real and Relevant such that they Resonate with the viewer. 2019 has been the year of regional content, and this has resulted in a slew of announcements of regional language originals. These original stories from the hinterland have found an audience in regional-language speaking markets across the country. This has resulted in a phenomenal increase in opportunities for talent from smaller towns to bring forth their talent, since we are now unbound from the shackles of waiting for a 70mm release.

Regional markets have completely overturned the demographic tables that OTT platforms, such as ours, register. While the urban profile is of the 18-34 year old male audience, the rest of India has

captured eyeballs across a wider set. Screenagers, stay-at-home women, senior citizens, all of who have access to data-equipped smartphones today, are also consuming content on OTT platforms in a big way. Subscribers in regional markets log on to explore a movie portfolio that is available digitally as well as catch-up content from their favourite television channels. Subscriber behaviour has clearly indicated a gradual co-opting of subscription-driven content by these audiences.

A great deal of exploring has been driven by technology supporting the platforms. Machine learning-enabled algorithms that assist with recommendations, software that auto resizes and auto compresses the quality so as to suit the network requirements and ensure seamless browsing. Though the upsurge in the first-time logins indicate growth in numbers, there are a few challenges which still need to be addressed. Low data and bandwidth are still a major concern both for the players and the audience.

Price has been the most sensitive point for regional markets. While we have tasted great success with our regional subscription packs, we now see the industry singing a different tune with weekly plans.

While India is busy consuming Original content in English and Hindi, Bharat offers a tremendous opportunity to revolutionise and regionalise the way we look at OTT content in the country today. We are at an interesting cross-section where advertisers are looking at the space keenly to understand the ROI they enjoy on the platform.

Voice, Video and **Vernacular** are pegged as the next growth drivers in advertising. What we have is the opportunity to curate the platform to offer a winning proposition for the entire ecosystem – the subscribers, the advertisers, and us – the platforms.



Tarun Katial
CEO
ZEE5 India

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Skill development

The learning imperative

Introduction

Owing to the digital disruption, the world of media and entertainment is changing with a new composition in the workforce. As a result, people are at the core of the business. Their capability to ideate, innovate and execute eventually leads to disproportionate value creation for the enterprise. This shift requires constant upscaling and upskilling of the workforce. It starts with understanding the need for change and then understanding the areas for change. The traditional job roles have either completely changed or have totally ceased to exist with a decrease of 8 per cent in online media, 9 per cent in print and 5 per cent in broadcast media.¹ However, interestingly the requirement of these new roles are being driven and fulfilled from within the industry itself. Given this reality, there now subsists a massive mandate within media organisations for talent transformations by way of capability building initiatives in relevant leadership, behavioral, functional and technical competencies.

People and learning trends in the M&E industry

The M&E industry is on a robust growth path, which will result in a workforce influx in the next few years. The average working age of a media professional is between 24 and 36 years.² The need for learning agility becomes more and more essential in order to keep pace with advances in the industry. News companies such as BuzzFeed and Vox, which are essentially digital in nature, have started incorporating more analytic and data-centric roles into their newsroom workforces. For instance, specialised data science and data journalism units in BuzzFeed or Vox having a team strategically specialising on creating content for the social media messaging application Snapchat. While such outliers do exist and are growing in numbers, most M&E organisations are still trying to align their creative workforces to make the shift to digital.

Advantage India

Robust Demand

Higher penetration and a rapidly growing young population coupled with increased usage of 3G, 4G and portable devices is driving demand.

Attractive Opportunities

Television and AGV segments are expected to lead industry growth and offer immense growth opportunities in digital technologies as well.

Policy Support

The Government of India has increased the FDI limit from 74 per cent to 100 per cent in cable and DTH satellite platforms

Higher Investment

From April 2000 to December 2018, FDI inflows in Information and Broadcasting (including print media) sector reached US\$ 7.50 billion.

Source: India Brand Equity Foundation

1. Managing a 21st-century newsroom workforce: A case study of NYC news media By Matthew S. Weber and Allie Kosterich

2. Based on Client Interviews with CHROs and CLOs of M&E Organisations

M&E industry insights on people and learning³

KPMG in India interviewed renowned CHROs in the media fraternity, and highlights of the People and Learning agenda have been identified for the upcoming years:

1. Learning and development:

Given the rapid and radical changes in the sector, CHROs are looking at Learning as the key KPI for talent. CHROs are not only focused on skilling employees on current capabilities, but also preparing them for upcoming disruption. Competencies like agility and tolerance to ambiguity, design thinking, client focus, data-driven decision making, and creativity and the power of storytelling will become quintessential for every media professional. Given the age-demographic of the workforce in the M&E industry, it's also imperative to provide a learning experience that is highly role relevant, comprising immersive content and just-in-time access to learning.

2. Aligning HR and Learning and Development (L&D) strategy to the overall business strategy:

The people agenda needs to be aligned to the overall business strategy. To achieve this, HR and L&D should play a strategic role and should have a collaborative partnership with other business functions. Unfortunately, however, the HR and L&D departments have historically only played a minimal or administrative role in organisations.⁴

3. Employee experience and well-being:

In a disruptive industry like media, retaining talent is highly critical for any organisation. For instance, with heightened pressures on staying ahead of competition, show releases every Friday for example, the workforce is showing signs of burnout. HR teams in media and entertainment are striving to create experiential employee journeys by providing the necessary support required for maintaining a work-life balance. For instance, necessary counselor or psychological assistance is provided to employees facing personal struggles. Such employee centric initiatives transcend into higher employee productivity and satisfaction.

4. Building internal capability:

Human resource functions in the media and entertainment sector feel the need to create a fungible talent pool within the organisation. It is important to invest in identifying leaders within and define a career path suited to their aspirations.

Organisations are now focusing on developing strong onboarding journeys for their new hires, building leadership capabilities of the front-line managers, defining specialised career journey for senior leaders, rotating business teams from traditional business to digital ventures; all this to ensure the organisations have an institutionally driven, and not individually driven mindset.

5. Multi-generational employees:

The media and entertainment industry is witnessing a change in the employee approach with the emergence of millennial into the workforce. Managing millennials with divergent ideologies and immense potential is perceived to be an area of concern for organisations. People managers across levels need to be equipped with effective managerial skillset to be able to harness the potential from their young workforce.

6. Leveraging technology:

While M&E companies have made significant progress in enhancing the digital experiences for their customers, it is now time to focus inward and enhance the experience for their internal customers. The HR technology and L&D technology landscape is undergoing constant improvement, which is changing the perception of organisations towards incorporating these technologies in achieving business goals.

Automation is a powerful tool that will help complete transactional tasks faster, which will then enable the HR and L&D professionals to play a strategic role in the organisation. Leaders feel the immense need to have a significant presence on various social media platforms. They have also shifted their focus on leveraging data analytics to provide them with descriptive and prescriptive data capabilities.



3. KPMG in India analysis based on industry discussions

4. KPMG in India analysis based on industry discussions

The skills for success⁵

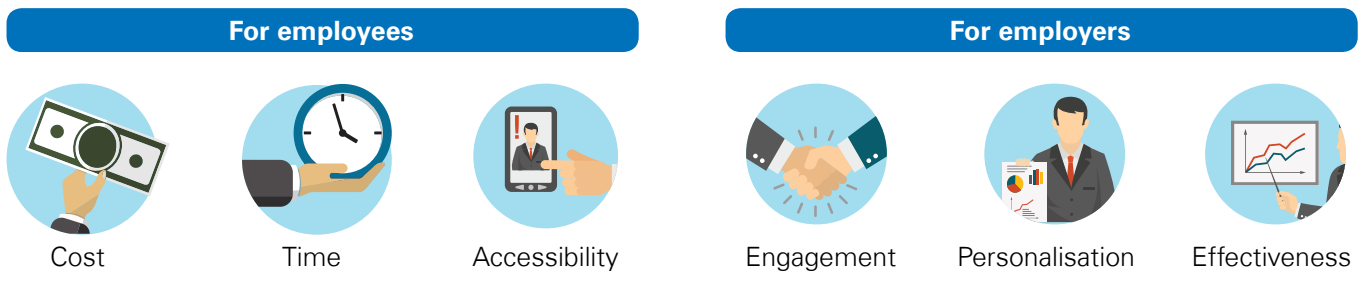
The emphasis today on consumer experience has made the M&E industry an extremely demanding arena for the workforce, with consumers expecting content to be delivered to them on their medium of choice, their platform of choice and on their own time. This, coupled with the speed at which digital adoption has taken place, brings about its own set of unprecedented requirements for the workforce in the M&E industry.

To cater to these requirements in the ever-evolving business environment, organisations in the M&E sector today are empowering their workforce by committing more time, money and effort on building relevant competencies while attempting to drive a far more robust and agile learning culture within the organisation.

Soft skills ⁶	Hard skills ⁶			
Creativity	Cloud Computing	Artificial Intelligence	Analytical Reasoning	People Management
Persuasion	UX Design	Mobile Application Development	Video Production	Sales Leadership
Collaboration	Translation	Audio Production	Natural Language Processing	Scientific Computing
Adaptability	Game Development	Social Media Marketing	Animation	Business Analysis
Time Management	Journalism	Digital Marketing	Industrial Design	Competitive Strategies
	Customer Service Systems	Software Testing	Data Science	Computer Graphics
	Corporate Communications			

Impediments to learning in the M&E industry

Impediments to learning in the M&E industry⁷



5. Based on Client Interviews with CHROs and CLOs of M&E Organisations
 6. The most in demand hard and soft skills of 2019, LinkedIn
 7. Based on Client Interviews and validated by Future of Skills 2019: Anticipating what's next for your business, An Asia-Pacific Edition; LinkedIn

The L&D function as a Centre of Excellence⁸

The L&D function needs to function as a Centre of Excellence which brings together M&E industry subject matter expertise and global best practices with learning design and technology skills and capabilities so as to minimise potential impediments to learning for both the employees as well as the organisation.

From an organisational view point, the L&D function needs to assist in solving for business needs with learning solutions that are outcome-focused. Towards this, the L&D function should provide their organisation learning solutions across four specialised functions:-

1. Learning advisory services
2. Setting up functional academies
3. Managing learning services
4. Creating bespoke training and workshops

From the employees' view point, the L&D function should incorporate adult learning principles such as immediate relevance, problem-solution centricity and self-direction with a learning philosophy that keeps the learner in the centre of the design of the programme.

A holistic learning framework

To operate as a state-of-the-art Centre of Excellence, the L&D function should look to leverage a holistic learning framework that enables a multi-dimensional outlook while creating learning solutions.

Conclusion

LinkedIn, in its Future of Skills 2019 Report, found that the biggest impediments to learning for employees is cost, time and accessibility while for employers it's engaging learners, adapting training to the younger generation and improving learning effectiveness. KPMG in India has ensured that these do not remain impediments to either organisations or employees.⁹ It is therefore that at the macro level, KPMG in India approaches learning through the lens of solving business problems by being a trusted advisor to organisations and developing effective learning that is impactful in their context, at the micro level, KPMG in India enables personal transformation of the individual to unlock his or her true potential through a customised learner journey framework.



8. KPMG in India analysis based on industry discussions

9. Future of Skills 2019: Anticipating what's next for your business, An Asia-Pacific Edition; LinkedIn

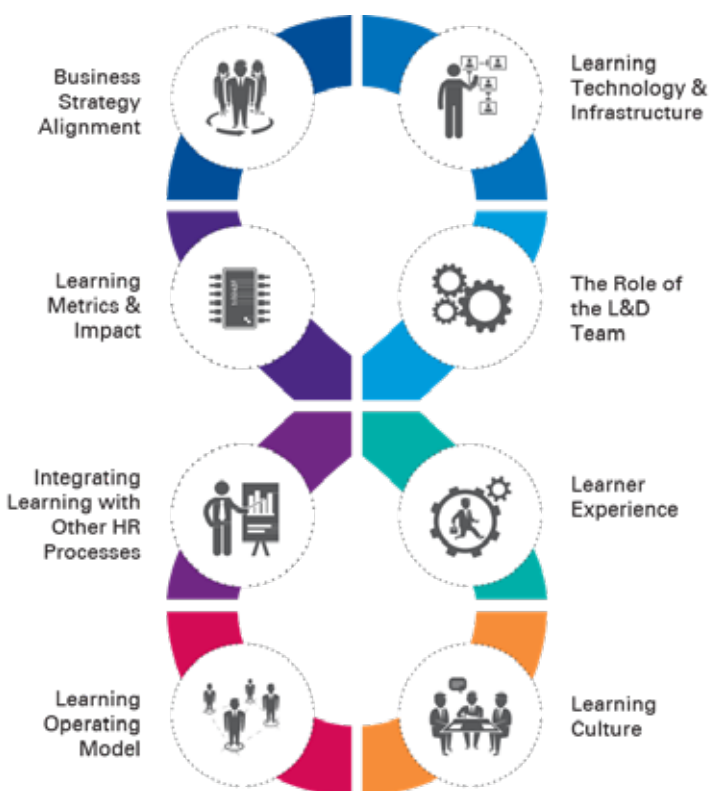
KPMG in India's Learning Maturity Model¹⁰

All KPMG's learning interventions are based on KPMG in India's proprietary Learning Maturity Model. The Learning Maturity Model has been adapted to the Indian industry by KPMG in India. The model has a total of eight dimensions

- 1. Business strategy alignment:** Learning strategy is an integral part of the business strategy, where learning is an important input to the business planning process. Learning programmes are planned well ahead of time and are focused on delivering on organisation's larger strategic objectives.
- 2. L&D metrics and impact:** Learning metrics are designed to measure learner knowledge gain, change in learner behaviour and ROTI (Return on Training Investment) consistently. Extensive use of data analytics, predictive modelling helps to measure learning trends and personalise learning.
- 3. Learning infrastructure and technology:** Technology is leveraged to get data insights and create personalised learning paths. Informal learning through crowd sourcing and social learning platforms is part of the learning architecture. Learning can be accessed and tracked from anywhere – 'always on' and advanced curation platforms exist.
- 4. Learner experience:** Develop and deliver a curriculum that targets learner experience through a "consumerised" approach that is hyper-personalised and multi-modal. Learning is intrinsically valued and employees can pick the programmes they want to learn autonomously from a wide range of resources.
- 5. Learning culture:** Leaders and managers play the role of 'agents of development' and it is seen as one of their primary responsibilities. There is a dynamic structure in place to support peer-to-peer learning. The organisation follows a comprehensive rewards mechanism that incentivises learning.
- 6. Integrating learning with other HR processes:** Learning linked with Performance Management System (PMS), career pathing, succession planning, rewards and manpower planning. Assessment centres and development centres are leveraged for all roles across levels.

- 7. L&D role and competence:** L&D's role is strategic, and they have a say in linking learning to business. L&D engages in performance consulting and architects solutions that drive behaviour/culture change. L&D competency framework is in place and individuals are recruited based on specific skill-sets. L&D team is also recognised externally for their work.
- 8. L&D operating model:** Training budget is part of the overall HR budget and linked to business plans. A governing body consisting of leaders from HR, business and L&D meet periodically to design, review and improvise the functioning of L&D team, which works in complete collaboration with business. There is a defined process for identifying learning needs.

KPMG Learning Maturity Model



10. The KPMG in India's Learning Maturity Model was tested for statistical reliability and it scored a high of 0.93 on Cronbach's Alpha test. This shows that the model designed is accurately measuring the variable of interest (Learning Maturity).

Industry perspective



The global war for the right talent will intensify and compel business leaders to reflect and demand better visibility of a robust “talent pipeline” to ensure business continuity. This will also propel the CHRO to craft the most relevant people agenda for the enterprise, aligned to the strategic business goals.



Amit Das
Director – Human Resources & CHRO,
Bennett Coleman and Company (Times of India Group)



Managers determine 60% to 70% of your employee’s experience. Great managers make great companies. They play an important role in talent attraction and retention.



Animesh Kumar
Chief People Officer,
Zee Entertainment Enterprises Limited



With the given pace of disruption in M&E industry, the only way to stay ahead is through continuous Self Renewal. To manage the changing dynamics in this new eco system, companies need to educate and empower their employees, in a way that they stay updated and help the organization be future ready.



Vinay Maheshwari
Executive Director & CEO,
Sakshi Media Group



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Current L&D landscape and the future strategy of L&D in the context of digital transformation in media:

The Indian economy is adopting digital at a breakneck pace causing a series of disruptions in all directions. Most organisations today are compelled to adapt to this increasingly digital environment by leveraging digital technologies to improve operations and drive new customer value in order to enhance their competitive edge. This disruptive digital ecosystem will transfer many manual tasks to cost efficient machines and algorithms in every sphere of the media industry, be it content creation, reader engagement or revenue augmentation. All these trends are changing the face of Learning & Development (L&D) in the media industry and this compels us to choose the right intuitive technology for high adoption, identify internal evangelists for accelerated buy-in, help employees understand what is in it for them, customise the training modules, highlight quick wins, and reward the desired behaviour for adopting the right learning technology.

Today's VUCA environment, which has become the new normal, requires significant "right-skilling" to fill the capability gaps. Moreover, hyper customisation to cater to a multi-generational workforce with distinctly different sets of preferences and aspirations, becomes a topic of prime importance. Every development journey needs to be "Just enough, Available on-the-go, Just for me". Thus, developing the right learning environment supported by innovative, flexible, on-the-go learning platforms which can cater to multiple employee segments, will be instrumental in building an enabling learning culture. Technology will play a key part in enabling the right ecosystem for continuous learning, as well as enable us to create deeper employee connect and customised engagement approach to create a delightful experience for today's multigenerational workforce, at every employee lifecycle touchpoint. Additionally, L&D will also play a critical role to reward and motivate top talent, while supporting their constant need to learn through cross functional exposure and manage growth opportunities through non-linear career progression paths.

Today's fast changing business landscape throws several real-time challenges which we, as value creators, can convert into opportunities. However, we need to be responsive, adaptable and continuously assess the capability gaps to meet the expectation of our customers. We also need to equip ourselves with competencies like creativity, empathy critical thinking, stakeholder solutioning, learning agility and design thinking mindset to future

proof the organisation. The L&D strategy has to necessarily include the following four elements:

- 1. Alignment to business needs:** The L&D interventions should help develop the right capabilities, not only for today, but for future business needs, which prepares employees to be resilient in the face of rapid changes and also enhance their productivity. The L&D ecosystem should not only provide continuous learning opportunities, but also help create a culture that promotes experimentation and learning.
- 2. Blended learning:** Effectively utilise the mix of right offline and virtual learning channels to promote continuous learning for employees, which provides enhanced flexibility to learn at their own pace and space.
- 3. Personalised and engaging learning experiences:** Hyper-personalised learning curriculum with meaningful content delivered in a manner that is entertaining, engaging and contextual. This would cater to the unique needs and preferences of the employees, aligned with their growth and career aspirations.
- 4. Technology enablement:** The digital application based learning solutions supported by interactive technologies such as Artificial intelligence, Virtual and Augmented Reality, and Bots are significantly changing the ways employees learn today. Machine learning technology will observe the learner behaviours to offer sharper learning solutions, and Augmented Reality will offer complex and live simulations to enable real skills.

However, while organisations will continue to invest in providing the right learning ecosystem, we need to empower our employees to take ownership of their own development, which supports them to fulfil their career aspirations. Thus, the imperative is not only to embed learning in business but more importantly, to create an engaging organisational culture around learning. In the book titled "The Fifth Discipline", Peter Senge coined the word "Learning Organizations", where employees are continuously engaged in enhancing their capabilities to create what they want to create. Thus, if the organisations of today want to be organisations of tomorrow, it is imperative that they start progressing towards being 'Learning Organisations'.



Amit Das,
Director – Human
Resources & CHRO,
Bennett Coleman and
Company (Times of
India Group)

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Digital privacy

You are being watched

Data economy

An average Indian is now consuming more media content than ever before. The increase in smartphone users and onset of 4G and impending 5G technologies have placed a greater emphasis on continuous availability of content and data for consumers. The increasing competition in the Indian telecom sector has resulted in India having one of the cheapest data rates across the world. This has created the perfect environment for the growth of the media and entertainment industry as consumers have digital platforms at their fingertips.

In today's marketplace, customised environment and recommendations are the norm and it provides organisations an edge over their competition. They are using Content Delivery Networks (CDN) to speed up content delivery on websites with high traffic based on location. In order to provide such services, media companies are now monetising by collecting huge amounts of data to create customer profiles in a new and unique way. Such user profiles not only identify the person for whom the content is targeted but also provide insights into their preferences, beliefs and routines. Data is termed as the new oil for organisations. Due to increase in consumer awareness regarding collection and processing of data by the organisations, privacy concern is fast emerging as the next frontier where consumer trust and loyalty will be determined.

Technology disruption

Additionally, evolving technologies such as Augmented Reality (AR), Artificial Intelligence (AI), connected devices internet of things (IOT), data analytics and 5G have the potential to make media consumption more immersive and personalised.

- AR devices operate by capturing the real world scene, analyse it and then overlay extra visual information¹
- AI helps organisations to exploit the information collected, profile the customers, predict outcomes and provide recommendations
- Machine Learning algorithms are being developed to design trailers and advertisements. AI software is being used to speed up the production process²
- Using analytics, organisations have become aware and track customer preferences and their choices to curate new content
- Media applications capture background noise to profile the consumers to understand the content that they stream during their travel
- 5G allows consumers to transfer large volumes of data at high speed over a constantly connected network
- Gaming platforms have been witnessing a surge in their customer base. Features such as targeted advertisements and micro-transactions, which rely upon user profiles, are central to their business models.

Like any other technology, these are vulnerable to cyber security threats. Organisations leveraging these technologies are collecting huge amount of data to provide a better experience to consumers than traditional systems. This is considerably impacting consumers' privacy and raising concerns. Privacy and security lapses in the information lifecycle may lead to personal data breach. Building, maintaining and developing a dependable relationship keeping in mind the privacy concerns with the empowered audience is key for media and entertainment organisations today.

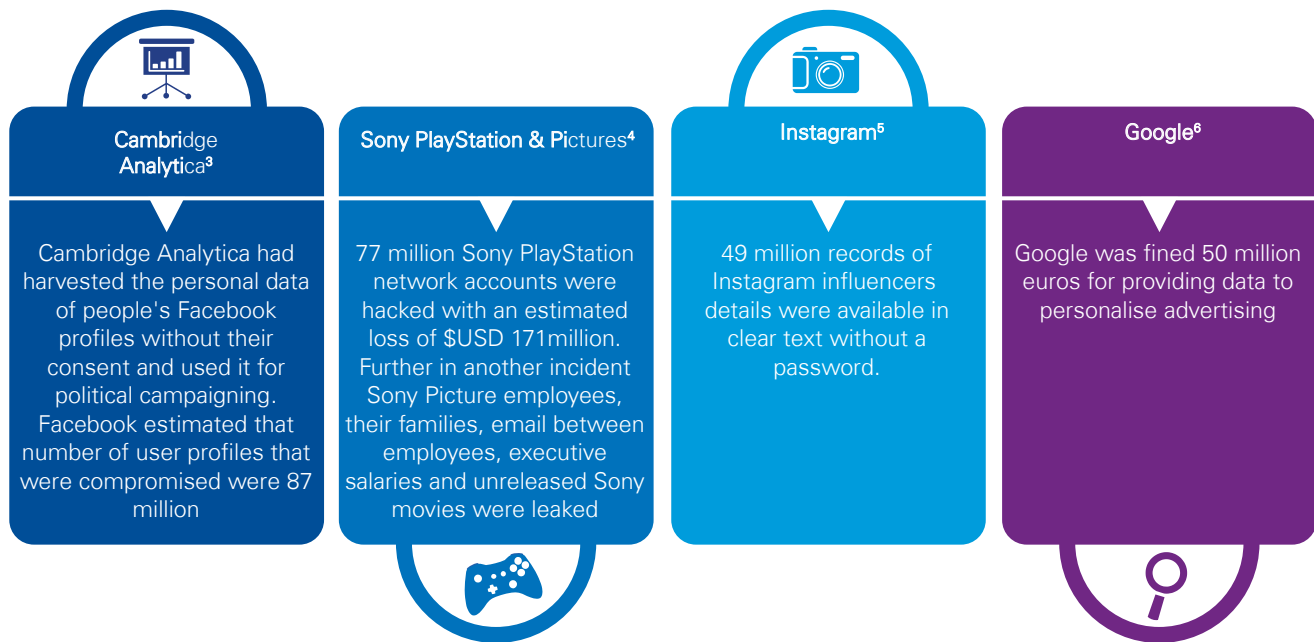
1. The Security Risks with Augmented Reality and ways to combat, Sunil Gupta, 14 February 2017

2. AI in Movies, Entertainment, and Visual Media – 5 Current Use-Cases, Analyticsjobs, 11 June 2019

Privacy risks in media and entertainment industry

Unlike traditional media and entertainment scenarios, today's media organisations often have little control over how and when the content is consumed. People could be using any device to read or view content with an increasing number of organizations offering cross platform integration for seamless customer experience. Digital marketers collect behavioral data by monitoring web beacons and cookies deployed on

web pages. This operational and personal data that is collected and analysed is used to curate new content and provide personalised recommendations. In case of a data breach, it could bring down the reputation of organisations, and also can lead to financial implication due to regulatory non-compliance, which in turn can affect their business. Data breaches can cause irreparable damage as personal relationships are critical in this industry than any other.



The above figure provides insights on few of the data breaches that have occurred in the media and entertainment industry.

Regulatory obligations and key privacy principles addressing privacy risks

Due to ever increasing data breaches and privacy concerns, organisations are trying to keep up with dynamic changes in the risk profiles, fluid geographical boundaries and the constant need to win consumer confidence. Additionally, the regulators and industry bodies are developing regulations and frameworks to protect personal information of their individuals.

Regulators across the globe have adopted two key approaches in addressing the growing privacy concerns.

- Omnibus regulations such as EU General Data Protection Regulation (GDPR), India Personal Data Protection Bill (PDPB), Malaysian Personal Data Protection Act (PDPA) to name a few

- Sectorial regulations such as California Online Privacy Protection Act (CalOPPA), Privacy and Electronic Communication Regulation (PECR), Children Online Privacy Protection Act (COPPA) to name a few

EU GDPR has created a shift in the way privacy laws are perceived across the globe. This regulation has created the biggest change to rules governing data protection and was first in its kind to implement administrative fines as high as 4 per cent of annual global turnover. This was at the forefront in every organisation's board room agenda. The wave was not only limited to EU, but also the rest of the world. GDPR made organisations to take the pragmatic steps and implement controls to really understand and mitigate the privacy risk exposure that existed across their operations. For example, digital advertising agencies now collect and track personal data of consumers with transparency and consumer oversight by providing a detailed privacy notice and obtain explicit consent wherever required.

3. Facebook exposed 87 million users to Cambridge Analytica, wired.com, 4 April 2018

4. PlayStation Network hackers access data of 77 million users, theguardian.com, 26 April, 2011

5. Instagram breach exposes personal data of 49 million users, cpomagazine.com, 3 June 2019

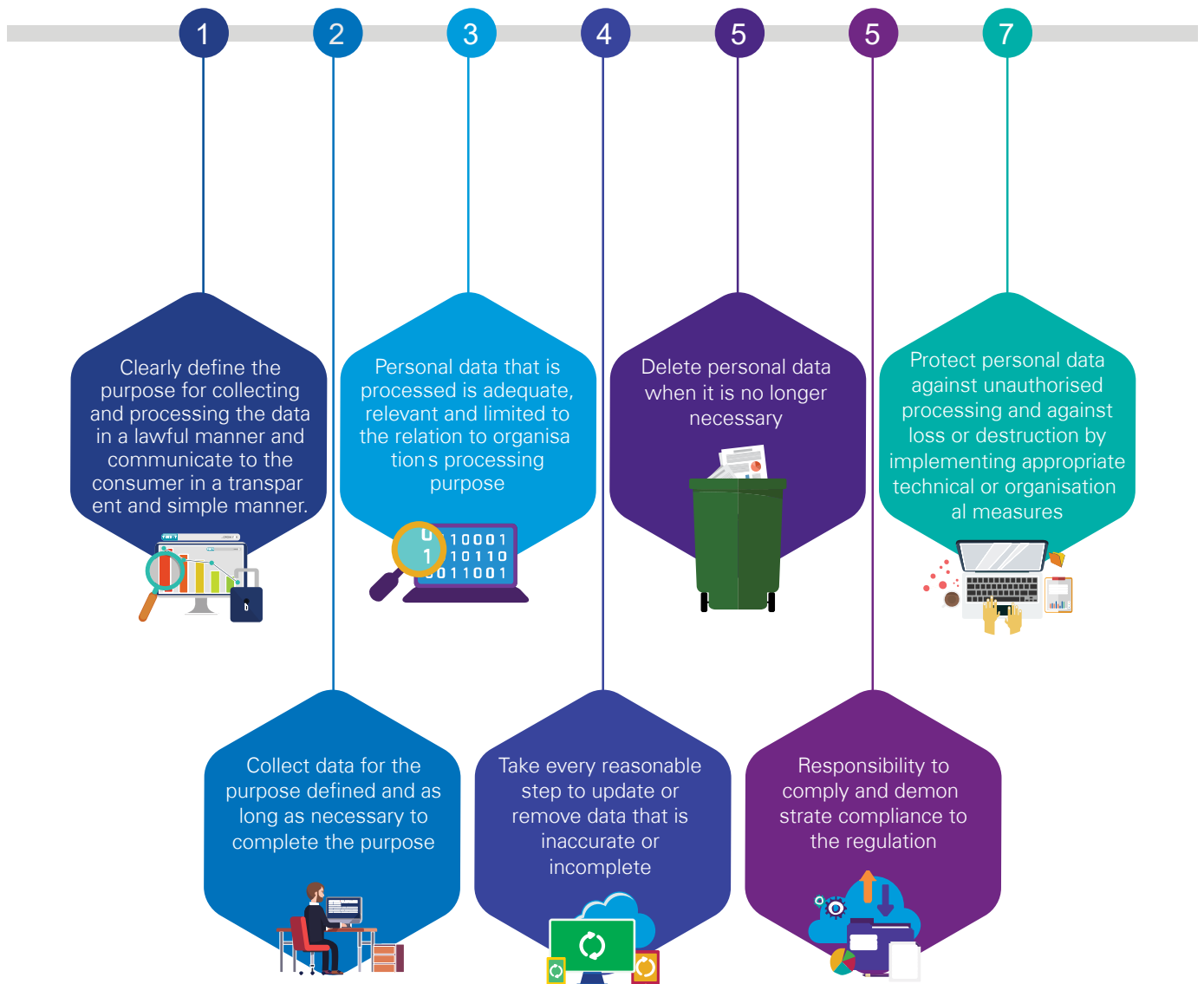
6. Google hit with Euro 44m GDPR fine over ads, bbc.com, 21 January, 2019

In India, the current privacy regulatory setup is minimal and data protection provisions are scattered across several statutes ranging from Information Technology Act 2011 to the Aadhaar Act 2016. Hence a strong and robust data protection framework is the need of the hour. In 2018, India had taken another step towards realising its dream of becoming a truly digital economy, Justice BN Srikrishna Committee released its first draft of the Personal Data Protection Bill (PDPB).

Data protection obligations, legal grounds of processing personal data, data subject rights and measures such as privacy by design, Privacy Impact Assessments (PIA), notice to name a few, are more or less similar to the ones drafted in GDPR. However, this bill mandates

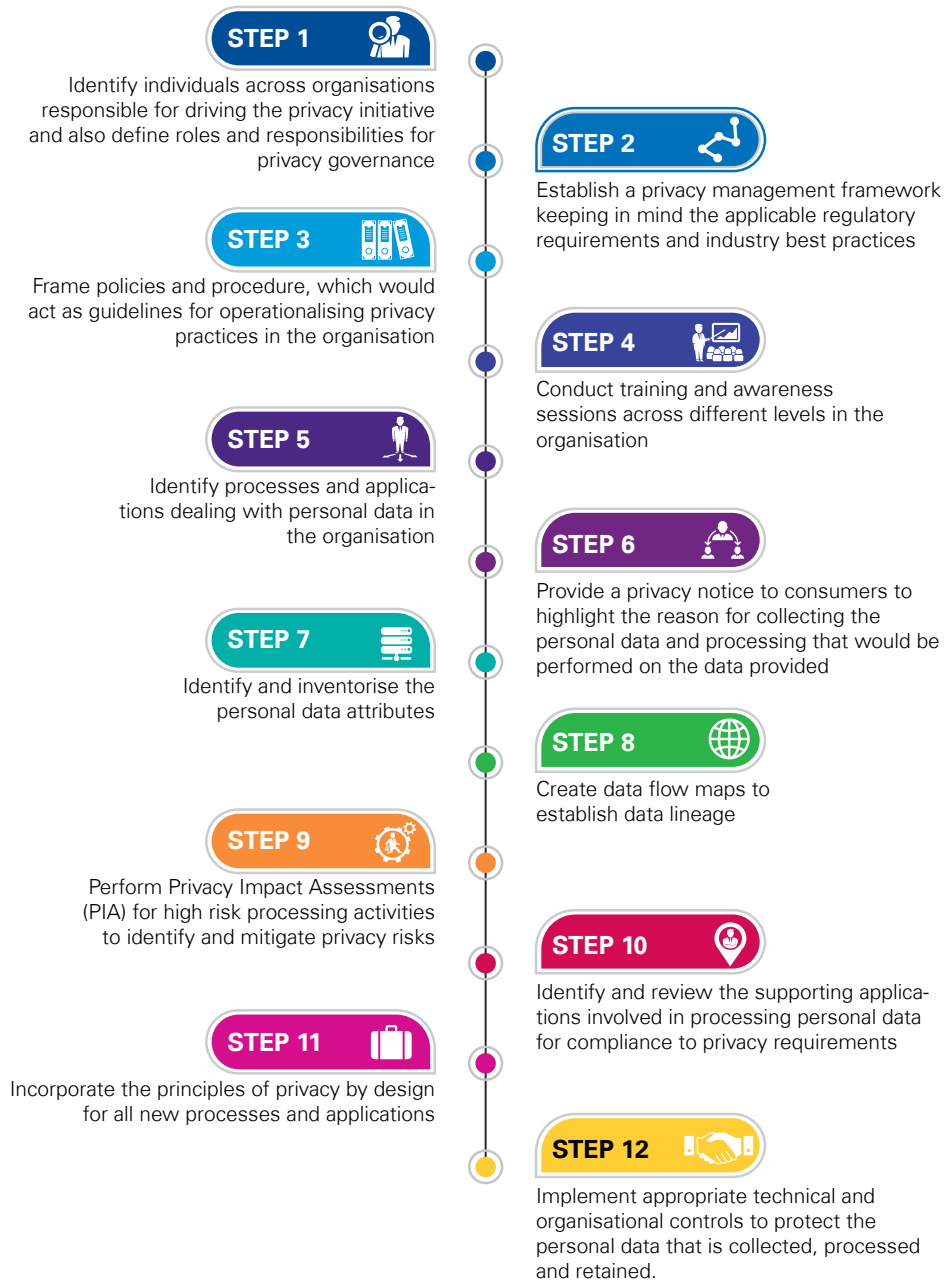
a copy of personal data to be stored in servers data centers in India and certain categories of data (notified by the Central government/ Data Protection Authority of India) termed as critical personal data shall only be processed in server/ data center located in India. In addition to the administrative fines, PDPB also considers non-compliance to be a criminal offence. Further, establishment of a Data Protection Authority of India and Appellate Tribunal by the Central government has been suggested. After the enactment of PDPB, organizations have been given a 12-months transition period to become compliant. This bill with minor changes will be passed in the Indian Parliament and is set to become a law, but operationalisation and adherence to it, once it becomes a law, will evolve with time.

The key principles of all regulations fundamentally remain more or less the same. Organisations should take a step back and incorporate the below privacy principles in their day to day operations.



Steps for organisations to implement

Due to the tectonic shift in the digital space and more importantly in the media and entertainment industry, it is more necessary than ever for organisations to adhere to the regulations than before.



Privacy challenge in India with evolving digital landscape

India's media and entertainment industry is now confronted with the task of ensuring an individual's privacy. Organisations should do well to take cognisance of this and work on strengthening data privacy by putting on the end-user lens than a regulatory lens. It should be approached logically and methodically with utmost

planning and execution by asking the vital questions and adapting to the change and move ahead of the curve by establishing a strong enterprise privacy governance framework. While we can expect India to adopt a privacy regulation, it is important that organisations start building privacy in their business DNA and give it due consideration in every business decision.

Digital content

Bridging the monetisation gap

Indians are expected to devote nearly a third of their overall time on media to digital formats in 2019¹ with more than 30 OTT players and over 10 music streaming apps in India catering to their media and entertainment demands. With digital consumption gaining momentum, it is expected that the focus will soon shift to monetisation of the content. To this end, digital content platforms are now attempting to move beyond advertisements and exploring new avenues to monetise their relationships

with consumers towards creating a sustainable business model.

The choice of the “right” monetisation strategy

The most effective monetisation model for a digital platform depends on factors such as the type of content featured, target audience, scale, competition and service positioning.²

Digital business characteristics and monetisation models^{3,4}

Content featured and service positioning		Target audience		Scale		Model
Majorly used by third-party content aggregators and extensions of broadcasting companies	+	Audience at scale that could either be diverse or niche (e.g. kids)	+	Requires a bigger target audience, frequent visits and a large advertiser base	=	Advertising
Suitable for niche or premium content. Requires continuous updating of new content to ensure customer stickiness	+	Higher income, urban population with a willingness and ability to pay	+	Work with a smaller audience with a higher willingness to pay	=	Subscription
Most appropriate for live videos and highly desirable content with a dynamic pricing model	+	Targeted at one-time viewers with a low attention span	+	Large and repeat audience	=	Transaction
Premium content and value added feature to encourage viewers to become paying subscribers	+	Primarily the younger generation wanting to consume content on the go	+	Requires a large user base with long app sessions	=	Freemium

1. Time spent with Media 2019, emarketer, May 30, 2019

2. The key to building a successful OTT business, Magine, February 2018

3. Choosing The Right App Monetization Strategy, Medium, November 17, 2015

4. The key to building a successful OTT business, Magine, February 2018

Digital business in India devise innovative pricing strategies

Pack durations and sachet pricing

Flexible subscription packs have been introduced by most digital players to provide users with the option of moving away from high-upfront spends on digital content. While Amazon augmented their annual Prime subscription service with a monthly subscription plan over the course of last year, Zee5 launched a sachet pack that offers seven days of premium service in association with RailYatri to drive volumes and increase user adoption. Sony Liv has also announced a weekly subscription pack at INR29, while Netflix has announced a weekly, mobile-only pack at INR65.

Content bundling

In addition to subscription durations, digital businesses have started to customize and categorise their content to assist discovery and cater to niche target audiences. Star TV-owned Hotstar has launched Hotstar VIP, a subscription service which offers all 'only Indian' content (including early access to TV shows, live TV channels, movies, sports and originals). Eros Now offers two different subscription plans – Eros Now Plus and Eros Now Premium – with all original content only part of the Premium plan.

Regional packs

OTT players have also tried to address the needs of their regional audiences by launching customized plans for language viewers. Zee5, for example, has come up with language based subscription plans in Tamil, Telugu and Kannada to increase its appeal in the Southern markets.

Offline payments

To cater to audiences that are not comfortable with digital payments, digital businesses have also implemented innovations that support offline or cash transactions. While Hoichoi, a regional OTT player, has adopted the telecom model of top-up cards, Hotstar offers Cash on Delivery (COD) to mobile subscribers for its Hotstar VIP offering.

Several challenges remain however in the path to profitability

There are multiple factors hindering successful monetisation of digital content:

- **Existing service:**TV remains the most popular entertainment medium with a reach into 800 mn households in India, and poses a strong challenge to the growth of OTT video services. Inertia and habit dissuades many from cancelling their cable and satellite connections or minimising spend in favour of digital subscriptions
- **Price sensitivity:**Subscriptions are deemed expensive

and perceived as not offering value for money when there is so much content available for free

- **Content fragmentation:**There are over 30 OTT video streaming platforms with a wide array of content on each. Discovery is an issue and many users therefore cancel subscriptions once they have watched the one or two identified shows available on a particular platform. It is only with a steady and reliable stream of original content will loyalty improve
- **Consumer readiness:**While consumers are mobile and internet savvy, they are less familiar with payment channels: The challenge to monetisation will be in educating the large digital masses in the use of digital wallets and payment mechanisms.

Further, subscription sharing is rampant in India with almost eight in 10 subscribers of Amazon Prime, Netflix, and Hotstar in India sharing their accounts.⁵ This trend is hampering subscriber and revenue growth, as users are using login details of others to watch content. Netflix allows up to four people to share one account, while Amazon Prime Video allows two users to share its membership programme and add up to four child profiles at a higher price, users tend to still subscribe for the basic plan and share their accounts with their friends and family.

Collaboration has assisted content monetisation

As was noted in the KPMG Media and Entertainment report 2018, the boundaries defining the Telecom, Media and Technology (TMT) sector are increasingly blurring. The entry of Reliance Jio in 2016 disrupted the telecom industry in India with the announcement of a steep decline in data tariffs, and voice practically being made free across bundled plans. This led to a sharp decline in telco revenues. To compensate, it has become vital for telcos to encourage data consumption on their networks through content offerings, which has largely been met through strategic partnerships with OTT platforms.

Such collaborations/ partnerships with telcos are also important for OTT platforms as they get distribution access to a wide customer base, with minimal spends on customer acquisition costs. The partnerships ensure a faster time to market, and potential for subscription based monetization for OTT platforms as well. As a result, major telcos like Jio, Airtel and Vodafone Idea have now become content aggregators with a diverse mix of content from numerous OTT platforms available on their own OTT/VOD apps. The telcos are not explicitly monetizing this content by charging separately for it, but implicitly by upselling higher bundled voice and data packs to subscribers. While Jio has chosen to offer all of its video content to all categories of its subscribers, Airtel and Vodafone Idea have differentiated the video

5. Almost everyone in India is borrowing someone else's login to stream movies and TV, Quartz India, September 19, 2018

content offering based on the categories of pre-paid or postpaid plans chosen by subscribers.

In the early days of telco based content aggregation, most of the deals between telco players and OTT platforms were on a fixed fee basis for three to five years and included a lump-sum payment by for all content on the OTT platform. As the OTT landscape matures, these deals are evolving towards shorter duration agreements, with dynamic payout structures that typically include a minimum payment guarantee and are based on the performance (i.e. active viewership) of the VOD platform on the telco app. Access to customer data for the OTT app through the telco platform is an important and often negotiated aspect of such deals.

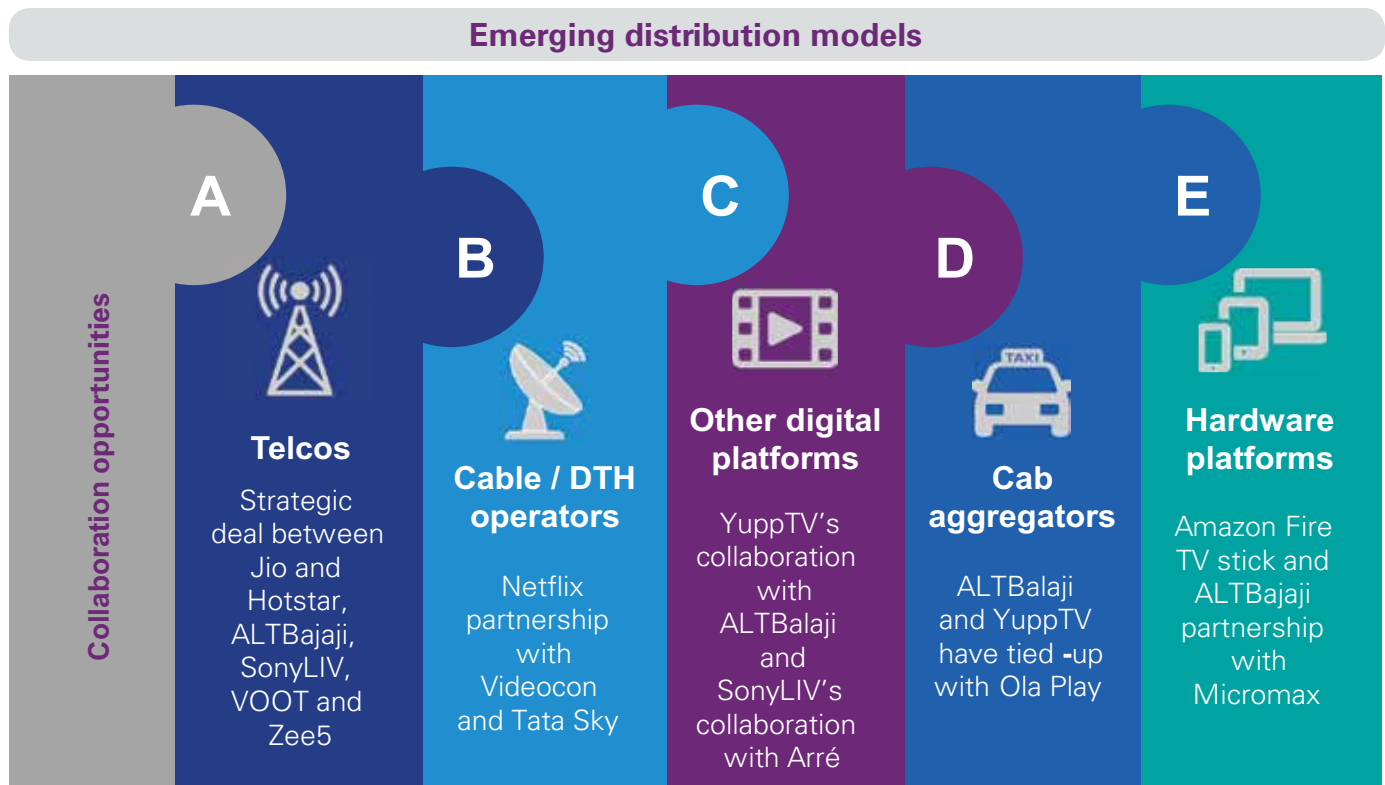
Going ahead, viewership measurement, ownership of customer data, access to premium content and deal duration are likely to be the critical aspects when partnerships between a distributor and VOD player are being negotiated. VOD players are likely to seek first-hand access to end-customer data in order to have complete visibility on consumption habits, windowing period for premium content and minimum payment guarantees in order to protect their economic interests.

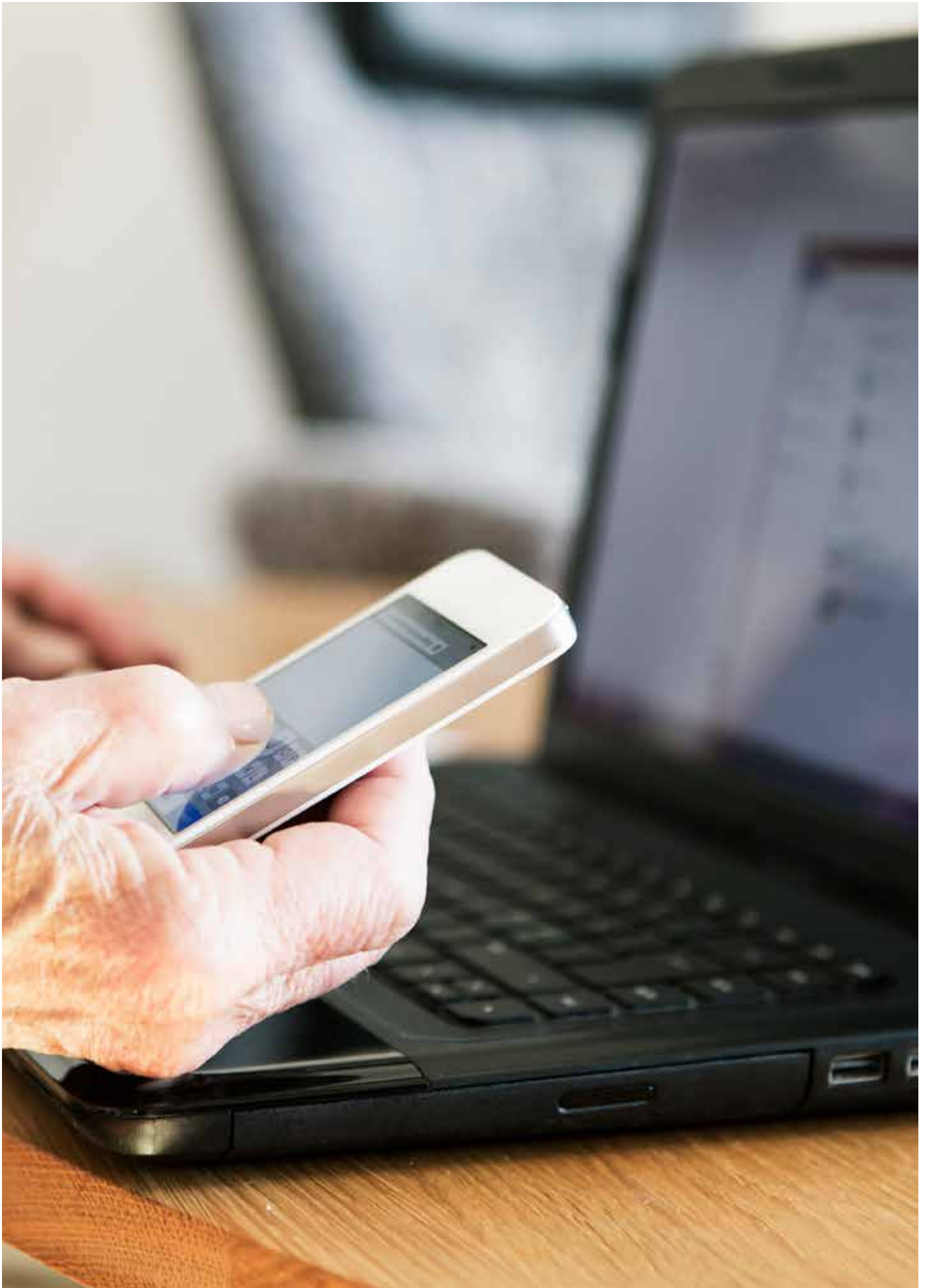
The prize at stake here

The entity in this eco-system with the deepest knowledge of the digital consumer and her psychographic and demographic profile will be in the best position to achieve successful monetisation. But in an age of collaborations and partnerships, who owns the coveted relationship with the user?

In our conversations with industry experts, it became apparent that the nature of alliances are still evolving although everyone we spoke to concurred that the consumer, and associated insights into her behaviour, was the prize at stake here. There exists a continuum in the type of partnerships between distributor and content creator ranging from insertion – where the content is shared entirely with no relay of information on usage or consumer back to the OTT platform – to app in app where the user gets redirected to the OTT where all consumer data will also naturally reside. In between, lies the API-based format where information is shared between the two parties.

For the moment, OTT platforms may be willing to trade off a direct connect with their consumer for higher MAUs but there are already instances being reported of digital platforms pulling out of distribution partnerships rather than forgo even partial consumer access and control. In the fight to establish the most intimate relationship with the user, and in a scenario not unlike TV some years ago, it will be interesting to observe how the balance of power shifts between content developer and distributor.





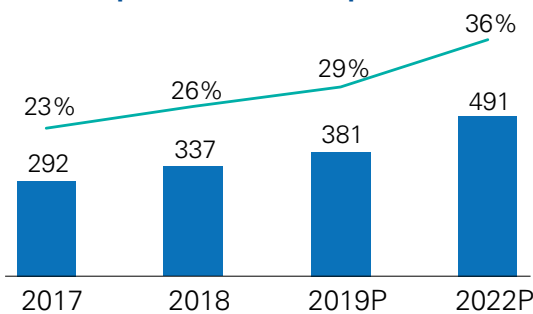
Cord cutting

Early adopters embracing change

The global perspective

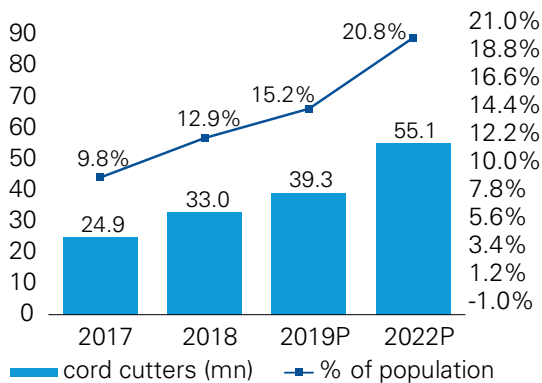
Over-the-top (OTT) video apps are changing the way video content is consumed globally. In a developed market like the US, growing demand for OTT video content is a major driver for the rise of OTT subscription and decline in the number of pay TV viewers^{1,2}. As a result, there is an increase in the number of 'cord cutters'- subscribers who have cancelled a pay TV service and continue without it. It is estimated that by the end of 2022, more than one-fifth of the US population will no longer watch traditional pay TV³.

Smartphone users and penetration



Source: eMarketer,2018; Leichtman Research Group,2019

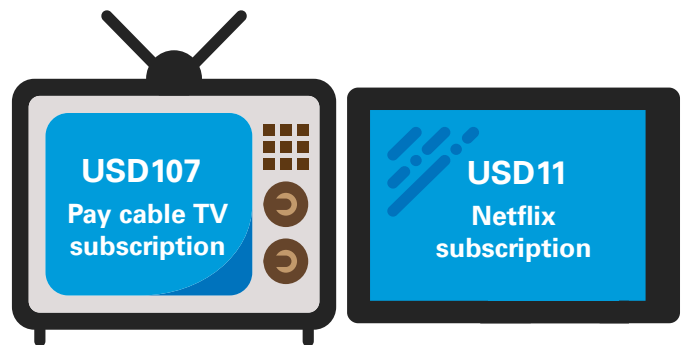
Cord cutters (U.S.A)



Source: eMarketer,2018; Leichtman Research Group,2019

One of the primary factors for this trend is that the traditional TV networks are not able to keep up with the quality of original content offered by OTT platforms. Also, the rising popularity of linear OTT services, like 'SlingTV', could make things more difficult for traditional pay TV providers, as these services often offer digital access to their programming at a lower cost. Other important factors are the significant price differential between pay TV and digital subscriptions and the availability of high speed broadband^{4,5}. A decline in the number of pay TV subscribers was also observed from 2017 to 2018 in other developed economies like Japan and Australia⁶.

Pay cable TV vs Netflix subscription (U.S.A)

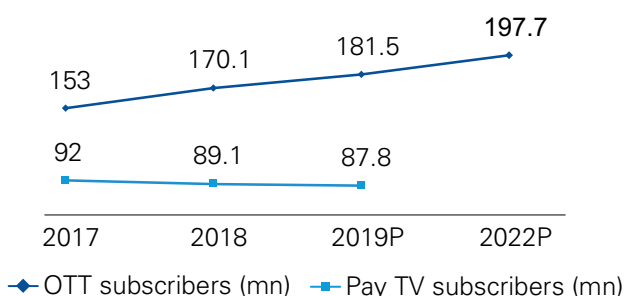


1. US Pay-TV providers lost 1,325,000 subscribers in 1Q 2019, Broadband TV News, May 2019; accessed on June 20, 2019
2. Statista
3. Traditional TV Providers Offer OTT Packages to Head Off Subscriber Freeze, eMarketer, Aug 2018; accessed on June 20, 2019
4. Why the Price of Cable TV Stopped Going Up So Fast This Year, Fortune, Nov 2018; accessed on June 20, 2019
5. Speed Test Global Index, March 2019
6. KPMG in India analysis, 2019 based on secondary analysis

Indian scenario - Television continues to remain relevant

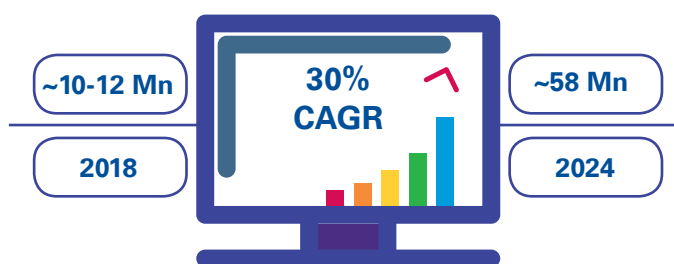
OTT video services have gained significant traction in the past two to three years with 300 mn+ digital video viewers in India at the end of FY19. This has been facilitated by an increase in demand for content from digital subscribers and continued investments by OTT players. The growth in the supporting infrastructure with increasing availability of high speed and affordable internet, growth in smartphone penetration and increase in the share of smart TVs has also played a crucial role in the rise of consumption of OTT platforms in India^{7,8}. Also, the number of broadband subscribers in India has grown at the rate of ~44 per cent over a period of five years to reach 525 million by the end of 2018⁹.

OTT vs pay TV subscription (U.S.A)



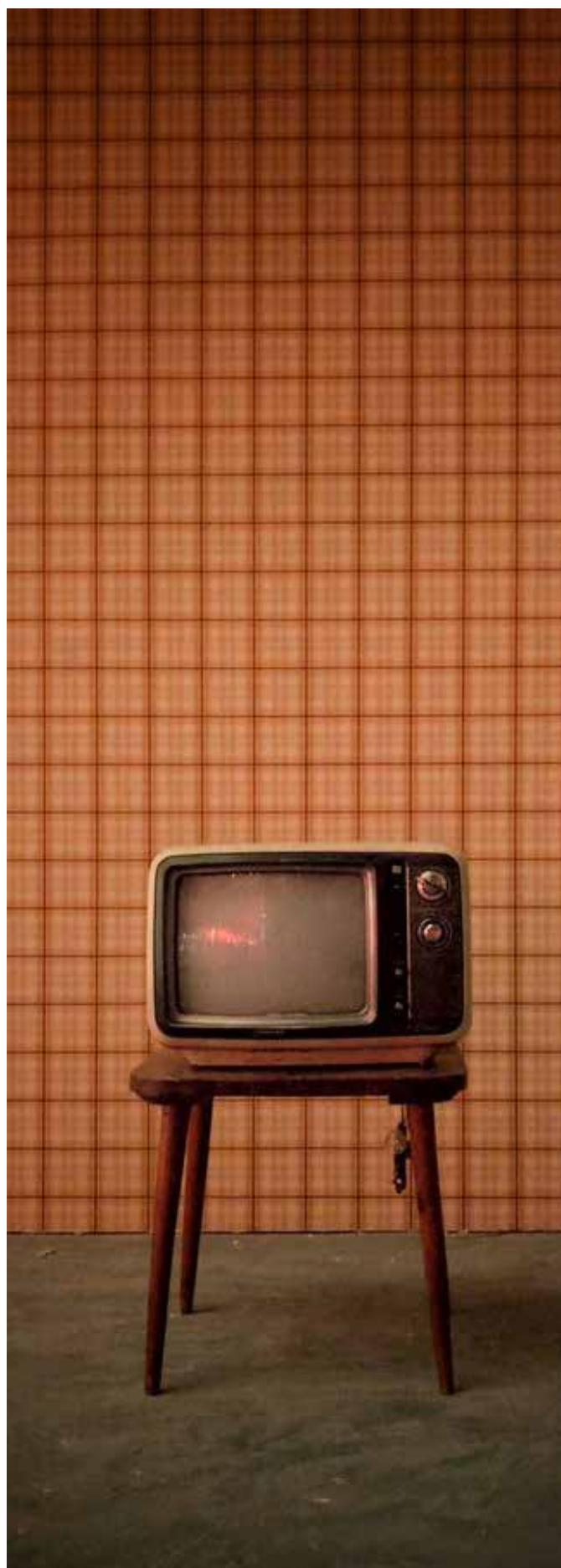
Source: Quarterly performance indicator report, TRAI

Smart TV market (2018-2024)

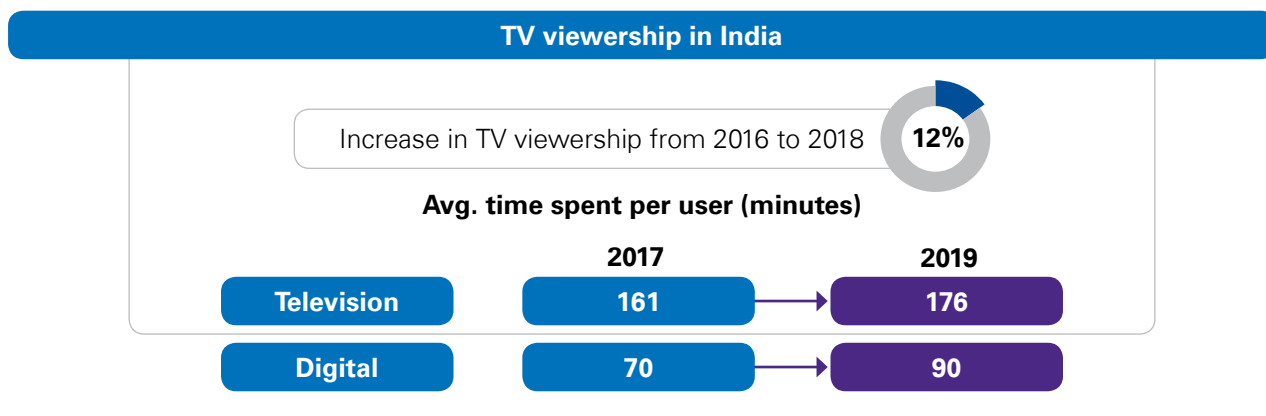
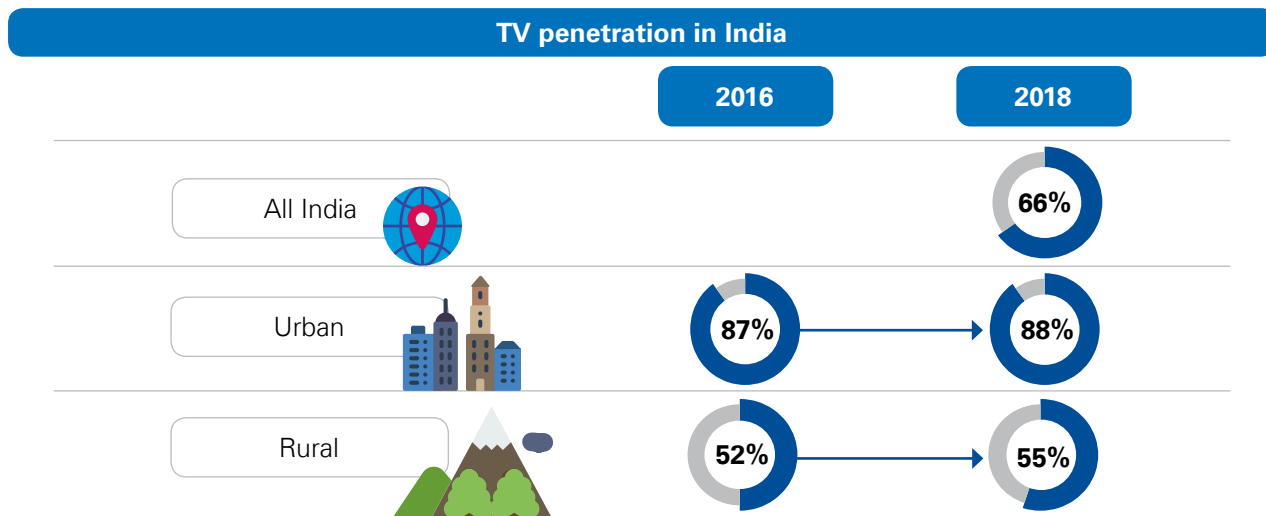


Source: "India Smart TV Market", 6W Research, July 2018

7. Performance Indicator Report, Telecom Regulatory Authority of India (TRAI)
 8. Xiaomi's Mi TV plans to disrupt the TV segment in India, The Economic Time, Feb 2018, accessed on June 25, 2019
 9. India achieves 45% growth in broadband subscribers in 2018, TelecomLead, Dec 2018; accessed on June 25, 2019



Although OTT services have gained in popularity recently, TV remains a strong and relevant medium in India with significant reach, especially in rural areas¹⁰.



Source: "The changing face of TV in India", BARC Report, March 2018; eMarketer, 2019

The current primacy of television is also reiterated by the fact that there isn't significant amount of original content available on OTT platforms currently.

Further, there is an added issue of content fragmentation across OTT platforms from the consumer's point of view, given that most OTT players are trying to build their libraries and thus movies and original content are spread across multiple platforms, leaving the user with a choice of choosing what they want to view, as compared to the 'all you can have buffet' approach that TV has traditionally had. While the likes of Jio are trying to aggregate content from multiple content providers, fragmentation of content availability on OTT platforms means that TV is likely to retain its relevance in the near future.

In fact, with a majority (~98 per cent) of homes in India having a single TV and with 82 per cent of people watching TV together¹¹, the flexibility and individualistic viewing nature of OTT platforms means that digital video has currently positioned itself as a complimentary

entertainment medium to television, rather than threaten the existence of the medium in the short term.

Long term catalysts for cord shaving/cutting in India

Fibre to the Home (FTTH) services and 5G to bolster internet speeds

FTTH and 5G services are anticipated to be highly beneficial for the OTT ecosystem. FTTH would provide high speed fixed broadband enabling better quality of online viewing experience on a large screen, which could help substitution of traditional forms of TV distribution, even though the eventual device of consumption may remain the smart TV.

5G services, which are likely to see mass consumer adoption only in the long run in India, are expected to usher in an ecosystem of high speeds at mobility, and could act as the catalyst for cord shaving/cord cutting in India.

10. The changing face of TV in India, BARC Report, March 2018

11. The changing face of TV in India, BARC Report, March 2018

	Fibre to Home (FTTH) services	5G services
Key features	<ul style="list-style-type: none"> • The gaming market, with in-app advertising and large investments into content, • Fibre access solution where each subscriber is connected to an optical fibre • Provides bundled services like broadband speed of at least 100 Mbps, Cable TV, On-Demand IPTV, Telephony etc. 	<ul style="list-style-type: none"> • Fifth gen. mobile telecoms technology which provides exponentially faster download speeds and better efficiency
Key developments	<ul style="list-style-type: none"> • Government aims to increase fibre footprint to fivefold by 2022¹² • Jio Giga Fiber is expected to be rolled out in 1100 cities¹³, with trials currently on 	<ul style="list-style-type: none"> • Government to allocate airwaves to offer 5G services by the end of 2019¹⁴ • Jio envisages launching 5G services in 2020¹⁵

Source: KPMG in India analysis, 2019 based on secondary research (till June 14, 2019)

Increasing availability of content on telco platforms

A majority of the telecom operators in India have signed content partnership deals with prominent OTT players (Netflix, Amazon Prime Video, ALTBalaji, etc.) and major broadcast networks to enhance the use of data traffic on their networks, improve ARPUs and reduce customer churn. This has enabled telco platforms to become content aggregators and offer a wide variety of content, including catchup TV, shows, movies and originals to its users. These content offerings of telcos, which are extremely affordable and in some cases, even free currently; when coupled with high speed internet, could threaten the traditional television distribution in the long run.

OTT platforms bulking up content libraries

The growth in the number of OTT viewers has encouraged segment players for continuous investment in creating original programming and beefing up content libraries in Hindi and regional languages. Platforms have doubled-down on regional content in recent times and have started to bulk up their regional libraries by using a mix of dubbed and original content across different formats to fill the supply gap and cater to regional audiences across the country. For original programming, major OTT players are estimated to spend INR2.5 billion in building original content on the platforms, distribution

and technology over a course of three years¹⁶. For example, Netflix has planned to invest INR6 billion per year in originals, whereas Amazon Prime has committed INR22.3 billion (in 2017) over a period of 2-3 years^{17,18}.

These increasing investments by OTT players on original content could result in the entertainment needs of the users being fully met online in the long run. Although the current volume of original content is not at par with television, however, with the increasing demand of content and resultant supply, the OTT ecosystem could become self-sustaining, with a real possibility of some early adopters starting to cut/shave the television cord.

	Number of movies (approx.)	Live TV channels
Netflix	3800	NA
Amazon Prime	4700	NA
Hotstar	2800	32
Sony Liv	1600	26
Zee5	2600	100

Source: KPMG in India analysis, 2019 based on secondary research

12. Telecom operators, fibre companies eye fund for infrastructure expansion, The Economic Times, Mar 2019, accessed on June 29, 2019

13. Reliance Jio GigaFiber's 50mbps, 100 mbps connection may come in these prices, Business Today, June 2019, accessed on June 29, 2019

14. Government-backed 5G trials by 2019 end, deployments by mid-2020, ET Telecom.com, Mar 2019, accessed on June 29, 2019

15. After 4G wave, Reliance Jio may launch its own 5G handsets with 5G services, India Today, Feb 2019; accessed on June 29, 2019

16. As viewership spikes, OTT players to invest INR2,500 crore in content in next three years, Best Media Info, Sep 2018; accessed on June 30, 2019

17. OTT apps step up content war, eye paid subscribers, Livemint, Mar 2019, accessed on June 30, 2019

18. 2018 a turning point for original content on OTT, exchange4media, Oct 2018, accessed on June 30, 2019

DTH operators and ISPs trying to enter digital distribution

With the growing popularity of over-the-top platforms and video on demand content, DTH platforms in the country have also started to enter this segment with bundled offerings. For example, Tata Sky has introduced the Tata Sky Binge Service, which seeks to combine the DTH channels, and other streaming services like Hotstar, EROS Now, Hungama Play and SUN NXT. Similarly, Dish TV has launched its platform called 'Watcho' for its users. The platform offers content including movies, short films, live and catch up TV channels and user generated content¹⁹. Another major DTH player, Airtel has launched 'Airtel Internet TV' which allows users to access apps like Netflix, YouTube and more on their TV screens alongside their TV channels²⁰.

Along with DTH players, internet service providers (ISPs) have also entered this segment to leverage the opportunity. For example, ACT Fibernet has launched Android-powered OTT streaming device²¹, whereas Hathway introduced a hybrid set-top-box (STB) which combines linear TV with Play services²².

These initiatives by traditional TV distributors point to the perceived threat of digital distribution that the segment faces, and the launch of the above services are strategic moves by the distributors to protect their turf in the long run.

The NTO - increasing cost of TV subscription

The New Tariff Order (NTO) has brought in an element of choice to the traditional TV subscription with MRPs for each channel, and added the Network Capacity Fee (NCF) as a new component to the subscription bills. Industry discussions have revealed that implementation of the NTO has largely led to increasing the cost of TV subscription across most of the subscribers in the TV universe.

On the other hand, OTT players have been reducing the cost of their subscription through introduction of basic, affordable packs. For example, Hotstar launched its low cost subscription pack in the form of 'Hotstar VIP', whereas Netflix introduced 'mobile only' plans which are 50 per cent cheaper than its basic plan.

These cost reduction initiatives by the OTT players has resulted in somewhat of a parity being achieved when it comes to TV pack vs. OTT pricing.

The English genre on TV could be one of the most adversely affected genres in the new tariff regime, with increased price parity between television and digital offerings, and the supply of English entertainment on digital platforms reaching a critical mass. English pay TV channels, as a result, are already expecting a drop of 25-30 per cent in the revenues in the near term in this new era of a-la-carte pricing for TV channels. In the medium to long run, majority of the English

Monthly subscription	TV Basic HD pack(INR)	OTT subscription(INR)
Star TV vs Hotstar	85	30
Zee TV vs Zee5	60	83
Sony TV vs Sony Liv	70	40
Viacom TV vs VOOT	32	0
Total	247	153

Source: KPMG in India analysis, 2019 based on secondary analysis

Note- Avg. monthly subscription of OTT players is calculated from yearly plans, wherever available

entertainment content is likely to be consumed on OTT platforms with TV likely to witness cord shaving for the genre.

Overall, with increasing internet speeds, the upheaval around the implementation of the NTO, and the price parity as outlined above, the OTT players stand to benefit immensely in the coming future.

Conclusion

The reach and consumption of television continues to grow in India currently, and given the relatively non-existent arbitrage between cable TV and OTT pricing, television is likely to remain relevant in the short to medium term in the country. With the single TV household dominance in India, OTT apps have currently taken position as complimentary mediums of entertainment to television, rather than threaten the very existence of it.

However, with the rapidly growing digital infrastructure, proliferation of OTT platforms and continued investments in original content by these platforms, the seeds for cord cutting/shaving are quietly being sown. With the relative increase in cable subscription costs post the NTO and the imminent launch of FTTH services, digital distribution could see increasing traction, with cord cutting/shaving potentially being exercised by the early adopters.

The long term launch of 5G services is likely to give further fillip to this trend, wherein the entertainment needs of the household may be fully met by online video services.

19. Dish TV forays into OTT segment with Watcho, Livemint, April 2019, accessed on June 30, 2019

20. Airtel Internet TV Allows Users to Watch Content from OTT Apps and Television Channels, Telecom Talk, July 2019, accessed on July 20, 2019

21. ACT Fibernet launches Android-powered OTT streaming device priced at Rs 4499, Television Post, April 2019, accessed on June 30, 2019

22. Hathway introduces android OTT box, The Economic Times, Oct 2018, accessed on June 30, 2019

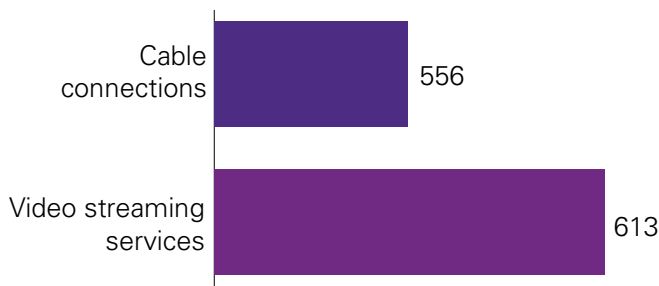


Original content on OTT platforms

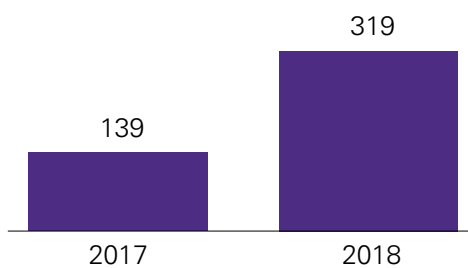
Capturing mindshare

Online video platforms have displayed strong growth in terms of viewership and subscription globally. This has resulted in consumers increasingly turning towards online video platforms to meet their entertainment needs, leading to cord cutting/shaving in some countries. In early 2019, the number of global subscribers for video streaming services were more than cable connections¹. The rapid growth of original content available on these online platforms is one of the key reasons for the above trends. For example, in CY2018, the original digital series launched worldwide were more than double over the previous year².

Number of subscribers - Global (Mn)



Number of online originals launched - Global



1. Global video streaming market is largely controlled by the usual suspects, Venture Beat, March 2019, accessed on July 1, 2019
 2. Original Digital TV Series Grow, Netflix Commands Dominant Share, MediaPost, April 2019, accessed on July 1, 2019

Further, with global networks moving towards launching their own digital platforms, original content is becoming increasingly critical for independent platforms to survive and for network-based platforms to differentiate. Originals not only help fill out a platform's content library, but also helps differentiate them from the competition. The presence of originals across genres like web series, films, comedy, and documentaries helps platforms entice users to subscribe, with the depth and quality of the library helping retain users as well.

In this escalating war for original content, global platforms are beefing up their content budgets to stay relevant. Some of the content budgets for originals on select platforms is outlined below:

Investments in original content (USD billion) – Global players ³				
	Netflix	Amazon Prime Video	HBO Now	Hulu
2019E	15.0	6.0	2.5	
2018	12.0	6.0	2.5	2.5
2017	9.0			

Source: KPMG in India analysis based on secondary research

Original content – the Indian OTT context

Original programming on digital platforms in India was pioneered in a way by Youtube, where small, independent creators have been engaged in creating user generated content (UGC) since years. With a wide access to digital consumers that Youtube provides, many organised and large content creators like TVF, Dice Media, etc. also started out putting their original content on to the platform.

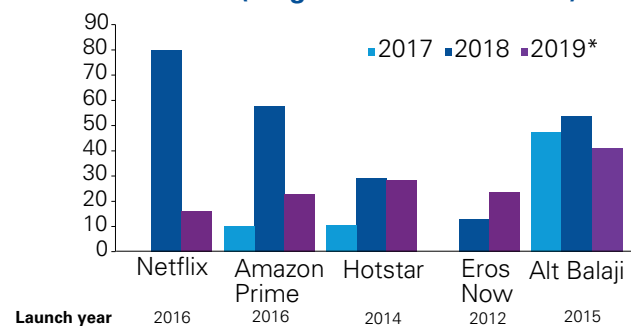
While some of the larger content creators have moved on to independent platforms, i.e. TVF moving to an own app called TVF Play and the likes of Dice Media producing content for majors like Netflix, Youtube still holds great prominence in India for user generated original content. The platform has also

been experimenting with Youtube Originals, which are commissioned original shows, with the launch of 'ARRived' in India in 2018.

Original programming on OTT platforms in India has started gaining prominence since early 2018. Prior to this, platforms were focusing on building a robust content library through live/catch up television offerings and movie acquisitions. However, in order to differentiate among peers and engage the growing digital audience, OTT providers started focusing on offering new, innovative content with stories that cut across target markets.

Major global players like Netflix and Amazon have launched significant hours of original content after a couple of years of their launch. Amongst the Indian OTT players, Hotstar started experimenting with a greater amount of original programming in 2018-19, while the likes of ALT Balaji, Zee5 and Eros Now have also been building robust libraries of original content.

Hours of India-focused original content launched (Original series and films)



* Till 14 June 2019

Source: KPMG in India analysis based on secondary research

3. The New Entertainment Giants: Welcome to the Streaming-Industrial Complex, PCMag, April 2019, accessed on July 2, 2019



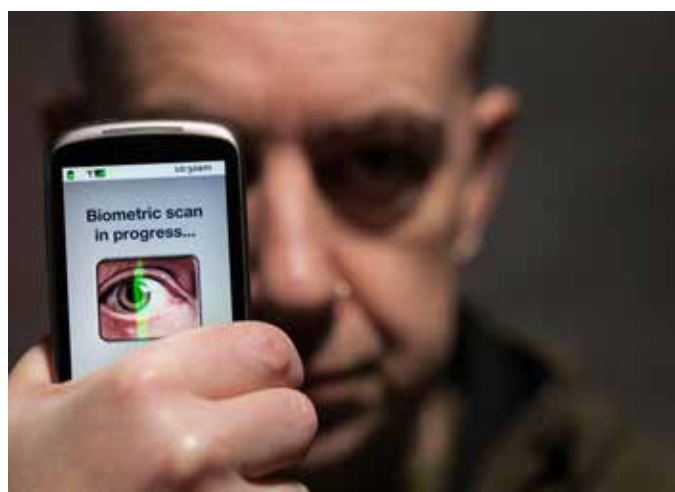
Some of the key launches around original content by major OTT players in FY19 are listed below:-

Key originals launched on major OTT platforms in India (FY19)						
Netflix	Amazon Prime Video India	Hotstar	ALTBalaji	Zee5	Eros Now	MX Player
<ul style="list-style-type: none"> • Delhi Crime • Sacred Games • Lust stories • Ghoul • Selection Day 	<ul style="list-style-type: none"> • Made in Heaven • Four More Shots • Mirzapur • Comicstaan • Laakhon Mein Ek 	<ul style="list-style-type: none"> • Roar of The Lion • On Air with AIB 	<ul style="list-style-type: none"> • Kehne Ko Humsafar Hain • Zaban Sambhal Ke • The Great Indian • Dysfunctional Family 	<ul style="list-style-type: none"> • Karenjit Kaur • Life Sahi Hai 2 • Abhay • The Final Call • Rangbaaz 	<ul style="list-style-type: none"> • Flip • Metro Park • Operation Cobra • Enaaya • Smoke 	<ul style="list-style-type: none"> • ImMature • Hey Prabhu! • Aafat • Love Ok Please

Source: KPMG in India analysis based on secondary research

With the growing demand from the expanding digital audience, OTT players have committed large investments in creating and distributing original programming in Hindi and regional languages.

This increase in investments on original content, has resulted in the content ecosystem undergoing a seismic change in terms of significant rise in the scale and quality of content production. Most of the players have released long-form content reflecting the global standards. Such long-format content includes franchises with multiple seasons with per episode duration of at least 20 minutes.



Investments and planned launches of original content ^{4,5,6,7,8}		
OTT Platform	Investments in originals	Planned launch of original content
Netflix	INR6 billion per year	At least nine original series and eight original movies in 2019
Amazon Prime	Committed INR22.3 billion in 2017, expected to be allocated over the course of two-three years	10 original series in 2019
Hotstar	INR1.2 billion on 'Hotstar Specials'	Tied up with 15 film-makers for original content
Alt Balaji	In FY20, INR1.50-1.75 billion, with at least 75% of going into content creation	24-30 shows in 2019
Zee5		72 originals (12 movies & 60 series) over a period of one year (till Mar'20) across genres and languages

Source: KPMG in India analysis based on secondary research

4. OTT apps step up content war, eye paid subscribers, Livemint, March 2019, accessed on July 2, 2019

5. 2018 a turning point for original content on OTT, exchange4media, October 2018, accessed on July 2, 2019

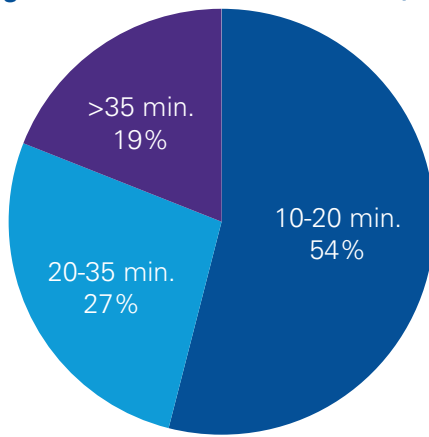
6. We would rather create IPs than acquire titles, Financial Express, April 2019, accessed on July 2, 2019

7. Hotstar to invest INR120 crore in generating original content, Economic Times, January 2019, accessed on July 2, 2019

8. Netflix to release 9 original series in India this year, Livemint, March 2019, accessed on July 2, 2019

Even though long form content has seen increasing traction as against the early-day trend of short form/snacky/UGC content, players have continued to release short form originals to cater to the 'snackable' content audience. For example, 'Eros Now' launched a series of short-form originals (Quickies) in December 2018, with plans to roll out more than 50 series in 2019⁹. In fact, 54 per cent of all the original series released in India (FY19) were short form (less than 20 minutes)¹⁰. Thus, the trend signifies that there is scope for both long form and short form content to co-exist in the Indian OTT landscape.

Original content duration on OTT (FY19)

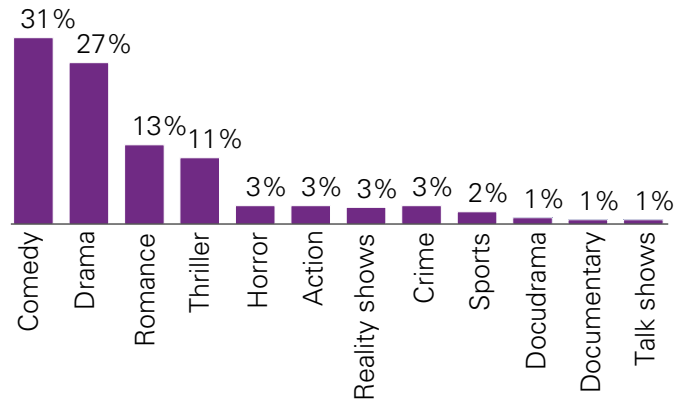


Source: KPMG in India analysis based on secondary research

In terms of content type, initially players were focused on developing original content dealing with niche, edgy and new age concepts targeting elite audiences. However, as the online video viewership expanded beyond metros into tier II/III cities and rural areas, players have started to create original content for masses that they can relate to. Also, many players have collaborated with content companies that have been creating content for this audience, and understand the tone and grammar of content creation on digital. For example, original web series 'Gullak' on Sony Liv has been created by TVF, whereas Netflix originals 'Little Things-2' was created by Dice Media.

When the genres of original content released were analysed for major platforms, it was observed that comedy, drama, romance and thriller were the most prominent genres since 2017. The top four genres constitute more the 80 per cent of the originals released in India¹¹.

Genres of original content on major OTT platforms



Analysed for original content released on Netflix, Amazon Prime, Hotstar, Alt Balaji, Zee5, Sony Liv, Viu Eros Now in Hindi and regional languages from 2017-14th June'19

Source: KPMG in India analysis based on secondary research

Cost of creating original OTT content – Players spending big

On an average, the cost of content production on OTT platforms is significantly higher as compared to TV. This can be attributed to economies of scale as cost of sets and other fixed costs are apportioned over 300+ episodes in case of TV as against to 8-10-episode series on OTT platforms¹².

Based on secondary research, we have analyzed the cost of content creation on some major OTT platforms. For some original series, global platforms like Amazon and Netflix are spending in the range of INR10-20 million per episode¹³. For example, per episode cost of original series including 'Made in Heaven' and 'Mirzapur' on Amazon Prime was INR10-20 million¹⁴. On the other hand, the content cost of digital originals for Indian OTT player, Zee5 is three times as compared to TV¹⁵.

However, regional content production cost is almost 30 per cent lower to that of Hindi original content and per episode costs are approximately in the INR5-6 million range. A small budget web series in the regional genre could cost INR2.5-3 million per episode¹⁶.

With such high investments in content creation, it becomes imperative for OTT players to look beyond traditional advertising models as advertising revenues are not sufficient to recover the cost of content, marketing and distribution. Thus, a healthy revenue stream from subscription becomes important in the long run for recovering production cost and further investing in content creation.

9. Eros Now Launches Quickie, a New Short Form Content Platform, Business Wire, December 2018, accessed on July 3, 2019

10. KPMG in India analysis based on secondary research

11. KPMG in India analysis based on secondary research

12. The Rise of The OTTs, Business Outlook, April 2019, accessed on July 3, 2019

13. Boom time for original digital content creators, Business Today, Feb 2018, accessed on July 3, 2019

14. OTT players aim to carve a niche with originals, Indian Television, March 2018, accessed on July 3, 2019

15. ZEE5 Originals' content cost to be 3x more than TV, Indian Television, Oct 2018, accessed on July 3, 2019

16. Amazon Prime, regional OTT players bet big on non-Hindi, non-English content, Financial Express, Feb 2019, accessed on July 3, 2019

Originals released in regional languages (FY19)			
OTT platform	No. of regional language originals	Regional languages of originals	Examples
Netflix	2	Tamil, Marathi	Sometimes, Firebrand
Amazon Prime	2	Tamil, Telugu	Vella Raja, GangStars
Alt Balaji	1	Bhojpuri	Hero Varrdiwala
Zee5	24	Tamil, Telugu, Malayalam, Marathi, Bangla, Punjabi	Sigai, Kaali, Liftman, Kalavu, Chitra Vichitram, Khoj
Sony LIV	2	Marathi	Founders, Full Tight

Source: KPMG in India analysis based on secondary research

Increasing focus on regional content creation

With an increasing number of internet and online video viewers coming from the non-Hindi and English markets, most of the OTT platforms have started to focus on content creation in regional languages. For example, Zee5 has released nearly 25 original web series/films in six regional languages in FY19, whereas the exclusive Bengali regional OTT player, Hoichoi has further strengthened its original content library. Though the regional language originals released by other platforms in FY19 were limited in number, these numbers are expected to increase in future.

One of the strategies adopted by these OTT platforms to reach a wider audience base is 'content dubbing' in different regional languages. For example, Hoichoi has dubbed its Bengali content in Hindi and Tamil. Similarly, platforms like Amazon, Netflix and Alt Balaji have dubbed their Hindi content in regional languages (esp. South Indian languages) to target these emerging language markets.

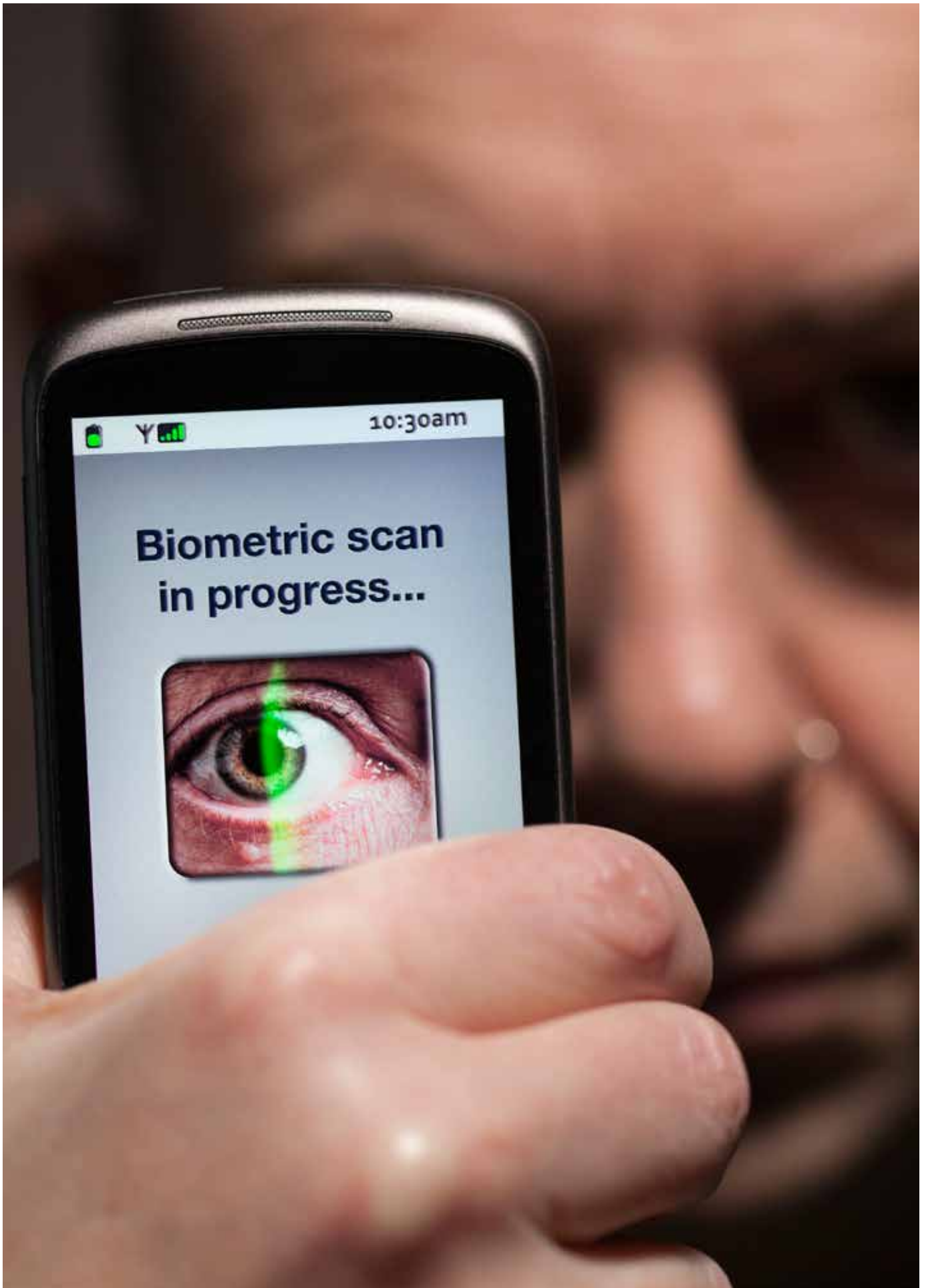
With the expanding landscape of the OTT market in India, original and exclusive content has fast become one of the critical pillars to succeed in this highly competitive ecosystem. From global platforms, broadcast backed Indian players to other Indian independent OTT platforms, all of them are expected to continue investing significant monies in delivering exclusive, high-quality content.

Also, OTT players are increasingly focusing on Indian regional language users with new offerings as they are expected to bring the next big inflection point in terms of growth and monetization. Players are creating assorted content libraries including various genres and formats to target different segments of audience. However, due to a limited number of quality content-makers, the content cost is expected to rise as players continue investing in this space.

Conclusion

Original content on online digital platforms is likely to see growing impetus in the coming years as a tool for pull-based customer acquisition for such platforms. While original content is critical to help drive acquisition and initial sampling of the platform in terms of viewership, the depth of the content library, including that of original content will determine who can retain customers over a longer period of time. Further, since original content creation comes at a cost, higher than that of traditional television, platforms would need to judiciously balance out the economics in terms of spends on content creation vs. subscription-based monetization.

Given the rapid pace of growth of the online video market in India, original content is likely to continue being the differentiator for attracting users on to OTT platforms, resulting in exciting times for consumers and the OTT ecosystem as a whole.



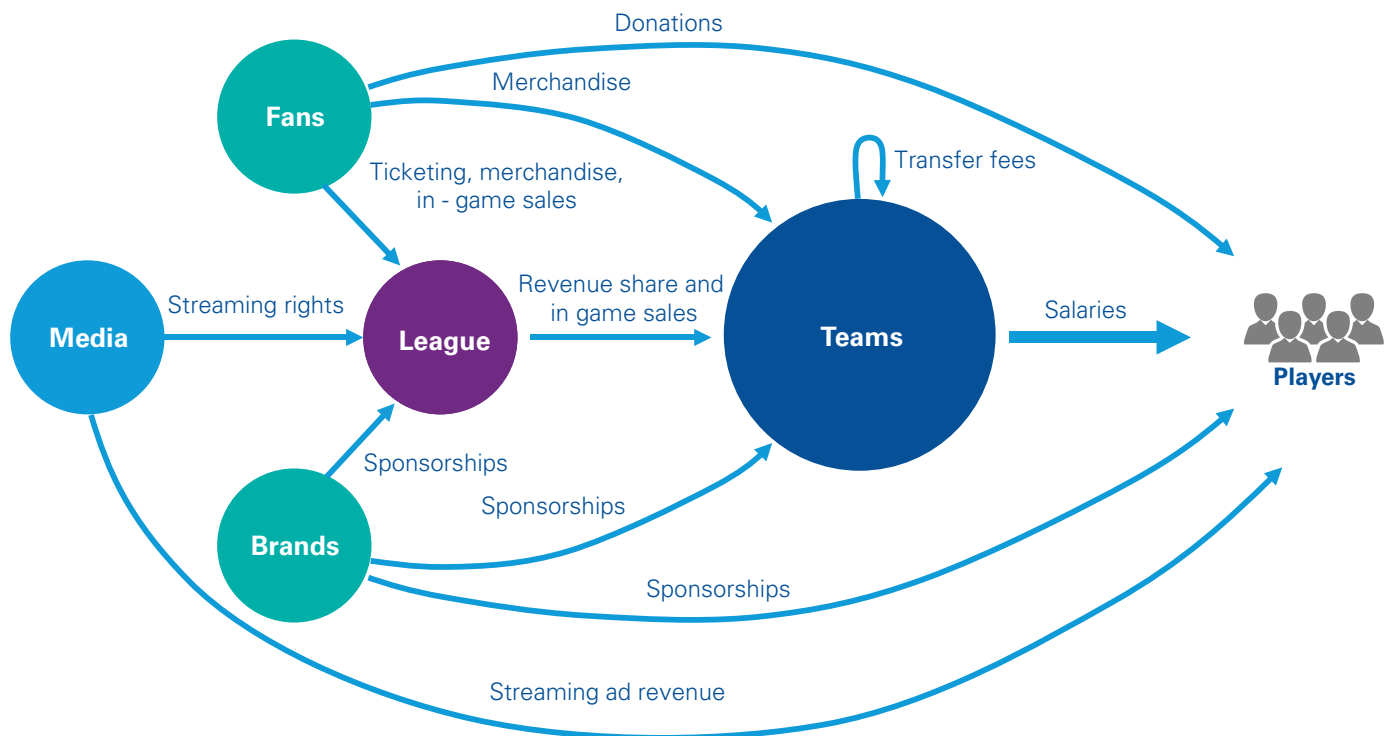
E-sports

One for the team

Electronic sports, also referred to as e-sports, is a competitive video gaming tournament¹ that is played online or offline. While e-sports tournaments have been around for the last two decades in India, it is only recently that they have caught the attention of both mainstream investors and professional players.

Key entities in the e-sports ecosystem are media, publishers, league organisers and teams. E-sports is a relatively new concept in India, and unlike traditional sports, entities contribute by playing multiple roles.

Stakeholders in the e-sports ecosystem²



Publishers – Game developers

League organiser – Organises leagues/tournaments

Platforms – Video livestreaming and broadcaster of e-sports events

Note: The entities are not mutually exclusive, e.g. a league organiser may organise and sponsor its own events

1. The evolving landscape of sports gaming in India, KPMG, March 2019

2. The Future of E-sports, The Nexus, August 16, 2015

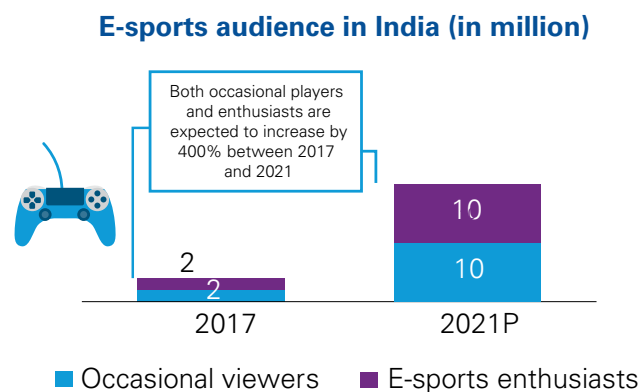
Publishers: Develop games for mobiles, consoles or PlayStations. Globally, they host events and competitions to promote their games. Their key source of revenue in the e-sports ecosystem is the licencing fees that event organisers/ streaming platforms pay to use their games for organised events. In India, since e-sports is at a nascent stage, game developers themselves are organising many tournaments and sponsoring the prize money. Example: Tencent (publisher of popular game PUBG) announced PUBG Mobile Club Open 2019 with a prize pool of approximately INR136 million (USD2 million)³.

League organisers: Arrange e-sports leagues and tournaments. Over the last four to five years, India witnessed a rise in the number of gaming and digital entertainment companies that organise leagues and tournaments around the country. The number of international league organisers has also grown; ESL is one such organiser. These companies are investing in players by grooming them, collaborating with brands, TV channels and streaming platforms to reach a larger audience. Example: NODWIN Gaming has entered into a strategic partnership with global e-sports giant ESL to collaboratively organise and promote e-sports in India.

Players and teams: Globally, players and teams have owners, who sponsor and groom them, provide them with infrastructure and salaries, and charge them transfer fees on switching to other owners. Currently, this practice is not prominent in India. Most players and teams still rely on the prize pool. However, they are being backed by brand sponsorships for logistic and merchandise requirements (jerseys, in-stream promotional content, etc.). Example: Kingston's gaming vertical, HyperX, is the official sponsor of the Entity Gaming, India's leading e-sports team with rosters in CSGO, PUBG and Dota 2.

Brands: Globally, e-sports is attracting large FMCG companies as well as sportswear manufacturing companies, as it has high engagement levels with younger audiences. India has a comparatively much lower brand engagement level than western countries. However, with the growing popularity of games such as PUBG, brands see the potential to reach more Indian youths. Brands are likely to play a key role in the growth of e-sports in India. Example: Vivo will be the official sponsor of PUBG Mobile Club Open 2019.

Growth in audience for Indian e-sports⁴



To address concerns such as players' exploitation, delayed payments and breach of contracts and issues relating to the broader ecosystem, India has established the E-sports Federation of India (ESFI). It is also a full member of the International E-sports Federation (IESF) and the Asian E-sports Federation (AESF).

Rise of investments

E-sports has seen a rise in investments and partnerships since 2016. Investments are mainly used for organising national level events and for generating the prize pool. The total prize pool surged from INR13.7 million in 2016 to INR38.4 million in 2018. Cobx Gaming contributed INR14 million to the prize pool, followed by Nodwin Gaming with INR10 million in 2018⁵. For ESL India Premiership in 2019, Nodwin has announced a prize pool of INR11 million⁶. Nodwin has partnered with international company ESL to organise international gaming tournaments in India, bringing global e-sports enthusiasm and events to a local setting. With more domestic and international companies forming such partnerships, the total prize pool may reach INR3 billion in the next three to six years⁷.

Interest in sponsoring e-sports events has visibly increased. In 2019, brands such as Mercedes-Benz⁸, HyperX⁹ and OPPO¹⁰ were seen to be sponsoring events and teams in India.

3. PUBG Mobile Club Open 2019: The Biggest Global Mobile Gaming Tournament is Official, 13 March 2019

4. The evolving landscape of sports gaming in India, KPMG, March 2019

5. E-sports in India 2018, AFK Gaming, January 05, 2019

6. ESL India premiership announced for 2019 with INR 1.1 crore in prize pool, Talksport, April 10, 2019

7. Prize pool for may reach Rs 300 crore in India in next 6 years, Economic Times, March 17, 2017

8. Mercedes-Benz partners the first-ever international esports competition 'ESL One' in India, Economic Times, April 22, 2019

9. HyperX becomes primary sponsor of Entity Gaming; its first e-sports team in India, BGR, March 28, 2019

10. OPPO Sponsors Tencent Games and PUBG Corp's 'OPPO PUBG MOBILE Series 2019', Business Standard, January 10, 2019

The global experience and learnings for India

According to reports, e-sports is set to cross USD1 billion in 2019¹¹ with sponsorship revenue accounting for the majority at USD456.7 million. Media rights is one of the fastest growing revenue streams and is an indicator of the immense opportunity in broadcasting and streaming e-sports content. Together with advertising and sponsorships, these three revenue streams are expected to account for 82 per cent of the total market revenues in 2019.

Globally, e-sports franchises are finding new ways to differentiate themselves, build a brand and develop a loyal following of gaming enthusiasts. This requires time and investment in creating a unique and clearly distinguishable identity in the market. From an internal team perspective, in order to develop a strong franchise, longer multi-year player contracts have to become the norm for team members, who can then naturally develop their personalities and play styles within their respective teams.

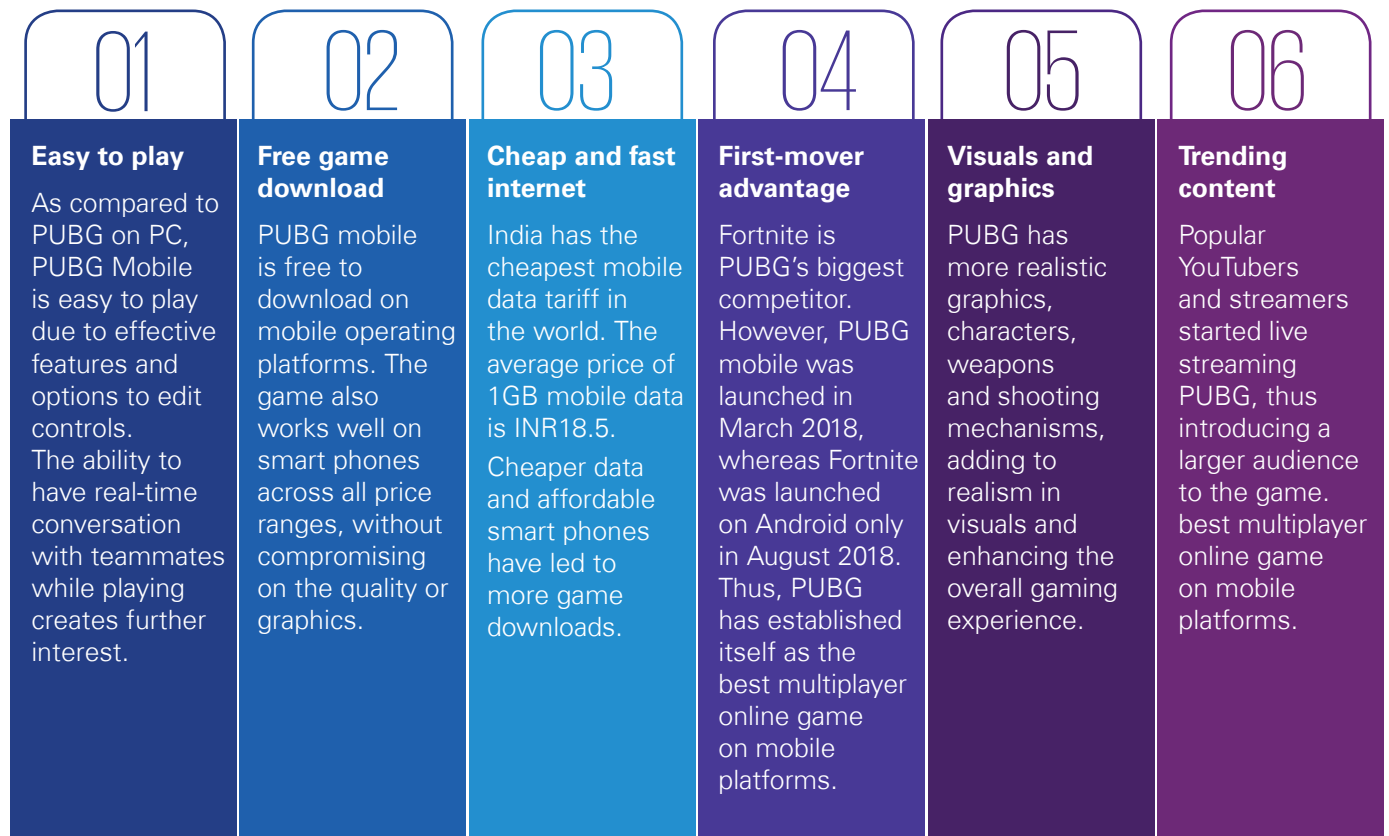
When gaming enthusiasts are attracted to a franchise and choose to spend their own time and money backing their teams, there can be a subsequent follow on of large investments from sponsors with brands that can become endemic to the sport. The institutionalisation of e-sports is in its nascent phase in India and early signs of the creation of an ecosystem around the game is a critical step in this direction.

The popularity of Players Unknown Battleground (PUBG) is redefining the Indian gaming industry

PUBG was launched on PC and gaming consoles in December 2017, and the mobile version was released in March 2018 in India. The game is estimated to have a user base of around 120 million players in India¹², making it the largest market for PUBG mobile outside of China.

PUBG’s popularity in India can be attributed to its users’ perception of it being better than other similar multi-player battle games¹³. To further expand its user base and reach, the company is expected to launch the PUBG Mobile Lite version, which is designed to work on low-end devices.

What PUBG got right



11. Global e-sports market 2019, Newzoo

12. Why we cannot stop playing PUBG: Gaming addiction health problems and why no one talked about a Candy Crush ban, India Today, April 22, 2019

13. Charted: India's obsession with Chinese online game PUBG, Quartz India, December 10, 2018

Resistance from some quarters

Despite its growing popularity, PUBG mobile has faced some criticism as well.

- **Ban on PUBG by educational institutions and states** – Primary state schools in cities such as Ahmedabad (ban lifted in April 2019), Surat and Rajkot have already imposed a ban on PUBG, citing students' poor academic performance and growing gaming addiction. Premier institutes such as Vellore Institute of Technology (VIT) have followed suit. Officials from Goa and Kashmir have also appealed to parents and teachers to keep children away from PUBG, citing their poor performance in exams. The National Commission for Protection of Child Rights (NCPCR) has recommended that state governments should ban PUBG, claiming that the game encourages violence among children¹⁴.
- **Ambiguity in video gaming regulatory framework** – Except for gambling and betting, regulations for gaming are not well defined in India. Laws that deal with content regulation include the Protection of Children from Sexual Offences Act 2012, the Indecent Representation of Women (Prohibition) Act 1986 and the Information Technology Act, 2000. PUBG mobile does not violate any of the above regulations, but the game may be banned after amending existing laws¹⁵.
- **Conventional mind set** – Globally, video games are increasingly accepted as sports. However, playing video games is perceived as a recreational activity and not as a career in India and some parents discourage their children from spending time in mastering games.

Conclusion

India is a fast growing market for e-sports and gaming in general, and hence a potential ban on any popular format is a grave concern for all stakeholders. Game developers are working towards promoting a responsible gaming experience, which will be a welcome move for the entire ecosystem. For example, some e-sports games plan to introduce a digital locking system for underage users (below the age of thirteen) and parental permission would be mandatory to access the game. India is also witnessing the creating of industry bodies within online gaming and e-sports to promote balanced and responsible gaming as well as represent the opportunities and challenges faced by stakeholders. This and other such measures to build an ecosystem around gaming is likely to go a long way in ensuring a more sustainable and credible growth story.

14. The National Commission for Protection of Child Rights (NCPCR), March 14, 2019

15. PUBG Mobile Ban: Regulating Gaming and Digital Addiction in India, First Post, March 20, 2019



Building ecosystems in gaming – The e-sports way

In November 2018, when Danish Prime Minister Lars Løkke Rasmussen inaugurated the Counter Strike e-sports tournament, broadcasted live in 17 languages via Twitch, and on TV to over 120 countries across five continents, the message was simple, “You are truly sportsmen following your dreams.” With e-sports likely to become an Olympic sport by 2024, several national governments are now seeing e-sports as a catalyst to not only create world class tournaments and players but to also drive economic growth and tourism in an area that extensively engages the Gen Z and millennials. For this generation, selfies with e-sports stars is more common than tennis or baseball stars. This of course leads to massive endorsement amounts that top e-sports stars command especially in countries like Korea. Investments for e-sports hence have seen a surge internationally with fund raising in this space led by game developers and player organisations like Cloud9, TSM and franchise based e-sports leagues such as that for Overwatch seeing rise in valuations over the past couple of years.

But this is no ordinary play. Players participating in tournaments are not conventional athletes. Strategic thinking, quick action and optimal use of resources are skills that set top players apart. Player training organisations have built 20,000 to 30,000 square feet training facilities for pro-e-sports athletes. In the 2018 Asian Games, 23 year old Tirth Mehta from India playing in the Hearthstone tournament won the country’s first ever e-sports medal demonstrating that even India has talented pro-athletes who can earn global recognition. With a career as a pro-e-sports athlete becoming more popular in the coming years, digital gaming as an industry is exploding.

At the top of the funnel there are a few million casual gamers in India, who, as they improve their skills, will rise to become mid-core and eventually pro-gamers.

As JetSynthesys, we are catering to this entire community of gamers. The huge mobile penetration and now specialised gaming smartphones combined with the already existing high end gaming PCs and consoles provide a variety of platforms for gamers to easily access gaming content everywhere. Further, unlike China, all successful global gaming titles are easily available at affordable rates in India, enhancing the gaming experience for the community and attracting an entire new generation of gamers. VR, AR and mixed reality gaming experiences are gaining traction.

A mobile first gaming culture as well as macro drivers such as government investment, broadband growth, subsidies, recognition of digital gaming by the government and industry bodies can amplify this early success at home. Development of infrastructure for pro-tournaments like the ESL One India 2019 with a USD300,000 prize pool, player training organisations supporting top teams, as well as industry bodies like the CII India Digital Gaming Society (IDGS) are making the ecosystem impact meaningful. IDGS has a clearly stated goal of sustained engagement with the government, innovators, manufacturers, and other stakeholders to maximise potential with National and state governments in policy formulation and enable the growth of the industry. It can create over five lakh jobs each year. And if Indian game development companies can effectively integrate into global supply chains in the digital gaming industry, the impact can be significantly greater.

In India, the ecosystem for digital gaming and gamers is expanding rapidly, the investments are growing and the need of the hour is to nurture our players, to support and create brands out of them. The sponsors will then follow - making it a sustainable career option for players. The next five years, could well be the defining moment for digital gaming in our country.



Rajan Navani
Vice Chairman and Managing Director
JetSynthesys

The views and opinions expressed herein are those of the author and do not necessarily represent the views and opinions of KPMG in India.



Monetisation of sports leagues

Show me the money

With the growing sports culture in the country, the sports industry has undergone a series of fundamental changes in the last decade. Key factors leading to a rise in sporting culture are increasing government and private sector participation, proliferation of sports leagues, wide-ranging and inescapable digitalisation, growing popularity of sports other than cricket, and rising female and rural audiences. The launch of the Indian Premier League (IPL) in 2008 has had a domino effect, leading to the evolution of sports leagues over the last decade.

Sports has received attention from private and non-profit organisations, which are now seeing merit in organising sports leagues and tournaments, funding talented sportspersons and developing sports at the grass-roots level.

Evolution of sports leagues in India

With the quantum of sports advertising increasing from INR24,230 million in 2008 to INR77,630 million in 2018, sports industry in India has shown double digit growth over the last decade. Media spends, on ground and team sponsorship and endorsements have also shown significant growth, which highlights the developing sports culture in India¹.

The growth of the sports industry is supported by the emergence and acceptance of new private leagues. The IPL offers a glimpse of the potential of sports in India. Into its twelfth season in 2019, the cricket league attracted 700 million viewers in 2018, growing by almost 40 per cent over the last year. Online viewership also doubled in 2018 reaching 200 million². Independent and dedicated channels in regional languages - Telugu, Tamil, Bangla and Kannada, along with expert shows such as “Select Dugout” and “Super Funday” have greatly contributed to the increased reach of IPL³.

Non-cricket properties account for nearly 20 per cent of the live match viewership⁴. As a sign of India’s evolution as a multi-sports viewing nation, the Pro-Kabaddi League (PKL) and Premier Badminton League (PBL) had 300 million and 200 million viewers, respectively, in the 2018-19 season⁵. In addition, there have been new entrants such as the Premier Volleyball League (PVL) and Ultimate Karate League (UKL). PVL, which follows a model similar to that of IPL, generated good traction in its first year – a total viewership of 14.3 million⁶, including 1.3 million online streaming⁷. The Ultimate Kho League and X1 Racing League, both conceptualised in India, are expected to be launched by the end of 2019.

1. India In The Big League, Impact, 8 April 2019

2. Star India celebrates as IPL 2018 draws 700MN viewers, Rapid TV News, May 29, 2018

3. Star India viewership hits new record, touches 462 million mark during IPL 2019, BrandEquity.com, May 23, 2019

4. How the game around sports is changing, Business Standard, May 15, 2017

5. Thanks To Live Sports, India’s Hotstar Is Going Where No Other Streaming Service Has Gone Before, Forbes, 26 April 2018

6. Pro Volleyball off to flying start, The Economic Times, 15 February 2019

7. Volleyball League owners aim to make event second biggest in India, Economic Times, April 10, 2019

Beyond big sports leagues, India’s sporting culture is getting an impetus from the coverage received by school events as well as regional leagues such as the Mumbai Premier League.

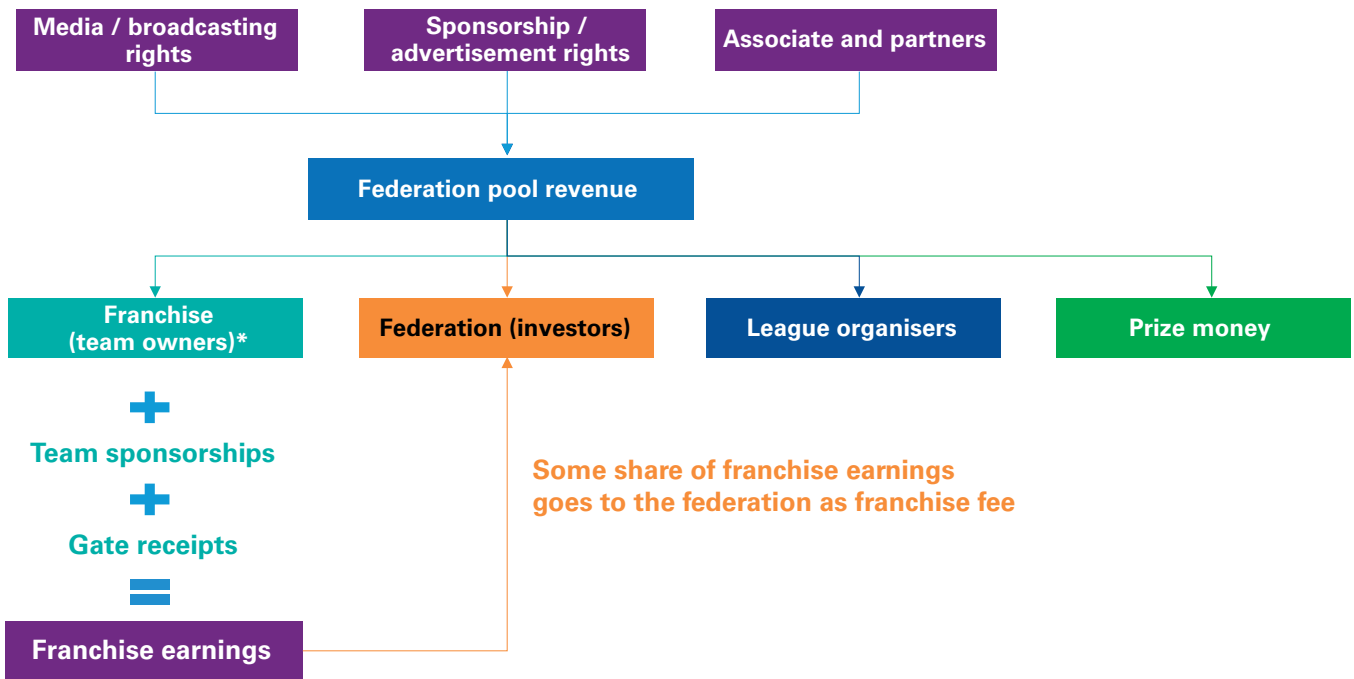
However, not all leagues have been successful. For instance, Hockey India League (HIL) franchisees suffered financial losses during the last five seasons. At least three franchises are not happy with the league and have expressed their inability to participate in future editions due to financial constraints. However, to revive its popularity, HIL is launching a revamped version by end of 2019⁸. Even Pro Kabaddi League’s viewership has fallen by 25 per cent in Season 6. Reasons highlighted could be related to viewer fatigue due to an elongated season and a change in the normal season window from June-July to October in order to accommodate The Asian Games⁹.

The already successful IPL model is being replicated, to a lesser extent, in leagues for football, badminton, kabaddi and volleyball. Though a number of multi-sports leagues in India are following an IPL-like revenue model, monetisation cannot be simply assumed. Sports viewership in India is skewed in favour of cricket and attracting the same for any other sport (even for domestic cricket leagues other than IPL) remains a challenge.

Monetisation of sports leagues

From a business perspective, the key stakeholders involved in leagues are federations, broadcasters, franchise owners and sponsors. A basic revenue model structure is depicted below:

Revenue model of sports leagues^{10,11}



* Franchise’s share varies in proportion to the license fee each team owner had paid for franchisee rights

The revenue models may differ slightly from league-to-league, with some leagues having possibility for newer revenue sources depending on stage of development of the sport, level of innovation and popularity of the sport/players. For instance, in PBL, franchise team contracts give rights to hold city badminton leagues and run an academy in their respective cities¹².

The success of any league depends on its ability to monetise its business model. Some factors that may help leagues monetise more effectively are described below:

8. Hockey India League’s 2018 edition cancelled, future uncertain, The Economic Times, July 27, 2017
 9. We have to look for heroes in sports, make them icons: PKLs Anupam Goswami, Livemint.com, April 20, 2019
 10. For once, each IPL franchisee poised for ₹150+ crore profit, Insidesport, 2 May 2018

11. IPL Guide 2019: All You Need To Know About The Indian Premier League, Kreedon, 21 March 2019
 12. Premier Badminton League expects to break even in FY20, The Economic Times, November 30, 2018

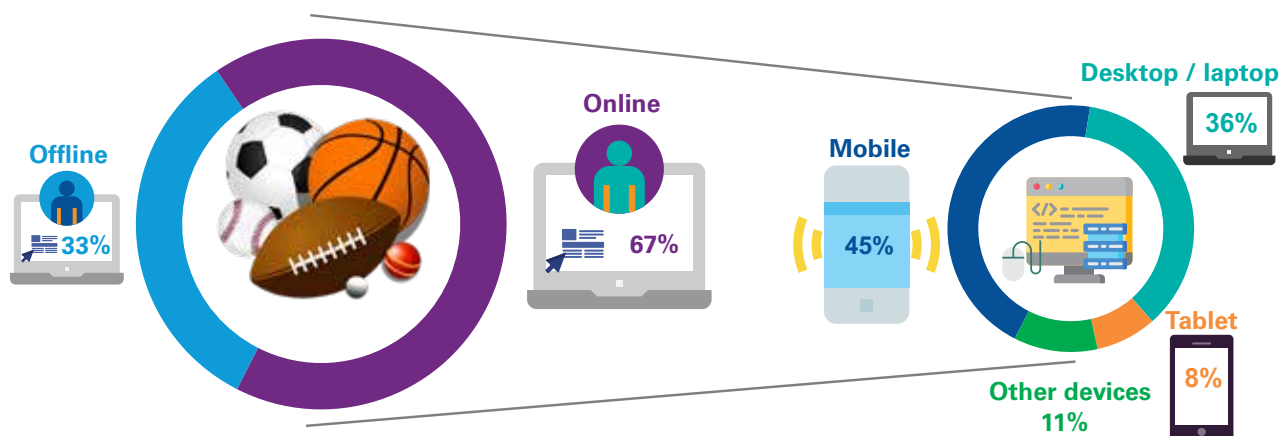
Rise of digitalisation

Digital is pushing the envelope for stakeholders in the entire sports value chain from content producers and viewing platforms to advertisers and consumers.

Viewers increasingly prefer to watch sports events online instead of TV, given the flexibility of watching them online, anytime on-the-go. Given the convenience it offers, digital content platforms, in turn, are trying to convert users into paying customers.

Globally, content consumption is evolving across digital formats, especially with increasing mobile and internet penetration. Sports content is now the second-most popular digital content in India^{13,14}. Digitalisation is leading to wider reach, increased viewership, higher advertisement revenue, along with a rise in participation, sponsorships and investments in sports.

Mode of sports viewership among internet users¹⁵



Note: Based on survey of internet users aged 16 to 64

Although the online streaming of live sports started with the IPL in 2009, the inflection point was the launch of Star India's over-the-top platform "Hotstar" during 2013-14^{16,17}. 18.6 million concurrent viewers tuned into Hotstar for the final match of IPL 2019¹⁸.

Following Hotstar's footsteps, Sony's over-the-top platform "SonyLIV" streams live sports for some marquee sports tournaments such as the La Liga football league, UEFA Champions League and the FIFA World Cup¹⁹.

The ease of watching sports events online has led to a rise in viewership. Going by the trend, sports viewership in India is likely to surge over digital platforms.

Tapping into a new segment of sports viewers

Sports viewership, which was traditionally urban male-dominated, is gaining traction with women, kids as well as rural audiences.

Women and rural Indians have emerged as key consumers of sports content. Women account for 35-38 per cent and rural Indian constitute 40-47 per cent of sports-related content. Women also accounted for 40 per cent of IPL's total viewership in 2018. Furthermore, the average time spent on watching IPL also grew from 31 minutes in 2017 to 33 minutes in 2018^{20,21}.

13. The Growth Of Mobile Content Consumption In India Is Primary Driven By Entertainment & Sports, Dazeinfo, 24 October 2018

14. Thanks To Live Sports, India's Hotstar Is Going Where No Other Streaming Service Has Gone Before, Forbes, 26 April 2018

15. Sports OTT Landscape in India, eMarketer, January 24, 2019

16. The Growth Of Mobile Content Consumption In India Is Primary Driven By Entertainment & Sports, Dazeinfo, 24 October 2018

17. IPL 2019 Final: Hotstar Breaks Record With 18.6 Million Concurrent Viewers, Economic Times, 14 May 2019

18. IPL 2019: Hotstar registers 18.6 million concurrent viewers for finale, Business Standard, 14 May 2019

19. Thanks To Live Sports, India's Hotstar Is Going Where No Other Streaming Service Has Gone Before, Forbes, 26 April 2018

20. The 18 realities of Indian sport, Sportskeeda, 15 May 2018

21. Female contribute 40% to total IPL viewership, Insidesport, 16 May 2018

Brand monetisation opportunities through fan engagements

Franchise teams are exploring multiple opportunities to increase revenue contribution from other sources in order to reduce their dependency on their share of revenue from the central pool.

Typical brand monetisation approaches aim at generating higher ticketing and merchandising revenue. However, this is not possible without higher fan engagement. Besides performance, fan following is generated in a number of ways such as having celebrities associated with the team and sports celebrities such as Virat Kohli and MS Dhoni. However, fan engagement can be generated in a number of innovative ways.

Sunil Chhetri, captain of the Indian football team, was successful in gathering fans for a football match after having defeated Taiwan in front of a paltry audience of just over 2000 people in a stadium with a capacity of 10,000 plus seats. Chhetri made an emotional plea through a video on Twitter, post which all tickets available for the next match against Kenya were sold out²². The viral video connected with football fans in India.

Another example is of Royal Challengers Bangalore (RCB) wherein the franchise is partnering with Interacting Technology Sport, an Israel based company, to enhance fan engagement. The mobile app will allow fans and communities to interact and support the team throughout the year. Fans will also get access to exclusive content such as behind the scene videos and experiencing a day in the life of team players²³.

Given India's multilingual culture, connecting with fans outside the traditional English and Hindi speaking target market is crucial to increase fan engagement. Matches streamed in regional languages have seen a tremendous response, with IPL in Tamil Nadu generating over 90 per cent consumption in Tamil along with an increase in viewership versus a 96 per cent viewership in English just two years ago²⁴.

Corporate backing and privatisation of sports governing bodies

Sports is largely seen as a state subject with state governments owning and managing most initiatives and infrastructure. The role of the private sector in infrastructure development has been limited so far²⁵.

Privatisation of sports helps build a more transparent

and accountable system, driving innovation, increasing attractiveness of sports as a career opportunity and making it business and investor-friendly.

However, except for the BCCI, Amateur Kabaddi Federation of India (AKFI) and All India Football Federation (AIFF), few sports governing bodies or federations have taken steps towards becoming privatised, mainly due to their overdependence on government funding and lack of interest in the sport²⁶.

While companies seem more than willing to sign on athletes as their brand ambassadors and spend on sports advertising and sponsorship, they seem reluctant to spend on sports infrastructure and training. Additionally, only 2 per cent (INR1,910 million) of their corporate social responsibility (CSR) budget was allocated to promotion of sports in 2018²⁷.

Most of the spending is limited to leagues of key sports such as cricket, kabaddi, football and badminton rather than sports development at the grass-roots level²⁸.



22. India football match 'sold out' after emotional plea by captain Sunil Chhetri, Scroll.in, 04 June 2018, accessed on 6 August 2019

23. IPL 2019: RCB partners Israeli sports tech firm to enhance fan engagement, Inside sport, 18 March 2019, accessed on 5 August 2019

24. Cricket commentary in regional languages is bowling over more Indians, BloombergQuint, accessed on 5 August 2019

25. CSR projects in sports: Few companies willing to play along, Livemint, October 17, 2017

26. What makes Indian sports so attractive to marketers?, AFAQS, September 18, 2017

27. The CRISIL CSR Yearbook 2019, Crisil Foundation, February 2019

28. Funding India's sport transformation, Sportskeeda, 2017

Creation and monetisation of new sports icons

As the viewership and sponsorship expands beyond cricket, it is creating space for recognition of new sports icons beyond cricket such as runner Hima Das, javelin thrower Neeraj Chopra and badminton players Saina Nehwal, PV Sindhu and Srikanth Kidambi. Sports persons across wrestling, gymnastics and shooting are also creating a name for themselves, especially during the Olympics, Commonwealth Games and Asian Games.

Given the rise of new sporting icons, sports talent management firms are the entities behind the scenes that make it happen. Scouting for players begins at state and national level competitions such that players are signed before they make it big. Traits such as consistent performance and the right attitude are essential in picking the right players. Virat Kohli was signed during the 2008 Under 19 World Cup, way before he started playing mainstream international cricket^{29,30}.

With the rise of non-cricket sports leagues, talent management firms have a wider market. Franchise teams like Delhi Waveriders (a Hockey India League franchise), Hyderabad Hunters (a Premier Badminton League franchise) and Delhi Dynamos (an Indian Super League football franchise) along with individual sports icons like boxing professionals Vijender Singh and MC Mary Kom and table tennis player Manika Batra are all being represented by talent management firms³¹.

Other avenues for monetisation

Traditionally, revenue was generated primarily through sponsorship fees, gate or ticket fees and sale of broadcasting and media rights. These limited avenues have resulted in poor profit margins for key stakeholders.

Digitalisation has played a key role in opening up novel revenue models, including the formation of fantasy sports leagues, live streaming of sporting events on over-the-top (OTT) apps and advertising on digital platforms.

Sports related digital mediums such as websites and mobile applications are drawing an increasing number of subscribers. Broadcasters and advertisers are targeting this new customer base in order to increase viewership and generate more revenue. An example of innovative revenue generation is providing in-app food delivery

through Swiggy by Hotstar. The interface is designed to provide a user with an integrated food ordering menu while ensuring an uninterrupted match stream.

Further, the growth of sports culture has led to the merging of interests in sports and style, with major leagues making strides towards transforming themselves into major lifestyle brands. Licencing alliances with apparel, accessories and sports equipment manufacturers for league logos, uniforms and other merchandise have emerged as a major revenue source.

Sportswear retail, an ancillary industry, is booming. Customers have access to performance enhancing as well as casual wear products based on their need. German sportswear lifestyle brand Puma has performed better than competitors such as Nike and Adidas in India. Success factors for Puma include focusing on the fast growing women's sportswear segment, along with the signing of Mary Kom as their brand ambassador and co creating the brand One8 with Virat Kohli^{32,33}. Increasing appetite for multi-sport leagues can be seen through the sale of sports gear. Decathlon, a sporting goods retailer, has done well in India due to its product line, with commodities catering to more than 70 sporting disciplines, whereas other retailers' product line is limited to traditional sports such as cricket and football³⁴.

Conclusion

Sports media looks promising as the consumer base expands with popularity of sports leagues, rising digital consumption, new brand monetisation strategies increasing female and rural viewership. Especially, the impressive upswing in viewership of sports other than cricket showcases India's capability to become a multi-sport nation.

Live sports, including franchise-based leagues, have emerged as the primary vehicle of investment for the corporates. This increase in private sector participation has the potential to ignite growth of young talent as well as infrastructure in India.

29. Cornerstone Sports website, accessed on 23 June 2019

30. "Bunty Sajdeh: The super-agent" livemint.com dated 1 October 2016, accessed on 23 June 2019

31. IOS Sports website, accessed on 23 June 2019

32. "Puma edges past rivals in India sales to emerge as top sportswear brand", Times of India, 1 March 2019, accessed on 29 June 2019

33. "Inside the Indian sportswear industry", India Retailing, 5 March 2019, accessed on 29 June 2019

34. "Decathlon overtakes Adidas, Nike in sports gear retailing", Economic Times, 10 April 2019, accessed on 29 June



Centralised marketing system

Connecting the dots

Introduction

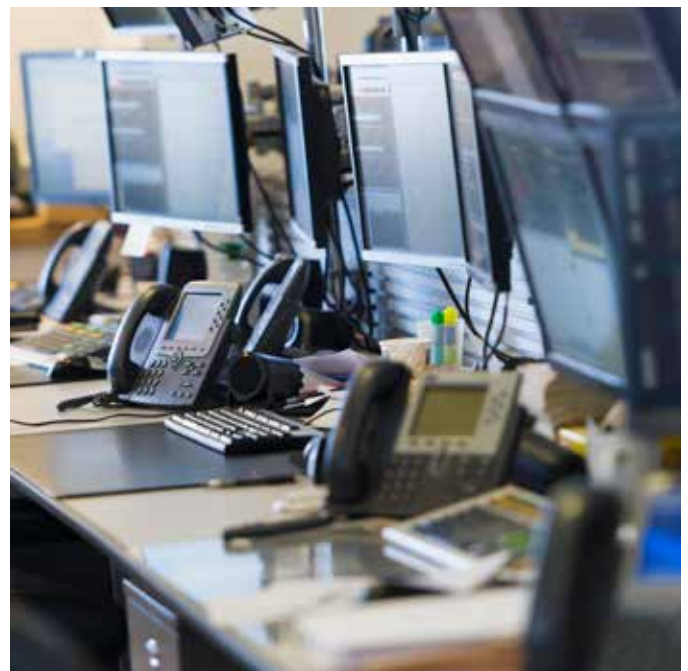
In this age of burgeoning technological advancement, massive volumes of data are generated every moment. Organisations are emphasising the need to translate unstructured data into critical insights, enabling a swift decision making process in real time. Many organisations are prudently leveraging on emerging technologies – Artificial Intelligence (AI) and Machine Learning (ML) in order to optimise their ROI.

Advertising spends grew by 14 per cent annually resulting in INR694 billion expenditure across industries. FMCG, auto, telecom and education contribute to 57 per cent of the total traditional advertising expenditure.¹

Depending upon the spend pattern, marketers partner with agencies and third party vendors to handle their different activities in events, creative artwork, traditional media, digital media, market research, etc. There could be one or numerous agencies and vendors handling the different verticals for each marketer. 20 per cent of the marketing activities happen at the marketers' end (involving critical decision making process) whereas the balance 80 per cent (execution) is handled by their deputed agencies and vendors. This complex environment created between marketers, agencies and multiple vendors makes it imperative for the companies to enhance their control on the activities and their respective spends.

Companies face headwinds due to information gaps and data silos between their primary functional

divisions – finance, operations, sales and marketing, and thus have consciously realised the importance of convergence and integration of marketing-related activities. They are increasingly exploring opportunities to adopt a centralised marketing system (CMS) coupled with competent analytics capabilities, some of which will enable marketing course corrections in real time. Investments are being made to set up a platform, which will automate the marketing efforts through the stages of forecasting, budgeting, implementation, settlement and analytics, and thereby convert static data inputs into interactive exchanges.



1. Pitch Madison Advertising Report, February 2019

The need for a centralised marketing system

Some of the critical questions that marketers are encouraged to ask prior to setting up of a CMS are as follows:

- Does the team have its data **at a granular level** in one place?
- Is the team spending more time on putting data together than gaining **quick insights**?
- How can the team connect **multiple data silos** that the business has created or bought into?
- Can the team get adequate **essential data** without spending any more?
- Is there a possibility of **integrating** multiple partners, technologies and tools that the team works with? How can companies ensure **transparency** from them?
- Is the company **allocating budget** correctly? Which marketing activities are providing the best returns? Where can the budget be capped?

Expected benefits

Through highly customised CMS platforms (depending upon organisations' needs), marketers are expected to benefit in the following ways:

Budget optimisation

Marketing activities are calendarised provisionally, based on the projected spends, at the start of the year with the available budget spread across different months. Marketing budgets are susceptible to changes since utilisation varies depending upon competition, individual market performance, individual marketing activities, media vehicles, etc. A primary challenge faced by companies during budget tracking is the presence of discrepancies in the investment figures reported by different functions for the same activities, thereby adversely impacting the time taken to arrive at decisions.

With a robust CMS in place, organisations can track budget utilisation accurately and in real time on a central database. Budgets can be revised by authorised personnel enhancing stricter control. Additionally, the algorithms set in the CMS tool assist in understanding the spend behaviour by different regions on a monthly, quarterly or annual level, which further assists the organisations in making discreet budget allocation decisions in the subsequent financial year.

Planning of KPIs and subsequent tracking

Efficient marketers plan their marketing investments, which are reflected in their marketing budget.

KPIs are set by internal marketing teams and their marketing/media partners.

These plans undergo numerous modifications during the course owing to market dynamics. Real-time tracking of KPIs is paramount since they are in conjunction with the end marketing objective. Since KPIs differ as per activities, markets, etc., a robust centralised system ensures that the organisation is cognisant of the deliverables at every stage of the marketing process, leading to an efficient due diligence and compliance procedure.

Authorisation and approvals

Several times, organisations run the risk of marketing activities being implemented without authorised approvals in place. Marketing activities undergo several changes on comparison with the approved plan owing to numerous factors, resulting in spontaneous implementation of activities without appropriate approvals. Authorised approvers, due to lack of time or inaccessibility to the system etc., may miss providing their approvals. Given the hyper-activeness of the marketing environment and to seize the opportunities in hand, marketers are forced to provide a go-ahead on activities to their marketing/media partners without appropriate approvals, running a high risk of budget overshoot, potential reputational damage to the company, etc. CMS linked to web portals, mobile apps, etc. assist authorised personnel to provide requisite approvals despite them being present in remote locations, minimising the aforementioned risks.

Real-time reporting and monitoring

Marketing activities are executed by the internal marketing team in conjunction with their marketing/media partners. The partners share monitoring reports as per the reporting mechanism set mutually. Internal marketing teams receive activity reports from their multiple partners via e-mails/share drives. This becomes a challenging task for the internal marketing team since most of their time gets spent in collating the data in one place, analysing them, gaining insights and subsequently taking the necessary course corrections.

To minimise the time and efforts spent in arriving at corrective actions, CMS platforms have in-built features to provide accessibility to multiple stakeholders/partners involved to enable them to upload the requisite data. The ML algorithms in the tools can analyse the data on a single click, providing meaningful insights in real time. With prudent human intervention, these insights can be turned into meaningful decisions, thereby impacting the ROI positively.

Settlement

Life can be made simpler for the finance team with the availability of pre and post activity reports and deviation reports on a centralised platform. These reports can be mutually discussed between the different functional

teams, thereby enabling quicker decision making process with respect to payment settlement. A CMS integrated with SAP and other accounting modules, establishing a single user-interface will lead to a swifter settlement process with minimum effort.

Persistent analytics

Persistent marketing analytics rather than prescriptive analytics is the key to long term sustenance in the marketing sphere.

- Gaining a deep domain view of the marketing spends through marketing budget forecasts, marketing investment analysis, marketing media mix

- Qualitative information on market-wise investments deployed in real time through sales forecasts, investment to revenue ratios, investment correlations, etc.
- 360 degree repository of retail audit data, competition data, market research data, share of voice data, etc.

CMS platforms juxtaposed with reliable predictive foundation (system-wide ML/AI) can help organisations penetrate into their data repository, derive insights on their strategy, draw correlations and associations, make inferences and attributions and predict course corrections, the value proposition being the ability to perform continuous marketing analytics.

Industry perspective



“Tracking the marketing ecosystem by means of stitching marketing data with sales, competition and third party data through high-end process automation resulting in bridging the “data chasm” between the CFO, CMO and CEO, thus enabling a platform for continuous analytics is the pressing need of the hour.”



Biswajit Das
*Founder & Promoter,
 Brandintelle*



R Sridhar
*Partner and Advisor,
 Brandintelle*



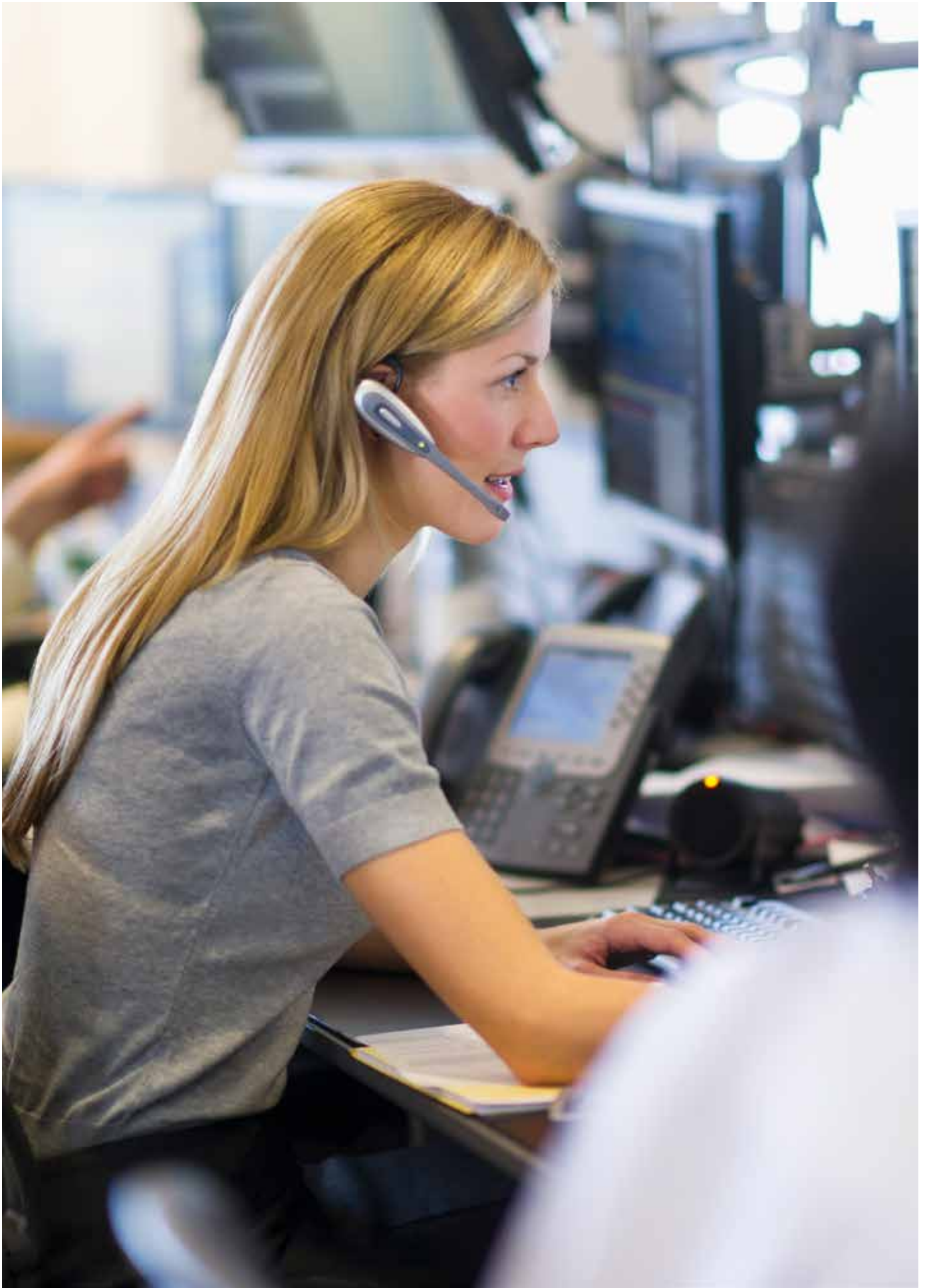
“With year-on-year growth in marketing investments and continuous increase in available marketing platforms, tracking marketing investments real time and taking necessary steps for course-corrections is critical. We must seek to explore opportunities to set up centralized technology platforms that converges sales & marketing data, enabling real-time analytics resulting in optimization of marketing return on investments”



Atit Mehta
*CMO,
 Think & Learn Pvt. Ltd.
 (BYJU's)*



The views and opinions expressed herein are those of the quoted person/s and do not necessarily represent the views and opinions of KPMG in India.



M&A deal trends

Mergers and Acquisitions (M&A) deal trends continue to mirror the convergence wave within technology, media and telecom (TMT) sector in FY19. The deal activity by TMT players, led by Reliance Jio Infocomm Limited (Jio), showcases intent to create an integrated direct to customer business with diverse business segments. This is leading to deal activity not only in segments like content, digital, but also in traditional segments like TV distribution. Some of the key deal themes observed are set out herein.

Creation of a TMT hybrid

Since 2016, Jio has been building a direct to customer business model by creating a complete ecosystem of digital products and services around its core telecom service offering. Initially, it was through investments in content companies like Saavn, Eros, Balaji Telefilms, Viacom18 and Whistling Woods,¹ Jio has also invested in innovative technology start-ups.

Investments by Jio and Reliance Industries Limited (RIL) in Tech based start-ups¹

Embibe	Apr-18	Education tech
Radisys	Jun-18	Telecom
VAKT	Dec-18	Blockchain
EasyGov	Feb-19	E-governance
Reverie	Feb-19	Voice tech
Sankhya Sutra Labs	Feb-19	Software
C-Square	Mar-19	Software
Grab	Mar-19	Logistics
Haptik	Apr-19	Artificial Intelligence
Fynd ²	Aug-19	E-commerce

1. "In Reliance's quest to build India's digital ecosystem, startups take centre stage", yourstory.com dated 13 May 2019, accessed d on 5 June 2019.

2. "Ambani's Reliance to buy majority stake in Google-backed Fynd", economictimes.com dated 5 Aug 2019, accessed d on 5 Aug 2019.

We may well see further disruption in TMT as Jio tries to cement its direct to consumer business centered on media and technology while there could be strategic responses from other Telcos and also existing media companies as they look to protect and consolidate their businesses.

Digital content and platforms: Fuelling the TMT ambition

India has the second highest number of internet users after China.³ Until recently, much of the content produced has targeted audiences in metropolitan cities. With an increasing number of people coming online from different demographics, there is a growing need for regional-focused content instead of mass produced content. This has led to the creation of many such platforms that cater to a specific audience:

- In May 2018, the Beijing based content sharing platform SHAREit (Shareit) acquired Fastfilmz Media India Private Limited, a south Indian movie viewing app for approximately INR860 million.⁴
- Roposo, a social media app, raised funding of USD10 million in October 2018 from Tiger Global and Bertelsmann India Investments. Roposo is available in regional languages like Punjabi, Gujarati, Tamil and Bengali among others.⁵

Recent years have seen the emergence and growth of a number of OTT players in India. From the subscription only Netflix and Amazon Prime Video to hybrid models of Hotstar and Zee, to new multi-format models like MX Player, OTT players are striving to differentiate themselves. While some OTT platforms are developing their own content, others are buying out or investing in content producers. As all these OTT platforms fight for the consumer's eye – and wallet – it is likely to evolve into a survival of the fittest with potential consolidation opportunities playing out.

TV distribution – a new battlefield

Given Jio's strategic plan to launch its own giga fiber service in 2020, RIL invested in:

- Approximately 51 per cent stake in Hathway Cable and Datacom Limited (Hathway) for INR29,400 million,⁶ and
- Approximately 66 per cent stake in DEN Networks Limited (DEN) for INR22,900 million⁶

The acquisition of digital cable giants, Hathway and DEN, gives Jio a head start with instant access to 24 million users of Hathway and Den⁶ and the ability to leverage their last mile connectivity.

The DTH space too is likely to see activity. The space is dominated by players like Dish TV, Tata Sky, Sun Direct and Airtel. Airtel has approximately 22 per cent market share (~16 million users)⁷ in India and is exploring expansion opportunities.⁸ The theme of consolidation demonstrated with Dish TV and Videocon d2h merger in 2017 could continue as TMT players like Jio and Airtel battle it out for domination in this space.

The recent introduction of the New Tariff Order (NTO) by TRAI can further act as a catalyst for consolidation not only in TV distribution but also in the broadcasting space.

Television Broadcasting: Emergence of a global giant

The Walt Disney Company ('Disney'), completed the acquisition of Twenty-First Century Fox ('Fox'), for a transaction valued at USD71 billion, in March 2019.⁹ With this transaction, Fox owned Star India, which has a commanding presence in the broadcasting and OTT space, has also come under the Disney umbrella.

This deal, has created a bouquet of offerings that are diversified, compelling and far reaching. It will be interesting to see how Disney monetizes this acquisition in India and how would the industry react to it. It may trigger further competition for quality content in the television broadcasting and OTT space, much to the delight of Indian consumers.

Film exhibition: Battle to get screens

Film exhibition is seeing a continued trend of consolidation. The top four players namely PVR, INOX, Carnival Cinemas and Cinapolis dominate the multiplex screens in India.

In August 2018, PVR acquired SPI Cinemas, a south India-based multiplex chain, which has presence in Tamil Nadu, Telangana, Andhra Pradesh, for INR6,330 million. SPI Cinemas has a network of 76 screens (68 operational and eight expected to commence operations soon) across 17 properties and 10 cities. With this acquisition, PVR's total screen count increased to 706 screens across 152 properties and 60 cities.¹⁰

With the movie screens per viewer in India still low as compared to global standards, the question is whether film exhibitors will look for more organic growth by targeting newer cities/demographics or continue with inorganic expansion by acquiring smaller screens and multiplexes. Consolidation has been the preferred mode of expansion for multiplex players as purchasing existing screens is considered easier and faster than constructing new screens due to various regulatory

3. "Internet users in India to rise by 40%, smartphones to double by 2023", economictimes.indiatimes.com dated 25 April 2019, accessed on 21 June 2019

4. "Content sharing platform SHAREit acquires movie app Fastfilmz", vccircle.com, dated 8 May 2018, accessed on 21 June 2019

5. "Social media app Roposo raises fresh funding from Tiger Global, Bertelsmann" livemint.com, dated 12 December 2018, accessed on 21 June 2019

6. "Reliance to buy majority stakes in Den Networks, Hathway Cable for INR5,230 crore", economictimes.indiatimes.com dated 18 October 2018, accessed on 5 June 2019.

7. "Next wave of DTH consolidation imminent as Jio GigaFiber readies for launch", business-standard.com dated 7 April 2019, accessed d on 5 June 2019.

8. "Airtel looking at Dish TV for merger to take on Reliance Jio", business-standard.com dated 18 March 2019, , accessed on 5 June 2019.

9. "Disney completes its USD 71 billion buy of Fox entertainment assets", cbsnews.com, dated 20 March 2019, accessed on 19 July 2019.

10. "PVR widens its reach, buys SPI Cinemas for INR633 crore", livemint.com dated 13 August 2018, accessed d on 5 June 2019.

and practical hurdles. The trend of consolidation in film exhibition is expected to continue, albeit at a slower rate as the number of screens available for consolidation has reduced significantly.

As the number of screens available for consolidation reduces significantly, overseas expansion is also being evaluated. The Carnival group acquired a 100 per cent stake in Novo Cinemas in July 2018. Novo Cinemas operates movie theatres in United Arab Emirates, Qatar and Bahrain. Carnival Group already has presence in Singapore.¹¹

Radio: consolidation gaining traction

Consolidation has been gaining traction in the radio segment as existing players try and increase synergies across brands, frequencies and geographies.

- HT Media Limited, which operates FM radio stations under the brand names of 'Fever' and 'Nasha', acquired a 51 per cent stake in Next Mediaworks Limited, which operates radio stations across major metros under the 'Radio One' brand.¹²
- In May 2019, Music Broadcast Ltd ('MBL'), which operates the FM channel under the brand name of 'Radio City, announced acquisition of Reliance Broadcast Network ('RBN') that houses private FM brand 'Big FM', for INR1050 Crores. MBL will acquire 40 Big FM stations out of the total 58 stations held by RBN.¹³
- In April 2018, MBL had acquired 100 per cent stake in Ananda Offset Limited, which runs Friends 91.9 FM in Kolkata.¹⁴

Radio may see further consolidation going forward.

Gaming: Emergence of e-sports and fantasy sports games

Mobile-based games like PUBG have demonstrated that there is a huge potential for mobile gaming in India. With the free flow of data and better hardware acting as a catalyst for growth, last few years have seen tremendous investor enthusiasm in this space. This year saw funding rounds in GamingMonk Entertainment Private Limited - an offline e-sports organiser, AGTech - an online gaming platform for social and casual games, and Mech Mocha - a mobile gaming start-up.^{15,16}

Another upcoming sub-segment seeing activity is online fantasy sports gaming. Tencent Holdings Limited, world's leading gaming company, invested USD100 million in Dream 11 Fantasy Pvt. Ltd., a fantasy sports platform, in September 2018.¹⁷

The emergence of sports leagues, digital infrastructure, reaffirmation around the legality of fantasy sports and key partnerships of fantasy sports platforms with sports leagues may lead to increased investor interest in fantasy sports gaming. This space may see more action as online fantasy sports gaming goes beyond cricket, to kabaddi, badminton, football and other sports in India.

11. "Carnival Group to acquire Qatar's multiplex chain from Elan Group", economictimes.com dated 19 July 2018, accessed on 5 June 2019.

12. "HT Media acquires 51% stake in Radio One parent Next Mediaworks", livemint.com dated 24 April 2019, accessed on 5 June 2019.

13. "Radio City to acquire 40 Big FM stations for Rs 1,050 crore", economictimes.com dated 27 May 2019, accessed on 5 July 2019.

14. "Music Broadcast to acquire Ananda Offset's Friends 91.9 FM radio", livemint.com dated 24 April 2018, accessed on 5 June 2019.

15. "Paytm having another go at gaming, revives Gamepind with Alibaba-owned AGTech" vccircle.com dated 30 January 2018, accessed on 21 June 2019

16. "From rummy to e-sports, it's boom time for digital gaming in India" Techcircle.in dated 12 November 2018 accessed on 21 June 2019

17. "Tencent leads \$100 mn investment in fantasy sport platform Dream11", vccircle.com, dated 6 September 2018, accessed on 21 June 2019

Outlook

The deal activity in the Media and Entertainment space is likely to be buzzing going forward.

Convergence of TMT is expected to continue, and may see more investment activity as telecom players look to build a well-rounded consumption ecosystem backed by building technological capabilities.

Digital content and advertising are the means to sustain the new digital media and entertainment industry.

We may continue to see investor interest in this space, with more focus on targeted original, regional and local content.

With the entry of telecom giants, television distribution space has seen some deal activity and is expected to see more movement as the telecom players look for dominance in this space.

Increased investor interest in newer segments like gaming are only expected to grow from here on.





Tax landscape

India has been at the forefront in adopting changes in its tax laws as we witness a paradigm shift from the traditional accepted principles of taxation. Equalisation levy, significant economic presence are some of the new concepts embraced by India into its tax regime. Even the recent draft report on Attribution of Profits to Permanent Establishment (PE), released by the Central Board of Direct Taxes (CBDT) on 18 April 2019 for public comments, recommends a Fractional Apportionment Approach as against the traditionally accepted arm's length approach. On the indirect tax front, the M&E industry has had its share of positive and negative impact arising from GST implementation. Further, with an aim to settle pre-GST litigations, it has been proposed in the recently presented Union Budget 2019 to introduce a dispute resolution cum amnesty scheme called 'The Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019' for resolution and settlement of legacy cases of Central Excise, Service Tax and certain cesses.

This chapter provides a bird's eye view of the key direct and indirect tax issues typical to the M&E industry, including some key/recent judgements dealing with such tax issues.

Film industry

1. Deduction of expenses relating to production/distribution of films

While Rule 9A/9B provides for deduction of expenditure incurred on production of films/acquisition of distribution rights therein, there are a few ambiguities related to its application due to evolving business dynamics. Recently, the Bombay High Court in the case of Dharma Productions¹, following the decision of Madras High Court², has held that expenditure incurred on print and advertisement in connection with the films produced (after the production and certification of the film by the Censor Board) which is specifically excluded from the term 'cost of production' of the feature film as per Rule 9A of the Income tax Rules, 1962, should be allowed as a business expenditure under section 37 of the IT Act. While the said decision may help the taxpayer, a government circular clarifying various ambiguities surrounding applicability of Rule 9A/9B could help dispel the uncertainties.

2. Withholding tax (WHT) on production of films

In certain cases³, the Mumbai Tribunal has held that production of motion films or cinematographic films would be covered within the meaning of the expression 'work' as contemplated under section 194C⁴ and not 'fee for professional/technical services' envisaged under section 194J of the IT Act. However, the issue remains contentious as tax authorities continue to allege that the same should be liable for WHT under section 194J⁵.

1. CIT v. Dharma Productions (P) Ltd [2019] 104 taxmann.com 211 (Bombay)

2. CIT v. Prasad Productions (P) Ltd [1989] 179 ITR 147 (Madras)

3. Alliance Media & Entertainment Ltd. v. ITO [2017] 79 taxmann.com 114 (Mumbai - Trib.), Nitin M. Panchamiya v. ACIT [2012]

4. WHT rate under Section 194C is 1-2 per cent

5. WHT rate under Section 194J is 10 per cent

3. WHT on payment for acquiring right to exhibit cinematographic films

The Chennai Tribunal, in case of Indo Overseas Films⁶, has held that irrespective of the medium in which the cinematographic films have been exhibited, the same constitutes 'exhibition of cinematographic films', which has been clearly excluded from the ambit of the definition of 'royalty' under the IT Act⁷. Consequently, it was held that no WHT is required under Section 195 of the IT Act on payments to non-residents for purchase of rights to exhibit cinematographic films. However, the issue relating to consideration for non-theatrical rights still remains debatable as the definition of royalty specifically includes consideration for films/video tapes for use in connection with television.

4. Multiple registrations and increased compliances

Under the GST regime, state-wise registrations basis the threshold limit of the 'aggregate turnover', multiple return filings and inter branch billing has led to huge unwarranted compliance costs as well as time and effort for media companies.

5. Rate on copyright transfer

By virtue of a notification, permanent transfer of intellectual property right (which includes copyright) has been incorporated in the goods schedule, attracting GST at the rate of 12 per cent. However, entry under service schedule also includes 'permanent transfer of intellectual property right', which has not yet been amended/deleted thus creating unwarranted ambiguity. Further, intellectual property right being intangible in nature, determination of place of supply (i.e. location of termination of delivery), in case of permanent transfer is still a challenge.

6. Specific restriction to avail Input Tax Credit (ITC) on certain inward supplies

While expenses incurred towards beauty treatment, serving food and beverages and hiring conveyance including vanity vans for actors and technicians directly relate to core business activity of a production house, such expenses will not qualify for credit under the GST regime.

Also, there is no clarity as to whether the services of a make-up artist will fall under beauty treatment services. The restriction of these services shall further add on to the tax burden of production houses and adversely impact their working capital cycle and profitability.

7. Input tax credit blockage due to place of supply of services

The place of supply of services by way of hotel accommodation (in case of outdoor shoots) is the place at which such immovable property is located. The input tax credit of state levies charged by the service provider cannot be availed in another state.

Since, it is practically impossible for production houses to obtain registrations in all the states where the shooting is carried out, there is a significant tax cost on account of non-availment of input tax credit on such services received in states where the production houses are unregistered.

8. States not entitled to grant tax exemption status

If any state declares a film as tax free, it has the authority to only waive off the state GST, which is half of the total GST charged i.e. 6 per cent or 9 per cent, as the case may be (based on ticket prices).

The government should consider to grant overall tax exemption to films spreading social messages to the society i.e. both central and state taxes (CGST and SGST) must be waived off. Also, tax exemption should be provided for the corresponding input and input services.

9. Input tax credit on advances paid for production

Companies paying huge advances to the copyright owners against receipt vouchers are unable to avail input tax credit on the amount paid as GST law requires possession of invoices and receipt of services for input tax credit availment. Since the movie in respect of which share in copyright is to be received is under production, receipt of services is difficult to justify. Accordingly, since the input tax credit paid in advance cannot be availed it gets deferred, causing huge impact on the cash flow.

10. Challenges in determining value of supply in case of barter transactions

Promotional activities undertaken by production houses and artists such as providing free movie tickets, tie-in promotions, distributing free merchandise, making appearances for events, etc. are in the nature of barter transactions which fall under the definition of supply as per the GST law, even though there is practically no flow of monetary consideration. Such transactions will now have to be valued and GST will have to be paid by both the parties.

6. Indo Overseas Films vs ITO [2017] 81 taxmann.com 378 (Chennai Tribunal)

7. Explanation 2 to Section 9(1)(vi) of the IT Act

The challenge here is determining the value of such services. There is no readily available market value of such supply nor are there any comparable supplies to arrive at value of services of like kind and quality, since the value is dependent on success of the film. Further, the parameters of success may vary for each movie.

11. Municipality empowered to levy tax on entertainment and amusement

In certain states, municipal authorities have started levying and collecting taxes on entertainment and amusement. Consequently, the likely benefit being received by the industry on account of subsumed entertainment tax may fade and they may suffer multiple tax levies and cascading tax effect similar to what was prevalent in the erstwhile tax regime.

Broadcasting industry

1. WHT on certain payments by TV channel companies

Discount given to advertising agencies

While a CBDT circular⁸ settled the argument that the discount given by television channel companies to advertising agencies for acquiring advertising slots will not attract WHT, the Supreme Court in the case of *Prasar Bharti*⁹ held that the payments made to the advertising agencies for securing advertisements are 'commission' liable for WHT under section 194H of the IT Act. The facts of this case are different from those envisaged in the circular, and one will have to evaluate the facts of each case before deciding whether the circular would apply or not.

Payment of channel placement fee

Recently, the Supreme Court in the case of *Times Global Broadcasting Co. Ltd*¹⁰ has dismissed Revenue's Special Leave Petition challenging the favourable Bombay High Court order holding that placement fees/ carriage fees paid to cable operators/MSO/DTH Operators are payments for work contract covered u/s 194C and not 'fee for technical services' u/s 194J. This order of the Apex Court is a welcome order on the issue which has been a subject matter of litigation since many years and hopefully should put the pending litigations to rest.

2. Taxation of transponder charges

While transponder payments are taxable under the IT Act after the retrospective amendment, non-resident taxpayers can continue to benefit from tax treaties entered into with India to contend that such

payments are not in the nature of royalty/fees for technical services under the tax treaty and hence, not liable to taxes in India. The issue is pending before the Supreme Court.

3. Taxation of a Foreign Telecasting Company (FTC) on account of advertisement revenues

Taxation of advertisement revenues

FTCs are taxable in India only if they constitute a PE in India. The Mumbai Tribunal in certain cases¹¹ has held that the Indian agent of the FTC, being an independent agent to whom payments are made at arm's length, does not constitute a PE of the FTC in India.

After the implementation of the Multilateral Instrument pursuant to OECD's BEPS Action Plan 7, one will have to keep in mind the expanded scope of agency PE as it will cover within its ambit situations where a dependent agent 'habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the enterprise'.

Taxation of subscription revenues

FTCs are of the view that payment of subscription revenue is in the nature of business income, not taxable in the absence of a PE. Recently, the Bombay High Court in the case of *M/s MSM Satellite Singapore Pte. Ltd.*¹² has held that subscription charges received by FTC from Indian distributors cannot be construed as royalty under the IT Act as well as India-Singapore Tax Treaty as it does not involve parting with any of the copyright.

4. Taxation of agency commission for advertising air-time/distribution of channels outside India

Recently the Mumbai Tribunal in the case of *Fox International Channel Asia Pacific Ltd.*¹³ held that no tax is payable on agency/marketing commission to non-resident agents outside India for services rendered outside India as there is no territorial nexus of such services with India.

5. Deduction of cost of production of programmes

Given the short lifespan and nil or negligible revenue earning potential after the first telecast, several industry players generally claim deduction of the production cost when the programme is telecasted and do not capitalise such cost. While the said position is upheld by the Delhi High Court¹⁴, it still remains a subject matter of dispute with the tax authorities.

8. CBDT Circular No. 05/2016, dated 29 February 2016

9. *Director, Prasar Bharati vs CIT* [2018] 403 ITR 161 (Supreme Court)

10. *CIT v. Times Global Broadcasting* (2019) TS-115-SC-2019

11. *SPE Networks Inc vs DCIT* (2017) 87 taxmann.com 345 (Mumbai Tribunal); *International Global Networks BV vs ADIT* (2017) 84 taxmann.com 188 (Mumbai Tribunal)

12. *CIT v. MSM Satellite (Singapore) Pte. Ltd* (ITA No. 103 of 2017 and ITA No. 207 of 2017)

13. *Fox International Channel Asia Pacific Ltd. v. DCIT* [2019] 103 taxmann.com 1 (Mumbai Tribunal)

14. *CIT vs. Television Eighteen India Ltd.* [2014] 364 ITR 597 (Delhi High Court)

6. Clarification with respect to broadcasting services

The ambiguity with regards to the place of supply for broadcasting services was resolved by the government by clarifying that the same would be the location of recipient of services as per the records of the supplier. This has provided a great relief to the broadcasters as tracking of head-ends/IRD boxes provided to the cable operations might have been a herculean task.

7. Advertisement services provided to the government

In case of supply of advertisement services on television channels to the Central Government, a State Government, a statutory body or a local authority, the place of supply of such service shall be amount attributable to services provided in each respective state. In the absence of any contract with the recipient of services, there was no mechanism to arrive at such amount. It has now been prescribed vide IGST Rules that, such amount attributable to each state shall be determined basis the viewership in each such state.

DTH industry

1. WHT on discount on sale of Set Top Boxes (STBs)/Recharge Coupon Vouchers (RCVs)

The Mumbai Tribunal in the case of Bharat Business Channels Limited¹⁵ has held that trade discounts provided to distributors/dealers on sale of set up boxes and recharge vouchers shall not be considered as 'commission' subject to WHT under section 194H of the IT Act since the relationship between the taxpayer and the distributors/dealers is on a principal to principal basis. The aforesaid decision has been recently followed by the Mumbai Tribunal in the case of Tata Sky Ltd¹⁶. A suitable clarification from CBDT (similar to the one issued in the case of TV channel companies¹⁷) that such discount is not in the nature of commission/brokerage could benefit the industry.

2. Clarification in connection to Customers Premise Equipment (CPE) supplied by DTH operators

Under the GST regime, the government has clarified that CPEs are not sold by the DTH service providers/cable operators to the end customers, and they are merely placed at the customers' location for supply of digital cable services. Such clarification has helped in resolving the long standing dispute under the erstwhile tax regime where the state government had raised huge VAT demands contending that grant of CPE constitutes a deemed sale as per VAT laws.

Out of Home (OOH) industry

WHT on payment made for putting up a hoarding

CBDT circular¹⁸ has clarified that the payment for putting up hoardings is in the nature of advertising contract and provisions of section 194C of the IT Act will be applicable. It is further clarified that if a person has taken a particular space on rent and thereafter sub-lets the same fully or in part for putting up a hoarding, he would be liable to TDS under section 194-I and not under section 194C of the IT Act. This legal position is recently affirmed by the Mumbai Tribunal in the case of Accord Advertising¹⁹.

Sports

Taxation of sports associations, sportspersons and foreign teams participating in sporting events is a complex issue.

The Supreme Court in the case of Formula One World Championship Limited²⁰ has held that the racing circuit constitutes a fixed place of business/PE of the foreign company in India under the India-U.K. tax treaty, even though the duration of the event was only for three days, since the foreign company had full right of access to the circuit during the entire period of the event.

Further, the Authority for Advance Rulings (AAR) in the case of Production Resource Group²¹ held that the space provided to the foreign service provider for rendering services i.e. lighting, sound, video, etc. during the Commonwealth Games in India constitutes a PE of the foreign company in India under India-Belgium tax treaty, since it had an identifiable place of business at its disposal, and the duration and degree of permanence was for as much time as its business required.

Transfer Pricing (TP)

The sections below provide an overview of TP related issues faced by the M&E industry.

1. Compliance vis-à-vis peculiar transactions

Given the distinct and peculiar nature of international transactions entered into between parties in the M&E industry coupled with varying prices and returns, the benchmarking analysis may not always be possible within the purview of the five out of the six methods prescribed under the law as it is difficult to gather information on similar independent transactions from public domain.

However, taxpayers may have a little more flexibility to use the sixth method viz. the 'Other Method' wherein tender documents, proposals, valuation

15. JCIT vs Bharat Business Channels Limited [2018] 92 taxmann.com 216 (Mumbai Tribunal)

16. Tata Sky Ltd. v. ACIT [2018] 99 taxmann.com 272

17. CBDT Circular No. 5/2016 dated 29 February 2016

18. CBDT Circular No. 715/1995 dated 8 August 1995

19. Accord Advertising (P) Ltd. v. ITO [2018] 93 taxmann.com 398

20. Formula One World Championship Limited vs CIT [2017] 394 ITR 80 (Supreme Court)

21. Production Resource Group [2018] 401 ITR 256 (AAR – New Delhi)

reports, standard rate cards, price quotations and commercial and economic business models, etc., could be used to demonstrate an arm's length intent.

2. Increased compliance burden on foreign M&E entities undertaking TP compliances in India

In a recent landmark decision of a foreign taxpayer²², the Special Bench of Kolkata Tribunal has held that whether there is an erosion of the overall Indian tax base is not a relevant factor in determining whether TP provisions apply to a transaction.

This ruling, if implemented by the tax authorities, can have wide spread ramifications for any foreign M&E entities complying with TP compliances in India. In the immediate short-term, the ruling may increase the compliance and litigation burden for taxpayers and the overall impact could be adverse. Consequently, the foreign M&E entities who may be undertaking TP compliances in India, taking support of the base erosion argument, would need to reassess the arm's length justification reasons in light of this decision.

3. Update on Advance Pricing Agreements (APAs)

The APA Scheme endeavours to provide certainty to taxpayers by specifying the method and determining the prices of international transactions in advance, thus avoiding future transfer pricing disputes.

The M&E players in India have significant intercompany transactions in the nature of royalty given their tie-ups with international M&E entities and nature of their operations. Payment of brand royalty being a contentious TP issue in Indian TP audits, no APA and MAP were signed for an entity in the M&E industry so far. However, conclusion of an APA/MAP on payment of brand royalty is a welcome move and M&E players could benefit from the precedent set by the said APA.

4. Other notable developments

- The CBDT released a notification in the month of December 2018 specifying the due dates for furnishing of CbyC report by a constituent entity of an international group which was followed by signing of an agreement between India and the U.S. for exchange of CbyC information
- The CBDT has published a draft report recommending a three factor approach for attribution of profits to Permanent Establishments in place of the current FAR analysis approach.

Conclusion

The trend in recent years portrays that the Indian government is focused on proactively introducing leading global tax practices in the Indian tax ecosystem. It will be helpful if the government provides clarity on pending tax issues, which can provide impetus to the Media and Entertainment sector.



22. Instrumentarium Corporation Limited v. ACIT [2016] 71 taxman.com193 (Kolkata Tribunal) (Special Bench)



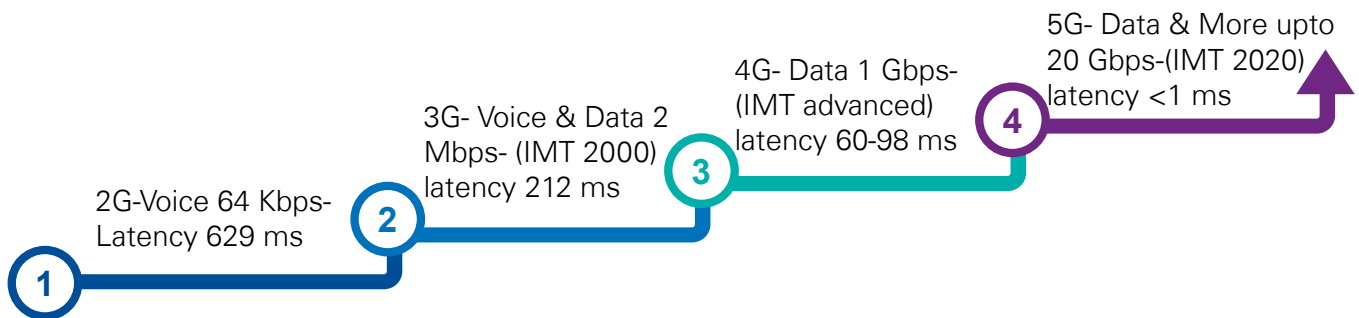
Technology trends

5G

What can M&E sector expect?

5G - go full throttle

We use the term 5G to describe the 5th generation of wireless network, which is more superior when compared to the current 4G LTE network. Starting from 2G onwards, every radio access technology¹ has strived to improve speed and efficiency of the wireless network.



New technologies in 5G

With the rise of mobile users and their demand for high data, 5G will be equipped to handle far more traffic at much higher speeds. This would mean catering to new technologies² which will deliver data with sub -10 Ms latency with speeds of 20 Gbps.

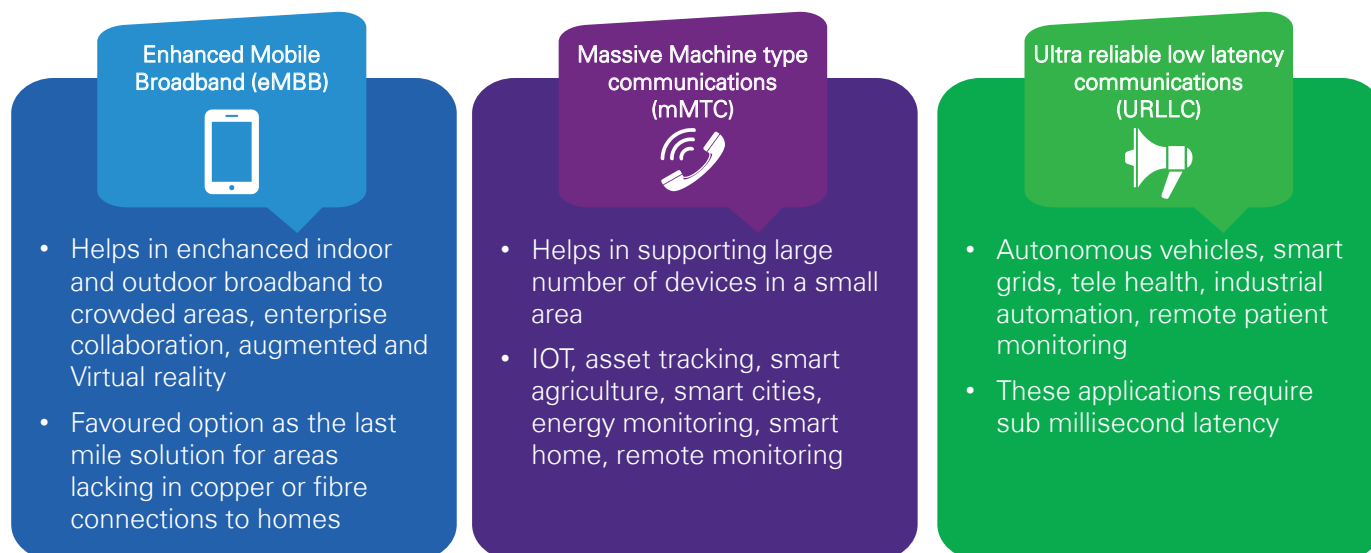
Millimeter Waves	Small Cells	Massive MIMO (Multiple input and Multiple output)	Beamforming	Full Duplex
<ul style="list-style-type: none"> Frequencies between 30 Ghz-300 Ghz Major drawbacks is that the waves cannot permeate through buildings or obstacles 	<ul style="list-style-type: none"> They are portable base stations which require minimal power to operate It relays signals from other base stations and sends data to users at any location The sheer quantity of small cells required to build a 5G network makes it difficult to set it up in rural areas 	<ul style="list-style-type: none"> 5G base stations can support about a hundred ports which means more antennas can fit on a single array This increases the capacity of mobile networks by a factor of 22 or greater However installing so many more antennas to handle cellular traffic also causes more interferences if those signals cross hence one must incorporate beamforming 	<ul style="list-style-type: none"> It is a system that identifies the most efficient data delivery route through signal processing algorithms It can help by focusing a signal in a concentrated beam that points in the direction of the user instead of broadcasting it in many directions This helps in improving signal efficiencies and reducing interference 	<ul style="list-style-type: none"> With 5G a transceiver will be able to transmit and receive data at the same time on the same frequency One drawback of this technology is that this too creates signal interference through a pesky echo, this can be overcome only with special echo canceling technology

1. Setting the Scene for 5G: Opportunities & Challenges- International Telecommunication Union 2018 report

2. Study on implications of 5G deployment on future business models- report by DotEcon Ltd and Axon partners group 14th March 2018

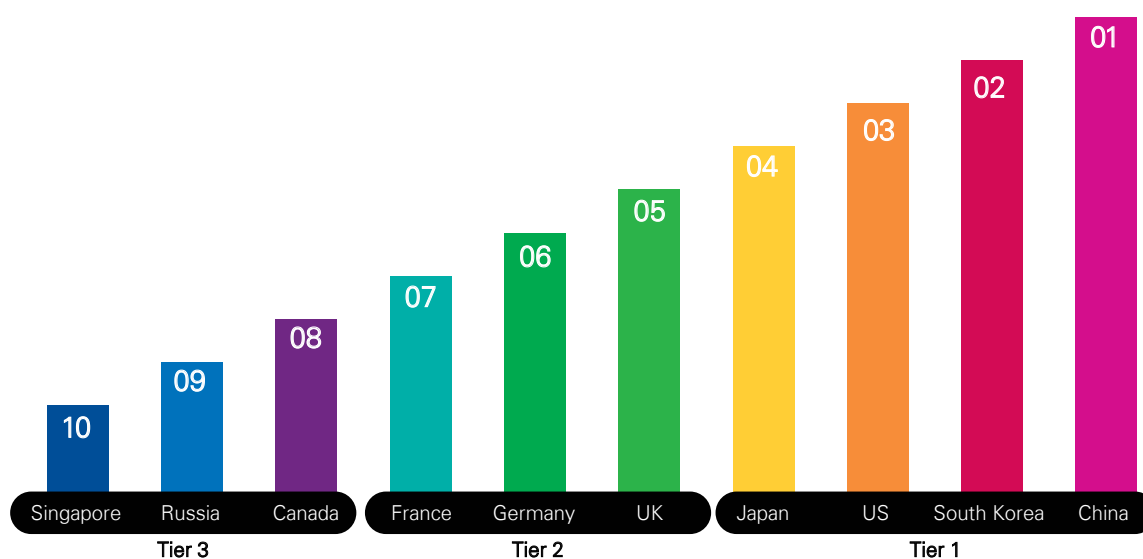
5G use cases

The high speeds and low latency will usher existing societies into new age smart cities and Internet of things (IoT). Though the industry has identified several potential use cases³ the ITU-R (International Telecommunication Union-Radio communicator sector) has identified three important categories.



The race to 5G

The countries which are most ready for 5G are China, US, South Korea and Japan⁴. Within this cluster it is China, South Korea, the U.S. and Japan leading as a result of strong commitment to early 5G launch combined with government commitment in achieving 5G success. The second group of countries are made up of three Western European countries: the U.K., Germany and France. In China there is a strong government backing for 5G research and development combined with strong industry backing. Their MNOs (mobile network operators) have announced extensive trials and have committed the launching of 5G services by 2020. The 2018 Winter Olympics held in South Korea gave visitors an opportunity to witness the capabilities of 5G through autonomous cars, immersive technologies in augmented reality (AR) and fast checkout through wearable payment devices. The United States is at par with China in the 5G race with all major carriers having conducted extensive trials, and is set for a commercial launch by the second half of 2019. The hosting of the 2020 Olympic and Paralympic Games in Tokyo is helping Japan galvanise the 5G progress.



3. Setting the Scene for 5G: Opportunities & Challenges- International Telecommunication Union 2018 report

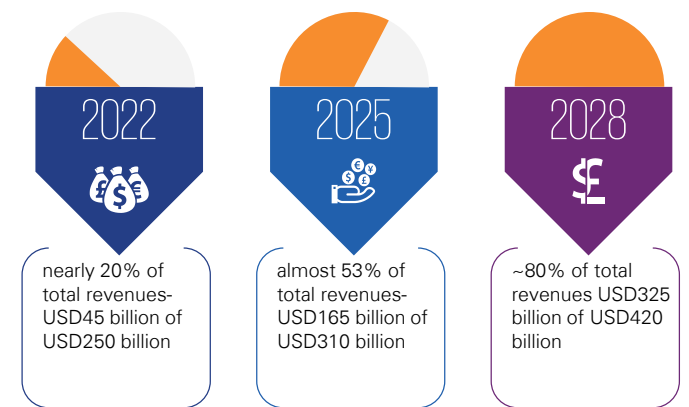
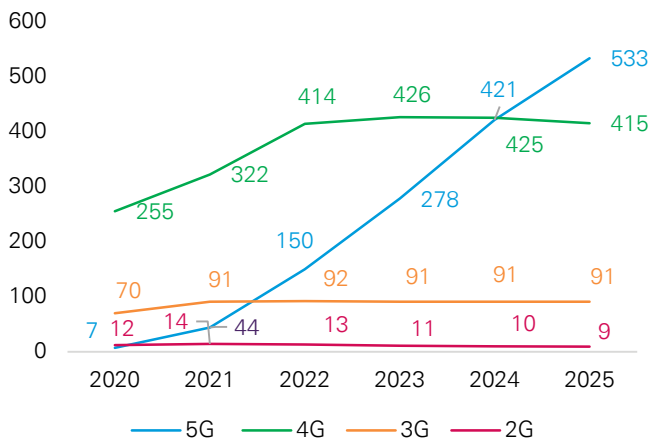
4. Global race to 5G-Spectrum and infrastructure plans and priorities- Analysys Mason April 2018 report

Impact of 5G in media and entertainment

The revenue forecast over the next decade (2019-2028) is pegged at ~USD3 trillion⁵ which the ME companies will be vying for and the revenue opportunity enabled by 5G networks will be ~USD1.3 trillion. The year 2025 is expected to be the year when the industry will reach critical mass wherein 57 per cent of global wireless media revenues will be generated on the back of super-fast 5G networks and devices. One of the key metrics of 5G performance is latency and since the technology

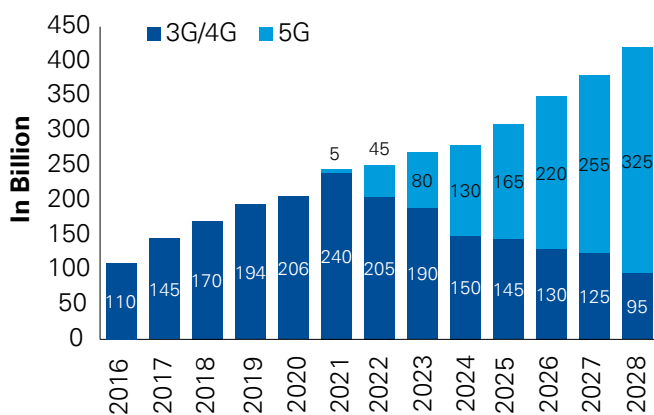
promises latency of <1Ms live streaming and large downloads will happen at supersonic speeds. 5G will increase media usage immensely. The average data speed is likely to move from 12.1 Mbps to 20.3 Mbps by 2021⁶ coupled with voluminous data traffic. 5G data traffic is likely to hit 533 Exabyte/year in 2025⁷ with lower dependency on 2G, 3G and 4G traffic. The above shifts resulting a revenue contribution of ~80 per cent by 5G technologies in the USD420 billion dollar media and entertainment pie in 2028⁸.

Global data traffic in Exabytes/year



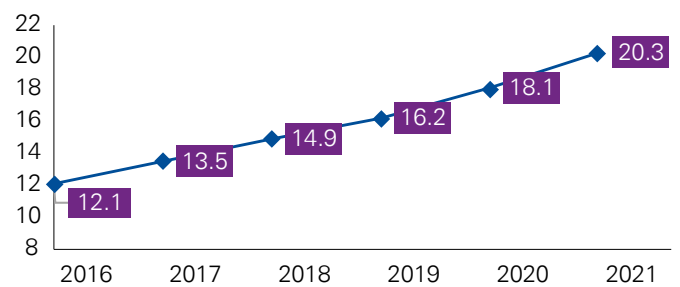
Source: Global 5G market Netscribes

Total global media revenues delivered over wireless networks, 3G/4G VS 5G, 2016-28 (USD billion)



Source: Ovum 2018 Media and entertainment report






Speeds in MBPS



Source: Global 5G market Netscribes

5. How 5G will transform the business of media and entertainment- Ovum Oct-2018 report
 6. Global 5G market Netscribes
 7. Global 5G market Netscribes
 8. How 5G will transform the business of media and entertainment- Ovum Oct-2018 report

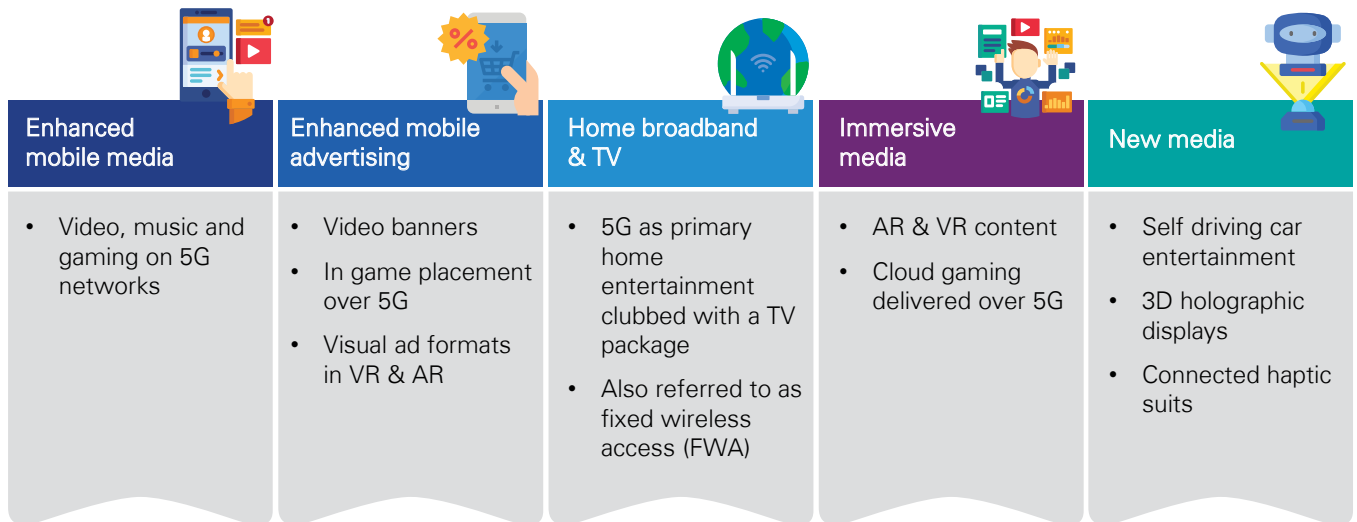
5G levers in media and entertainment⁹

 Cloud based gaming	 Over the Top TV	 Virtual Reality	 Augmented Reality	 Driving synergies
<ul style="list-style-type: none"> • A move away from purchasing expensive consoles from Sony, Microsoft etc. • With 5G, complex processing can be done at a centralised server and transmitted seamlessly, directly to consumers. • Telecom companies like AT&T are themselves investing in cloud-based gaming services, joining game industry stalwarts Microsoft and Sony, and technology players like Amazon and Google. 	<ul style="list-style-type: none"> • Although over-the-top television (OTT TV) has been gaining momentum in recent years, they are still dependent on a hard-wired Internet connection. • Wireless 5G's speeds will, on the other hand, allow anyone with a data plan to stream OTT TV without any involvement of the cable companies. 	<ul style="list-style-type: none"> • VR is one medium in which 5G's latency improvements will be most obvious. With latency of less than 1ms, 5G will allow streaming VR to cross the key implementation threshold. • 5G will increase the possibility of "responsive haptic clothing"— clothing or accessories that add a realistic touch component to the VR experience 	<ul style="list-style-type: none"> • AR, like VR, is heavily dependent on 5G technology to reach its full potential. One minute of AR can consume 33 times more data than a minute of standard definition video. AR gaming application will be able to use 5G to communicate with all these information sources and overlay real-time information and content into a player's set of smart glasses or other AR-enabled devices. 	<ul style="list-style-type: none"> • The advent of 5G is certain to advance the already developing entanglement between technology and entertainment companies. Disney, for example, announced a collaboration that would see 5G technology applied to improving the studio's production workflows, likely allowing greater integration and efficiency across production facilities.

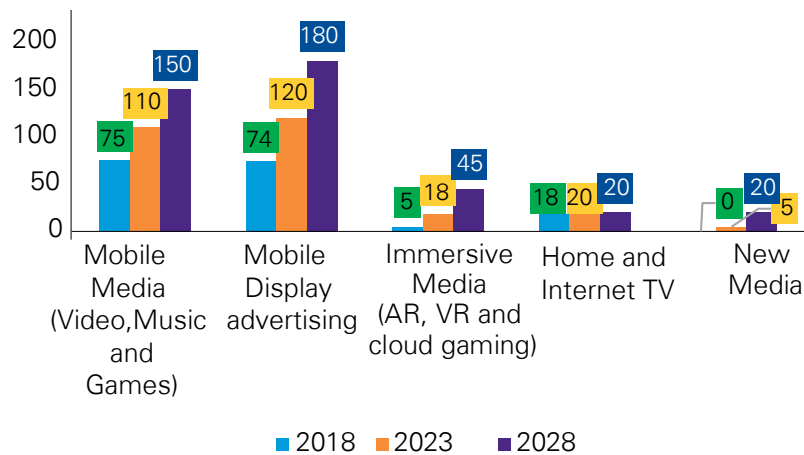


5G media and entertainment revenue streams⁹

The biggest opportunity lies in the mobile media and mobile display advertising space with a likely combined contribution of ~USD300 billion¹⁰ which is almost 90 per cent of the projected revenue from 5G technologies in 2028. The potential of 5G will be revolutionary in nature helping to create new consumer and business segments. The potential of 5G will also be felt in the network capabilities primarily with multi access edge computing (MEC), which uses the EDGE of the network by bringing computing closer to the data centre helping in reducing latency, improving connection speeds. Emerging technologies like AI (Artificial Intelligence), IOT (Internet of things) and VR (Virtual Reality) are powered by MEC and 5G synergies. Network Slicing allows MNO (mobile network operators) to offer different services across a common infrastructure.



Global 5G revenue (USD billion)



Source: OVUM report 2018 5G impact on Media & Entertainment

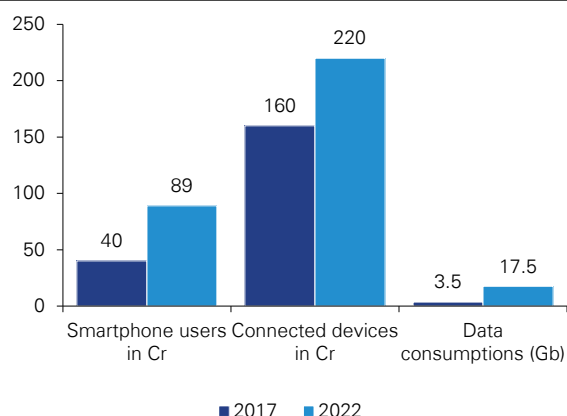
9. KPMG in India analysis 2019 primary and secondary research

10. How 5G will transform the business of media and entertainment- Ovum Oct-2018 report

5G in India

India has predominantly been a 2G market. But since 2017 there has been a surge in sale of smartphone devices owing to a combination of factors like falling data prices, better network coverage, low cost 4G handsets and the development of locally relevant content. Currently, India has ~400 million¹¹ smartphone users which is likely to increase to ~900 million devices by 2022. The data consumption has increased exponentially, and it is likely move from 3.5 GB per user to 17.5 GB per user in the period 2017-22¹². The surge in data consumption has been on account of Jio's entry in the market, which led to the plummeting of data prices which in turn led to decreasing ARPU¹³ albeit we have seen a slight increase from Dec-18 onwards. The data rates in India are perhaps the lowest in the world right now.

Devices & data landscape



Source: CISCO VNI report

5G: Key lever for cord cutting

5G network will not only allow the telcos to meet the requirement of high speed data services, it will also support rich content-specific OTT services. OTT has shifted from merely being a communication service to content delivery platform. With the content shifting from SD to HD and soon to 4K/8K videos, the requirement of high speed, ultra-low latency data services is a prerequisite for these kind of services. 5G in a way is likely to become a catalyst for OTT players to provide rich content to their end users. A recent survey¹⁴ showed that the share of millennials watching online entertainment at 48 per cent exceeds the share of those watching cable TV at 43 per cent. With the increase in smartphone users to ~800+ million by 2022, an increasing number of Indians are likely to utilise digital distribution as the primary outlet for video consumption, thus emerging as a real threat to traditional, linear television in India.

5G: Dream or reality?

To be 5G ready, India would require a total investment of USD100 billion over the next 5 to 7 years, but the slow growth of 5G network remains a concern. The investment in capex will be USD5.7 billion in 2020 compared to USD8.1 billion in 2017 which is CAGR of -11%¹⁵. 5G will account for just 4.6 per cent of total connections in 2025 but there will be greater growth in

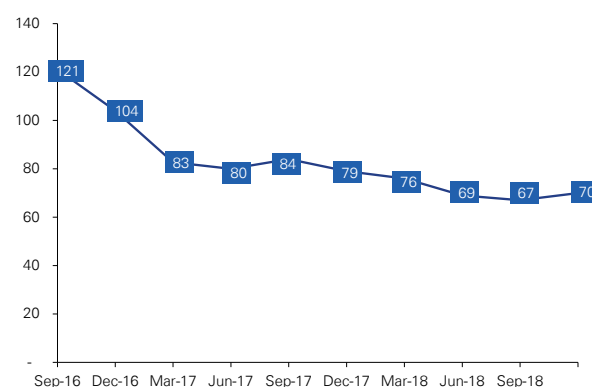
11. Cisco VNI report, 2018

12. Cisco VNI report, 2018

13. CARE rating limited (formerly known as Credit analysis and research limited)- Dec 2018 report

14. YouGov-Mint Millennial Survey (July-2018)

ARPU trends in Rs



Source: CARE rating limited Dec 2018 report

the 4G space. Initial deployment of 5G is expected in 2020 while the government has targeted 2022 for the completion of 5G rollout. The silver lining is that total revenues are likely to grow from USD25 billion in 2017 to USD30 billion by 2025 and increase of CAGR 1.9 per cent¹⁶.

Telcos need government support

Some of the key interventions where the telcos will seek government support will be to rationalise the regulatory levies such as license fee (LF), spectrum usage charge (SUC), universal service obligation (USO) levy and costs to promote network investments and affordable telecom services, roll out a uniform Right of Way (ROW) policy across all states to facilitate rollout of 5G cell towers and fibre, and adoption of 'light touch' regulatory policies as an enabler of future technologies.

Opportunity size

5G has the potential of unlocking opportunities to an extent of USD1 trillion¹⁷ by 2025. India needs to overcome certain anomalies related to high cost of spectrum and the quantum of spectrum. Commercial launch of 5G is likely to happen by late 2020 or early 2021. The trillion dollar dream will be achieved through spectrum policy, regulatory policy and implementation of 5G use cases. Guidelines on regulatory matters might be promulgated by Oct-19.

15. Global mobile trends – What's driving the mobile industry- A view to 2025, GSMA, Sept 2018

16. Global mobile trends – What's driving the mobile industry- A view to 2025, GSMA, Sept 2018

17. KPMG in India analysis 2019 primary and secondary research

Conclusion

Features like Ultra high fidelity media, On-site live event experience, User generated content and machine generated content, immersive and integrated data, cooperative media production and collaborative gaming will drive the 5G innovation space in media and entertainment. Download speeds are bound to increase manifold compared to 4G, also in the era of user generated content, photo and video upload speeds will improve fueling social media content. 5G is expected to be implemented in specific geographies, spaces and applications that make use case of 5G viable. It is not expected to be a 'wall to wall' service that will replace 4G services for well over 15-20 years.



To be really 5G ready, India would require a total investment of USD100 billion over the next 5 to 7 years. The 5G High Level Forum has also been established to provide the much needed boost for implementation of 5G in India.

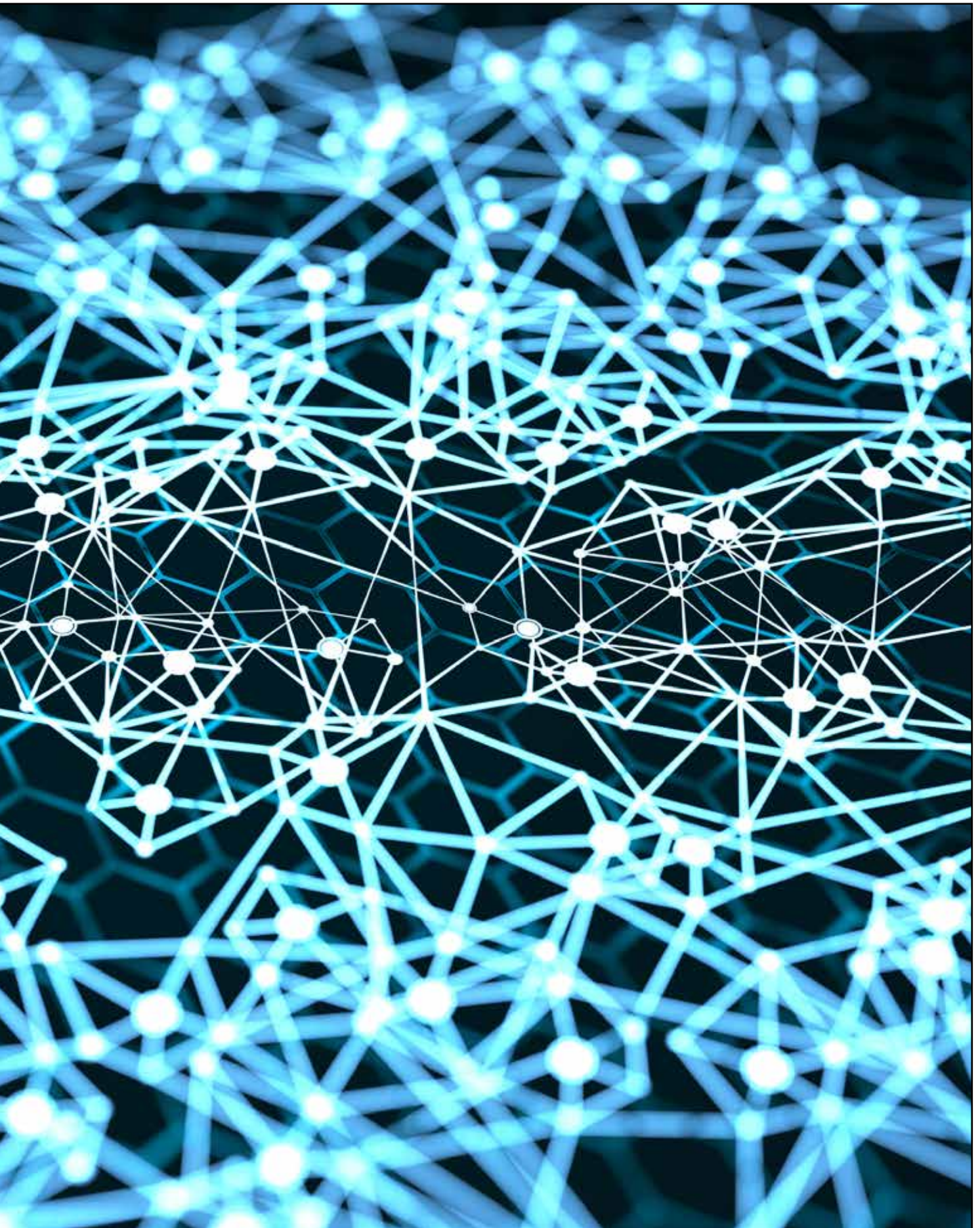
5G will revolutionise business ecosystems and open up several new ones. Analysts have found that by 2026, there will be an estimated USD619 billion dollar revenue potential for operators addressing 10 specific industries with 5G — manufacturing, energy and utilities, public safety, healthcare, public transport, automotive, media and entertainment, financial services, retail and agriculture.

The Honourable Prime Minister has set a target of USD5 trillion for the Indian economy by 2024 of which telecom is expected to provide 25 per cent'



Rajan S Mathews
Director General
COAI (Cellular Operators
Association of India)









Future disruptors

Key technological innovations have transformed the way content is created, captured and distributed. Innovations have largely focused on enhancing customer experience by offering improved performance, better quality and newer avenues for content consumption channels. Further, evolving technologies also present opportunities for organisations in the media and entertainment industry to achieve greater operational efficiencies.

The upcoming 5G rollout is also expected to provide a

robust infrastructure layer for the ecosystem, driving faster adoption of these technological innovations.

In this chapter, we cover four key technological trends: 8K – the ultra-high definition display standard, content delivery networks (CDN), digital labour and its implications in the M&E space and Augmented/Virtual Reality.

<p>8K content and hardware</p> <ul style="list-style-type: none"> • Leading TV manufacturers have started releasing 8K TVs in mature markets like the U.S., China, Japan and Europe • With the advent of 5G, streaming of HD content is expected to become more mainstream, which will benefit the sales of 8K TVs • In India, we are yet to see a strong traction in the development of 8K content, but is expected to get better in the coming years. 	<p>Content delivery networks</p> <ul style="list-style-type: none"> • Content delivery networks (CDN) significantly reduce the site latency, boost webpage load time, reduce bandwidth usage cost and ensure global availability of content • AI-based predictive acceleration and use of hyper local CDNs are a couple of key trends in this space • India is experiencing significant growth in data consumption – specifically with respect to video; hence the importance of CDN is bigger than ever before.
<p>Short to medium term impact – Minimal</p> 	<p>Short to medium term impact - Adoption rate is high</p> 
<p>Digital labour</p> <ul style="list-style-type: none"> • Digital labour can be broadly classified into basic robotic process automation, enhanced process automation and cognitive automation based on maturity levels • In M&E space, digital labour has found use cases in content generation, discovery and regulation, and also in support function automation • Several start-ups have come up in India focusing on intelligent automation, artificial intelligence, machine learning and big data. 	<p>Augmented and Virtual Reality</p> <ul style="list-style-type: none"> • AR and VR continues to disrupt the way media is created and consumed • Big players like Facebook, Google, Microsoft and Magic Leap are coming up with their innovative products and solutions to the market • In India, VR content production is gaining traction in areas like gaming, tourism, sports, advertising etc. • While usage of AR/VR is on the rise, widespread adoption is still in its early stages.
<p>Short to medium term impact – Rapid adoption expected</p> 	<p>Short to medium term impact – Gaining mainstream traction</p> 

8K content and hardware: A medium term reality

Ever since 4G started gaining global acceptance, 8K coming to the fore is becoming a talking point in the industry circles. 8K refers to any display resolution with around 8000 pixels width¹. The highest ultra-high definition television (UHDTV) resolution currently in the digital television space is the 8K UHD resolution, which has a horizontal width of 7680 pixels and a vertical resolution of 4320 pixels, which gives it the popular name 4320p.

With high level of image sharpness and smooth gradients, 8K resolution offers better perception of depth for the viewers. However, the wide scale adoption of 8K will have a lot of roadblocks in its way. The availability of 8K content, the bandwidth to stream high definition content, improved HDMI standards and the affordable means to store content can all be challenges in the near future. But the industry is expected to catch up in the coming years.

Trends in 8K hardware – currently in its infancy

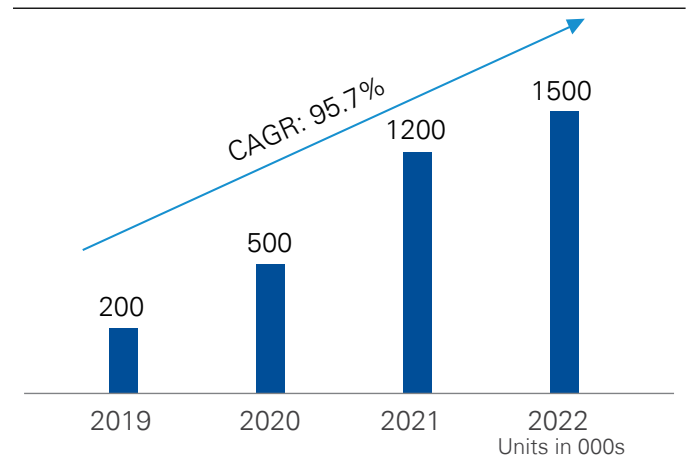
The consumer-available digital television and cameras that can handle 8K started getting launched in early 2018. Samsung launched the Q900FN TV at Europe’s biggest tech show Internationale Funkausstellung (IFA) early 2018, and it was the first consumer-available 8K TV to be launched by a major manufacturer in US and the sales started later in the year². In February 2019, Samsung announced they will be entering 60 other countries with their 8K televisions. Sony is also planning to enter European market with their 8K TV in June 2019.

Coming to the digital camera space, NHK was one of the first companies to introduce a small broadcasting camera with an 8K image sensor in 2018. Also, Red Digital Cinema camera company launched three 8K cameras.

According to an HDMI press conference at CES 2018, the expectation was to ship around 4 lakh TVs in 2018³, almost entirely in China. In the initial years, demand is almost entirely expected from China followed by the U.S., Europe and other emerging countries.

The market of 4K TVs is reaching maturity stage. It is expected to exceed 50 per cent of the total TV market in 2019. Overall UHD TV shipment (4K+8K) is expected to grow by 50 per cent by 2023. For 8K specifically, market traction is expected from 2019. The sales are expected to grow from 0.2 million to 1.5 million by 2022.

US 8K UHD TV shipments⁴

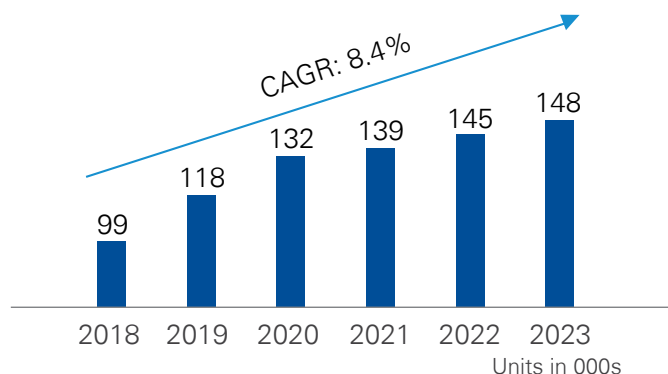


Source: Consumer Technology Association



1. 8K Resolution, Wikipedia
 2. Samsung Q900 85-inch 8K QLED TV hands-on review, Digital Trends, October 10, 2018
 3. What Is 8K? Should You Buy a New TV or Wait?, PC Mag India, September 4, 2018
 4. CES 2019: CTA Sees Major U.S. 8K TV Push. MES Alliance, January 07, 2019

Global UHD TV shipment forecast⁵



Source: IHS Markit

Major 8K hardware players

The global 8K hardware market comprises several large companies. Some of the major players and their work in the 8K space is described below:

Organisation	Content delivery networks
Samsung	<ul style="list-style-type: none"> First mover, Samsung, launched the first 8K consumer TV in 2018 A new 'Making History' commercial was created by Samsung⁶ with CNN Films tied to "APOLLO 11" documentary celebrating the power of 8K technology and human exploration
Sony	<ul style="list-style-type: none"> Slated to hit European market in June 2019 with their 8K TV PS5 is expected to offer 8K resolution⁷, rumored to launch in 2020
BOE (Display manufacturer)	<ul style="list-style-type: none"> During Society for Information Display (SID) display week 2019, BOE presented a host of 8K products⁸, including 75-inch 8K 120Hz display, 3.5-inch 8K display, and 0.39-inch 8K spliced VR display
Canon ⁹	<ul style="list-style-type: none"> Planning to launch a 8K-capable EOS R mirror-less full-frame camera

Japanese and Chinese markets are leading the sales of 8K TVs. All brands have launched or planning to launch their products in the Chinese market in 2019. The behavioral preference of the people to try out new technology coupled with the strong advancement in 5G and the LCD display industry drive the sales of 8K TVs in this geography.

Compared to the matured markets like the U.S., China and Japan, India is a step behind in the focus areas for hardware manufacturers. Samsung launched their 8K TV in India in June 2019¹⁰. Targeting the ultra-premium segment customers, Samsung introduced their 8K TV in four sizes – 98-inch, 82-inch, 75-inch and 65-inch. TVs with display size of 40-inch and above are experiencing the fastest growth in India¹¹. The increasing appetite of Indian consumers for bigger screen size means that the shift to 8K large screens is expected to gain traction in the coming years.

Growth catalysts

- With the advent of 5G, streaming of HD content is going to be more mainstream which will benefit the sales of 8K TVs
- The average screen size for TVs is seeing rapid growth. Average LCD TV screen size increased by nearly five inches between 2015 and 2018¹²
- The 8K Association (8KA)¹³, a coalition of TV and display companies, is working to both develop 8K industry standards and promote 8K to consumers
- With advanced technologies, glass panel makers are able to produce large TV panels with less wastage and lower cost.

5. UHD: 4K is here and now, but what about 8K?, IBC, Chris Forrester, May 10, 2019

6. New Samsung Ad Campaign For QLED 8K TV, TVTechnology, May 24, 2019

7. Sony Unveils More Details of the PS5, ExtremeTech, May 21, 2019

8. SID Display Week 2019: a showcase for BOE's leading-edge display technologies, PRNews-wire, May 15 2019

9. Canon 8K Cinema Camera – First Official Footage, Cinema5d, March 14, 2019

10. Samsung targets early adopters with pricey QLED 8K TVs, Indian Express, June 5, 2019

11. Smarter TV, Telegraph India, April 16, 2019

12. Average size of LCD TV screens worldwide from 2015 to 2021, Statista, May 17, 2019

13. TV Manufacturers Get Serious About 8K, PC Mag India, January 9, 2019

Development in content creation in 8K

The access to high quality 8K content is limited to experimental broadcaster streams and in gaming sector. Mostly what happens is the processing of 4K or lower resolution video and upconverting it to 8K.

Japan based broadcaster NHK has launched a channel to broadcast 8K content¹⁴. It showcases specific 8K content videos daily.

However, there is significant investment needed from the viewer's side, since 8K viewing would need 8K compatible TVs, dedicated satellite dish, boosters and distributor boxes.

With the Tokyo Olympics in 2020, there is a big push from NHK to boost consumer adoption of 8K technology and to create 8K content suitable for their viewing. In other parts of the world, we are yet to see a strong traction in the development of 8K content but is expected to get better in the coming years.

8K content development in other parts of the world¹⁵

- In association with Orange, French PSB France Télévisions is testing live stream of French Open, 2019
- A recent event at Cannes showcased 8K videos from Japan, South Korea, the U.S., France and Italy for the selected delegates
- K2 Studios is producing content extensively in 8K. They currently have a portfolio of more than 70 movies
- San Francisco based Golden Gate 3D is producing 8K content associating with leading broadcasters
- Italy's Magnitudo Films have filmed multiple documentary movies in 8K
- In 2018, NASA beamed a 8K UHD video, first 8K video to be filmed in space, from the International Space Station to Earth.



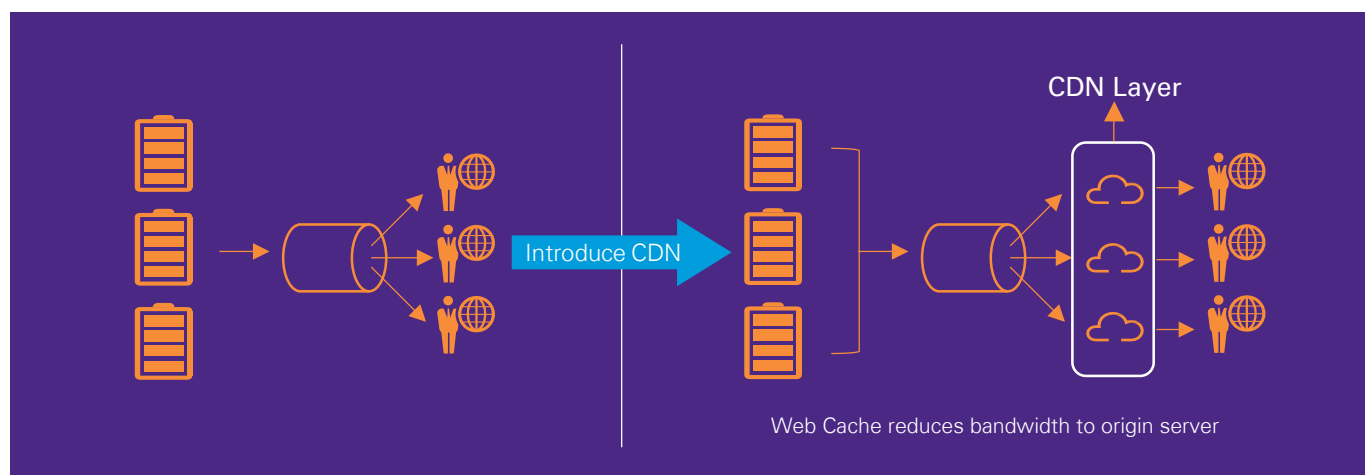
14. What Is 8K? Should You Buy a New TV or Wait?, PC Mag India, September 4, 2018

15. UHD: 4K is here and now, but what about 8K?, IBC, Chris Forrester, May 10, 2019

Content delivery networks: Streaming performance enhancer

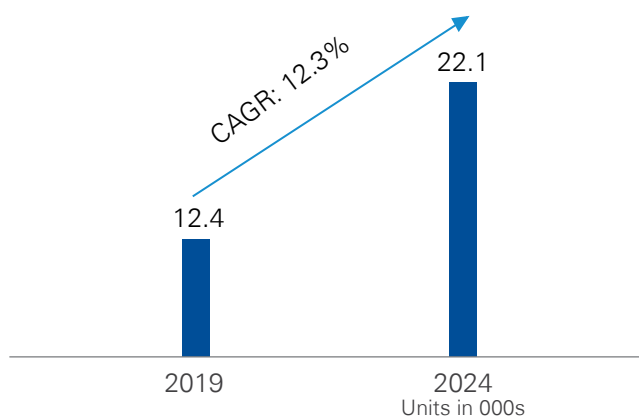
Content delivery network (CDN) is an internet layer, transparent to the end user, which consists of distributed network of proxy servers and data centres. Based on the geographical location of the user, the webpage hosted location and the applicable content delivery centres, CDN delivers pages and other web-based content to the end user.

Most of the time when a user tries to access a webpage, it won't be the first time the user is accessing it. Identifying web content based on popular requests from users and storing it in the nearest server improves the latency manifold. Overall, a CDN significantly reduces the site latency, boosts webpage load time, reduces bandwidth usage cost and ensures global availability of content. This technology is critical for improving user experience on OTT apps.



Source: NTT Communications

Global content delivery network market size (In USD bn)



Source: MarketsandMarkets, May 17, 2019

As per Future Market Insights (FMI) report¹⁶, the Indian CDN market size is expected to reach USD2.3 bn by 2026.

How CDN impacts the media and entertainment industry¹⁷

Most of the data requests today are for video content, which adds a lot of traffic to the network. CDNs placed across the globe reduces the time it takes to deliver video streams from origin to end user.

Video streaming with a CDN entails a lot of specific benefits, such as:

Scalability	CDN helps to accommodate high viewership and unexpectedly high number of live audiences
Low latency	Since the nearest server is accessed, content delivery through CDN has low latency compared to other methods
Quality	When CDN is used, there are minimum hops and thus buffering and delays are minimal
Security	CDN also provides an extra layer of security enabling failovers

16. Content Delivery Network Market: Increasing Consumption of Online Video Content to Trigger Market Growth: India Industry Analysis and Opportunity Assessment, 2016-2026, FMI, September, 2016

17. What Is a CDN and Why Is It Critical to Live Streaming?, Wowza Media Systems, January 11, 2019

Key market players

Some of the major players and their work in the CDN space is described below:

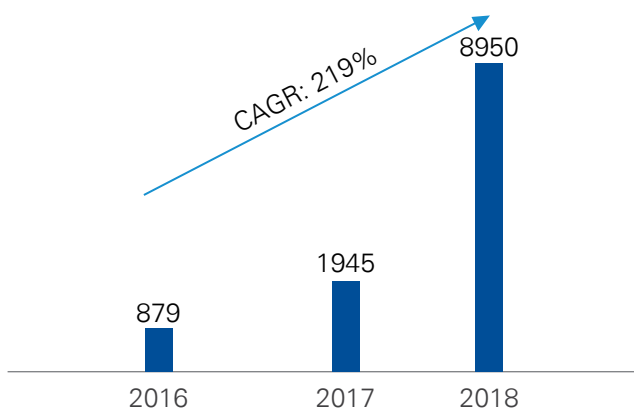
Company	Key Developments
Akamai Technologies	<ul style="list-style-type: none"> Partnered with SonyLiv and introduced dynamic ad insertion capabilities during India-South Africa cricket series¹⁸ in 2018 Introduced media acceleration solution¹⁸ in 2017 to improve media performance over internet.
Limelight Networks	<ul style="list-style-type: none"> In 2018, Limelight partnered with Ericsson to collaborate on content delivery and edge cloud services¹⁹ In 2017, MultiTV, a video streaming solution provider, chose Limelight's Orchestrate Platform¹⁸ to offer online video to viewers across India.

Other major players:

- Amazon Web Services
- Verizon
- CD Networks
- Alcatel-Lucent
- Tencent
- Google
- Tata Communications
- Alibaba
- Level 3 Communications
- CloudFlare

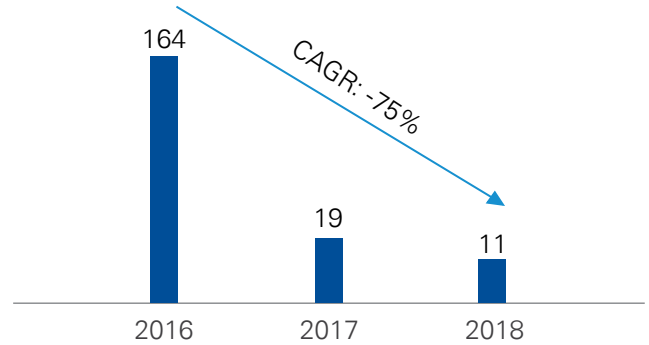
Industry growth drivers

Average data consumption per user per month in India (In MB) - (normalised to the Oct-Dec quarter in the respective years)



Source: Trai

Data tariff per GB of data in India (In INR) - (normalised to the Oct-Dec quarter in the respective years)



Source: Trai

Major trends in the market

Multi-CDN Strategy: In geographical coverage, multi-CDN approach ensures better coverage than relying on one single provider. Also, there are clear differentiating factors between CDNs – some specialise in streaming services and some other focus on static optimisation and security. In these cases, it is preferable to use different CDNs for different purposes on the same website.

Hyper-local CDNs: Rise of edge security CDNs or hyper local CDNs leads to the deployment of edge nodes (servers) closer to the end users - in malls, stadiums, apartments, hotels etc. Keeping the servers as close to the user ensures faster response time and better customer retention.

Predictive acceleration²⁰: Leveraging analysis of similar page requests from the user, predictive acceleration helps to identify which pages need to be pre-fetched next. Thus keeping it ready and available using server-push capabilities even before the user raises the request for that content. This is found to improve the site response time, ensuring better customer experience, particularly over slower connections.

API and mobile app acceleration²⁰: APIs can selectively be cached based on certain aspects using advanced coding mechanisms. By authenticating requests at the edge and prioritising API requests during peak load time, CDNs can largely improve mobile app performance just like they do for websites.

18. Global Online Video Platform In Media & Entertainment Market Opportunity Analysis and Industry Forecast, 2018-2025, Allied Market Research, August, 2018

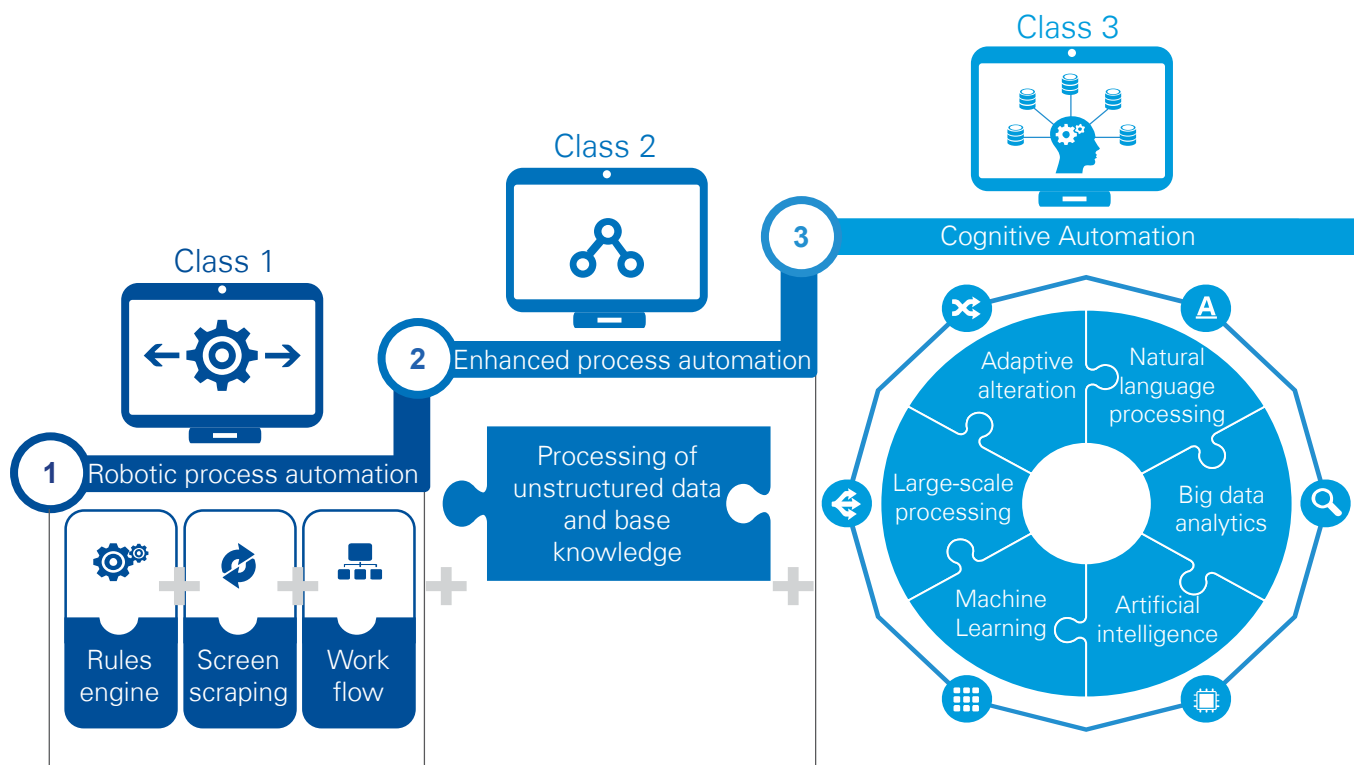
19. Limelight and Ericsson: New Content Delivery and Edge Cloud Partners, LimeLight Networks, October 24, 2018

20. Content Delivery for an Evolving Internet, Akamai Technologies, March, 2016

Digital labour: RPA and automation in the M&E space

Digital labour is a broad term, which is defined as the automation of labour, by making use of digital technologies, to automate redundant/high volume processes, which are carried out by knowledge workers in the business. It's a continuum of technologies that firms can use to automate business processes and operations. On one end of the spectrum, it can be the automation of transactional aspects of a business and at the other end, it can be the automation of sophisticated business processes making use of advanced technologies involving cognitive machine processing and artificial intelligence.

Classes of digital labour



Source: Demystifying Digital Labor, KPMG, 2016



Class 1: Basic robotic process automation

Simple unsophisticated swivel-chair processes that exist in all organisations today can be automated using several basic tried and tested technologies.

In the M&E space, customer relations is an area where basic robotic process automation can have an impact. When the customer submits a change of personal information, intelligent systems can automatically update all related agency systems with the new and updated values, thus reducing manual interventions.

Class 2: Enhanced process automation

When business processes are less structured and often more specialised, automation of said activities will need additional capabilities.

A media company can utilise AI and advanced semantic reasoning to rapidly understand customer queries, provide them with answers, and escalate to human support if needed.

Class 3: Cognitive automation

Any process which has similarity to human activities like perceiving, inferring, gathering evidence, hypothesising, reasoning and interacting with human counterparts will require state-of-the-art advanced technologies.

Cognitive automation is gaining widespread attention in the media and entertainment space, especially in content generation, network optimisation and big data analytics.

Key features										
Class	Macro based	Unstructured Data	Natural Language Processing	Knowledge Base	Adaptive Alteration	Predictive Analytics	Machine Learning	Reasoning	Large Scale Processing	Big Data Analytics
Class 1	x									
Class 2		x	x	x			x		x	
Class 3		x	x	x	x	x	x	x	x	x

Market overview and its trends

As per a study by Bank of America²¹, the global market for robots and artificial intelligence is expected to reach USD152.7 billion by 2020. The adoption of these technologies could improve productivity by 30 per cent. McKinsey research suggests that smart robots will replace more than 120 million knowledge workers by

2025. This is clearly influencing the decisions of top CXOs across the globe.

In India, several startups have come up focusing on intelligent automation, artificial intelligence, machine learning and big data. In 2018, startups operating in India in this space raised around USD529.52 million²². In 2017, the aggregate investment was only around USD113 million.

Key market players		
Class 1	Class 2	Class 3
<ul style="list-style-type: none"> Automation Anywhere BluePrism Ui Path 	<ul style="list-style-type: none"> IP Soft Arago Automation Anywhere TCS Wipro 	<ul style="list-style-type: none"> IBM Watson WIPRO Holmes Google (Deep Mind) X.Ai IP Soft Next IT (Alme)

21. Robots/AI Is Going to Be a \$152.7B Market by 2020, Says BofA, Medici, December 1, 2015

22. Indian AI Startup Funding 2018: Total Global Investment In India Touched USD\$ 529.52 Million – Analytics India Magazine, January 15, 2019

Degree of investment in selected technologies²³

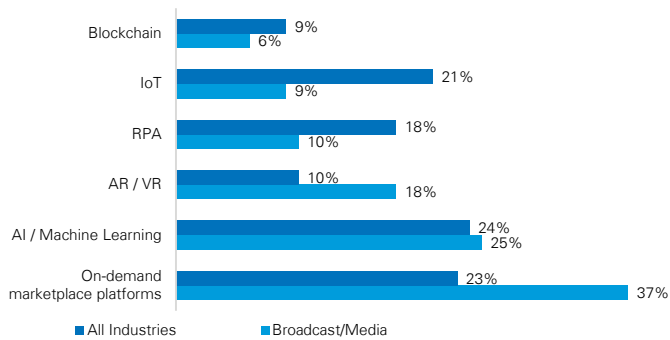
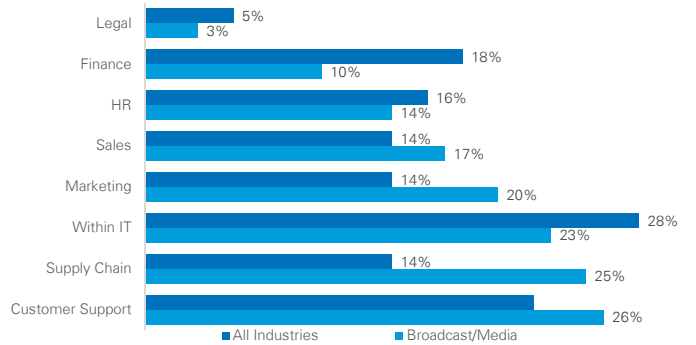


Figure 3: Specific functions in which digital labour is implemented²³



Automation in media & entertainment space

We belong to a generation, where responsiveness is of prime importance. Companies focus on reaching their customers at a faster pace than their competitors. Automation thus gains a strong priority item for CXOs in today’s organisations. There is a similar trend in M&E

industry as well. Content development companies have to produce content more quickly and efficiently than ever. There is an emerging second economy²⁴ of positions that were traditionally handled by skilled workers getting replaced by automation engines. Few use cases where automation is implemented in M&E space is listed below:



23. The Harvey Nash/KPMG CIO Survey 2018, KPMG, 2018

24. Automation: Fuelling the ‘Second Economy’ of Media & Entertainment, Prime Focus Technologies, September 01, 2017

Insight generation	With the help of AI, content producers can get deeper insights from sports footage and use that for better story telling. Player actions, scores, etc. are measured and analysed by AI in real time. In 2011, IBM partnered with Wimbledon to introduce an AI powered scoreboard ²⁶ that identifies the play-pattern of a player to predict the winning chances of a player.
Content localisation	The ever improving support to regional languages and advanced language processing capabilities makes translating and make the subtitling process more effective. Skilled workers can now just review the outputs from automation engines rather than manually performing the content localization processes, and thus reduce the quantum of manual labour.
Content generation	Auto generation of highlights/key events of a sports programme or generating a movie trailer video out of actual lengthy video files are all examples of similar work. Computer vision, using neural networks, has been extensively used in 2018 FIFA World Cup Football ²⁵ to generate automated video highlights. American newspaper print and online media company, Tribune Publishing, uses artificial intelligence to monitor trending news and use that information to automatically generate multimedia digital content without any human intervention ²⁶
Content discovery	Traditional media companies used to rely on basic metadata like title, cast, synopsis, genre or other keywords to search and find content. With the help of natural language processing, image processing and machine learning algorithms, bots can be tasked with generating detailed insights like specific actors, theme/emotion of the scene, props used in a scene. Using this advanced metadata, enhanced search can be done on content libraries uncovering new links between files.
Content regulation	To manually regulate the content being posted in social media is an impossible task. So, social media platforms are now leveraging their expertise in cognitive automation to tackle this situation. Facebook uses advanced machine learning and predictive algorithm tools to detect sensitive content, identify hate speech, fake news and take action ²⁷ .
Support function automation	Just like any other industry, RPA is being used by M&E companies as well to automate processes across enterprise business functions like Finance & Accounting, Human Resources, Sales & Marketing, Customer Support, Supply Chain etc.

25. Artificial Intelligence in FIFA World Cup Football 2018, By- Utpal Chakraborty, Medium, July 09, 2018

26. Three Reasons Why the Media & Entertainment Industry Should Embrace Machine Learning, Epam, Robert Koch, August 01, 2018

27. Facebook using machine learning to fight fake news, Internet of Business, June 25, 2018

NetFlix: A case study

Netflix is a pioneer in adopting digital labour to enhance customer service. Movie recommendation feature of Netflix, very popular amongst its users, makes use of intelligent automation to identify patterns from viewing history of users with similar taste. This data is used to make recommendations to the user on what to watch and keep them engaged with the platform²⁸.

Another interesting use case of automation in Netflix is the auto generation and personalisation of movie thumbnails. Based on the viewing pattern of users, intelligent system creates a profile of the user with their preference, which includes actors who they like, movie

genre liking, etc. Based on these details, personalised thumbnails are auto-generated and displayed to the user²⁸.

Key drivers of adoption²⁹

- Improved productivity
- Scalability
- Consistent performance
- Cost efficiency
- Ease of deployment



28. How Netflix Uses AI, Data Science, and Machine Learning — From A Product Perspective, *Becoming Human*, February 27, 2019

29. *Demystifying Digital Labor*, KPMG, 2016

Augmented and Virtual Reality: Gaining mainstream traction

Some of the latest developments in the area of augmented and virtual reality vis-à-vis media and entertainment industry are as follows:

Market landscape

Some of the major players and their work in AR/VR space is described below:

Company	Recent developments
Facebook ³⁰	<ul style="list-style-type: none"> Launched two VR headsets in 2019, Oculus Rift S and Oculus Quest Facebook announced its new Oculus for business enterprise solution in 2019 and new methods of bringing immersive web content into VR Partnered with RED and launched a high-end, professional VR camera
Google ³¹	<ul style="list-style-type: none"> Google launched Chrome on DayDream View enabling users to interact with any webpage while in VR Company launched VR180 creator allowing users to create 3D, immersive photos and videos using affordable cameras.
Magic Leap ³²	<ul style="list-style-type: none"> Launched Magic Leap One, company's first AR headset in 2018 Bought Belgian startup Mimesys which builds hologram teleconferencing software.
Microsoft	<ul style="list-style-type: none"> Launched second version of HoloLens, HoloLens 2 in 2019 Introduced Minecraft Earth³³, an AR game at its developers' conference.

Examples of some VR content production companies in India

Company	Business description	Recent developments
Grey Kernel ³⁴	<ul style="list-style-type: none"> One of India's leading virtual reality and advance visualisation company. 	<ul style="list-style-type: none"> Creates gamified VR content for a host of platforms, including iOS, Android, Oculus, Windows, etc. Creates in-house content and also curates experiences from specialised VR studios.
Meraki Studio ³⁵	<ul style="list-style-type: none"> Creates 360-degree VR films for sports, live events, tourism promotion, real estate, adventure and wedding videos. 	<ul style="list-style-type: none"> Collaborating with Star Sports India, Meraki covered 2016 Asia Cup cricket in virtual reality In collaboration with students of IIT Bombay, created a virtual reality film 'Strangers Again'.
Elysian Studios ³⁶	<ul style="list-style-type: none"> Creates 360-degree 3D virtual tours of tourist destinations. 	<ul style="list-style-type: none"> Created a VR experience of Rishikesh, a popular pilgrimage town in India Covered Bodhgaya, a Buddhist temple in Bihar, and Kashi in VR, soon to be launched.
HereAfter Studios ³⁷	<ul style="list-style-type: none"> Creates 360-degree VR content for TV, live events, corporate, etc. 	<ul style="list-style-type: none"> Created deep water VR experience for ONGC detailing working of oil rigs.

30. Everything Facebook announced at F8 2019, Venture Beat, Paul Sawers, May 02, 2019

31. Google product blogs

32. Magic Leap, Wikipedia

33. Microsoft Brings Augmented Reality to "Minecraft", The Motley Fool, Daniel Kline, May 20, 2019

34.5 cutting-edge virtual reality startups in India to watch out for – Sohini Mitter, YourStory, Sohini Mitter, June 20, 2018

35. Meraki – Company Website

36. Elysian Studios – Company Website

37. HereAfter Studios – Company Website

Category-wise applications and examples of AR/VR in M&E

Videos

Programming including TV shows, documentaries and news is capturing the imagination of AR/VR content. The consumption of video content in VR through OTT platforms could prove to be a major use case.

- National Geographic and Oculus have partnered on a virtual reality experience covering trek across Antarctica³⁸
- BBC is releasing Doctor Who's first adventure³⁹ in virtual reality
- Daler Mehndi, Indian pop icon, produced a virtual reality music video and launched it in 2017.

Films

With the potential to transform movie theatre experience, VR theatres have started surfacing.

- INOX unveiled Asia's first augmented reality (AR) experience⁴⁰ in multiplex in Mumbai
- AR Rahman directed 'Le Musk', a virtual reality film entirely shot in Rome
- Arka MediaWorks tied up with AMD Radeon to create a promotional VR experience⁴¹ for their film, Baahubali.

Live events

Attempts are in full swing in India to capture live sports, concerts, product launches and so on in VR, and showcase the novelty of these technologies at meetings/conferences.

- Hotstar broadcasted IPL season 2018 and 2019 in VR⁴², which could be experienced using VR headsets
- BT Sport offered 360 degree virtual reality feed⁴³ for the Champions League final in 2017 and 2018
- MelodyVR hosted its first-ever livestream event featuring One Direction's Liam Payne in 2018⁴⁴

Advertising

Marketing and advertising is expected to become increasingly immersive through VR and AR, potentially generating a higher level of engagement with viewers.

- National Geographic used VR technology for marketing with an immersive video of Victoria Falls⁴⁵
- Coca-Cola is one other prominent player who uses VR experience for their commercials. The Christmas season ad in Poland is one example⁴⁶
- Pepsi collaborated with Google to come up with a Super Bowl ad campaign that covers multiple generations⁴⁷

38. NATGEO, OCULUS PARTNER ON ANTARCTIC VR, License Global, April 30, 2019

39. BBC launches Doctor Who's first-ever virtual reality episode, The Guardian, May 16, 2019

40. INOX Unveils Asia's First Augmented Reality Experience, Business World, November 15, 2017

41. Virtual Reality Films in India, Media India Group, May, 2018

42. 202 million viewers watched IPL 11 on Hotstar, LiveMint, May 29, 2018

43. BT Sport To Stream UEFA Champions League Final On YouTube As Digital Importance Grows, Forbes, May 15, 2018

44. Are VR And AR The Future Of Live Events?, Forbes, November 26, 2018

45. VR Concert Platform MelodyVR Posts \$14.7 Million Loss, Turning Focus To Mobile, UploadVR, Jamie Feltham, May 10, 2019

46. 3 Unmissable Virtual Reality Marketing Trends to Win in 2019, MarTech Advisor, May 10, 2019

47. Google collaborates with Pepsi's Super Bowl campaign to provide VR experience, The Drum, February 03, 2018



Acknowledgements

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- Karan Dasaor
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- Kushagra Ladha
- Maulik Shah
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- Neha Pevekar
- Nikhil Hemrajani
- Radhika Goel
- Rajat Lal
- Ravin Nandle
- Rohit Kanodia
- Sangeetha Ramachander
- Santosh Dalvi
- Shivani Sanwal
- Shweta Srivastava
- Sushma Kumar
- Tushar Gaurkhede
- Vibhor Gauba
- Viraj Nair
- Vivek Nair

KPMG ASPAC team

- Darren Yong
- Hikaru Okada
- Diptendu Mitra
- Guillaume Sachet
- Sang-Hyun Han
- Seung-Yeoul Yang
- Steve (Seung-Hun) Yeom
- Sung-Bae Park

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- Darshini Shah
- Raahul Gautam
- Rasesh Gajjar
- Sameer Hattangadi
- Sharon D'silva
- Shilpa Bhoir
- Shruti Iyer
- Venkatesh R
- Vivek Malekar



KPMG *josh* IT SHOWS

IN OUR ABILITY TO TRIUMPH OVER ANYTHING
IN OUR SPIRIT OF UNDYING ENTHUSIASM
OUR DRIVE TO ACHIEVE THE EXTRAORDINARY
UNMOVED BY FEAR OR CONSTRAINT
WE'RE DRIVEN BY JOSH AND IT SHOWS

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