

INDIAN DTH INDUSTRY: A STRATEGIC ANALYSIS

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ABSTRACT

The television population of India is approx. 135 million and 80% of this population have access to cable and satellite. As per the statistics, DTH has a 20% market share with more than 22 million DTH subscribers. The subscriber base for DTH has grown very rapidly in past 5 years. It can be evident from the fact that Dish TV was the only player in 2005 and now there are over 10 DTH service providers that have commenced their operations in DTH industry. The shortcomings of cable operators had led to the creation of immense opportunities for DTH that served as a better alternative to high-end cable networks. Some of the major players that have identified the market potential and started their DTH services include Tata Sky (joint venture of Tata & Star TV), Digital TV (Bharti Telemedia), Dish TV (Zee group), Reliance Digital TV (Anil Dhirubhai Ambani Group) and SUN Direct (Sun TV).

1. INTRODUCTION

1.1 Television in India

Television in India is a huge industry and has thousands of programs in all the states of India. The small screen has produced numerous celebrities of their own kind some even attaining national fame. TV soaps are extremely popular with housewives as well as working women. Approximately half of all Indian households own a television. As of 2010, a total number of 515 channels are available in the country out of which 150 are pay channels.

Terrestrial television in India started with the experimental telecast starting in Delhi on 15 September 1959 with a small transmitter and a makeshift studio. The regular daily transmission started in 1965 as a part of All India Radio. The television service was extended to Bombay (now Mumbai) and Amritsar in 1972. Till 1975, only seven Indian cities had a television service and Doordarshan remained the sole provider of television in India. Television services were separated from radio in 1976. National telecasts were introduced in 1982. In the same year, colour TV was introduced in

the Indian market. Indian small screen programming started off in the early 1980s. At that time there was only one national channel Doordarshan, which was government owned. The Ramayana and Mahabharata (both being Hindu mythological stories based on religious scriptures of the same names) were the first major television series produced. This serial notched up the world record in viewership numbers for a single program. By the late 1980s more and more people started to own television sets. Though there was a single channel, television programming had reached saturation. Hence the government opened up another channel which had part national programming and part regional. This channel was known as DD 2 later DD Metro. Both channels were broadcast terrestrially.

The central government launched a series of economic and social reforms in 1991 under Prime Minister Narasimha Rao. Under the new policies the government allowed private and foreign broadcasters to engage in limited operations in India. Foreign channels like CNN, Star TV and domestic channels such as Zee TV and Sun TV started satellite broadcasts.

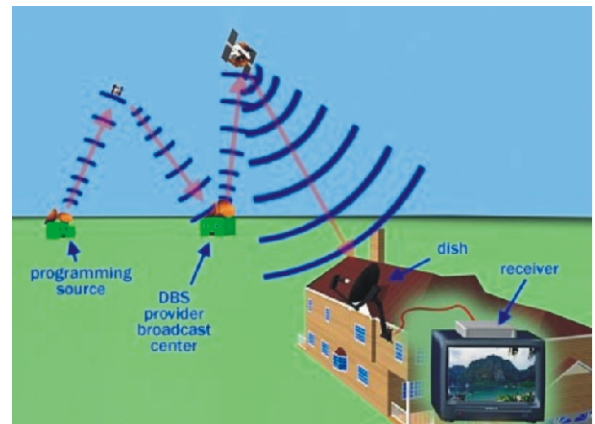
Starting with 41 sets in 1962 and one channel, by 1991 TV in India covered more than 70 million homes giving a viewing population of more than 400 million individuals through more than 100 channels. In 1992, the Indian government started a series of economic reforms including the liberalization of the broadcasting industry, opening it up to cable television. This led to an explosion in the Indian cable TV industry and saw the entry of many foreign players like Rupert Murdoch's Star TV Network, MTV, and others. Following the liberalization of the broadcasting industry, the Hong Kong-based Star TV Network introduced five major television channels into the Indian broadcasting space that had so far been monopolised by the Indian government-owned Doordarshan: MTV, STAR Plus, Star Movies, BBC, Prime Sports and STAR Chinese Channel. Soon after, India saw the launch of Zee TV, the first privately-owned Indian channel to broadcast over cable. A few years later CNN, Discovery Channel, National Geographic Channel made their foray into India. Later, Star TV Network expanded its bouquet with the introduction of STAR World India, STAR Sports, ESPN, Channel V and STAR Gold.

With the launch of the Tamil-language Sun TV (India) in 1992, South India saw the birth of its first private television channel. With a network comprising more than 20 channels in various South Indian languages, Sun TV network recently launched a DTH service and its channels are now available in several countries outside India. Following Sun TV, several television channels sprung up in the south. Among these are the Tamil-language channel The Raj Television Network and the Malayalam-language network Asianet Communications Limited, both launched in 1994. Throughout the 90s, along with a multitude of Hindi language channels, several regional

and English language channels flourished all over India. By 2001 HBO and History Channel were the other international channels to enter India. By 2003, other international channels such as Nickelodeon, Cartoon Network, VH1, Disney and Toon Disney came into foray. Starting 2003, there has been an explosion of news channels in various languages; the most notable among them are NDTV, CNN IBN and Aaj Tak.

1.2 DTH in India

DTH stands for Direct-To-Home, it's a system that allows you to have a personal dish antenna how cable operators do, except it's much smaller in size, this antenna can be fixed on your terrace and receives transmissions directly from a satellite, hence it is called as a direct to home service. Direct to home is different in the way of size of the antenna require is much smaller, the city will have less wires from one building to another and you have the flexibility of moving out without searching for new cable operators. You do not have to deal with the local cable operator!



Pic.1 The working of DTH

DTH services were first proposed in India in 1996, but did not get the approval because there were concerns

over national security and a cultural invasion. In 1997, the government even imposed a ban when the Rupert Murdoch-owned Indian Sky Broadcasting (ISkyB) was about to launch its DTH services in India. Finally in 2000, DTH was allowed. The new policy requires all operators to set up earth stations in India within 12 months of getting a license. DTH licenses in India will cost \$2.14 million and will be valid for 10 years. The companies offering DTH service will have to have an Indian chief and foreign equity has been capped at 49 per cent. There is no limit on the number of companies that can apply for the DTH license.

2. INDUSTRY PERFORMANCE

Home to 1.18 billion people, India has often been labeled as an economic miracle. Little wonder, the earnings of an average Indian has more than doubled in the last five years, and the country is ranked as the fourth-fastest growing economy in the world. The gross domestic product (GDP) for the third quarter of 2010 shows an annual growth rate of 8.2 per cent, and is slightly lower than the 8.9 per cent pace of the previous quarter. With more than half of the population under the age of 25, the young people are driving consumption and productivity across India and will continue to do so for the next 30 to 40 years. Indeed, India's economic growth has been reflected in the country's insatiable appetite for video content. The subscribers to DTH content stands at 30 million today and, according to industry experts at CASBAA India Satellite, will double by the end of 2013. As it is, STAR India's statistics showed DTH emerging as the key growth driver for overall pay-TV industry growth at an impressive 74 per cent as compared to 15 per cent for digital cable and 11 per cent for analog cable.

With an upfront cost of around Rs 1,500 and

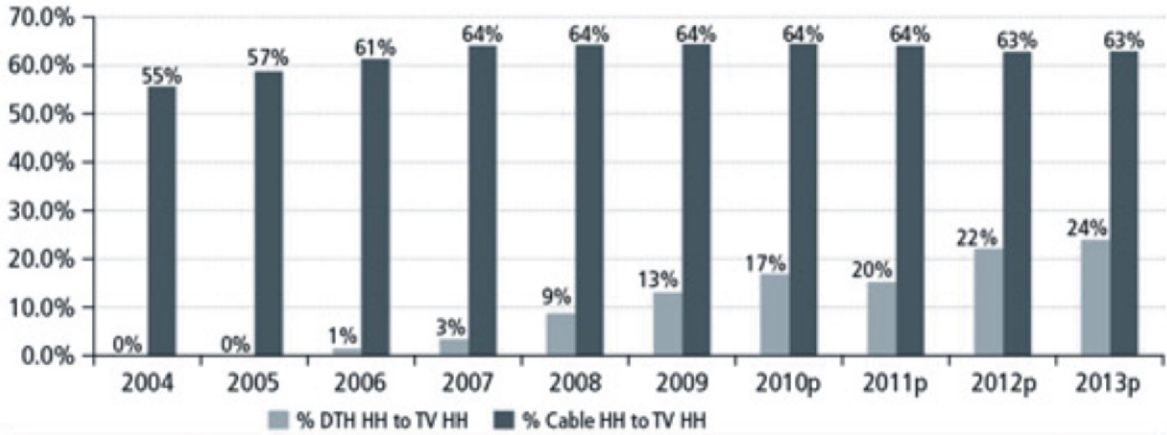
monthly subscription fee starting at Rs 150, it is an affordable service for the mass consumer. With half a dozen players competing, it is penetrating the remotest places where neither public television nor cable network has penetrated. As a consequence of rock-bottom pricing to attract customers, the DTH service providers are suffering losses. The industry is expected to turn profitable at the net-profit levels only by the last quarter of 2011-12.

According to UK-based research and forecasting agency Informa Telecoms & Media, which delivers strategic insight on the display industry based on global market data and primary research, more than 401-million digital TV homes are expected to be added between the end of 2010 and the end of 2015, with China contributing a massive 136 million, followed by India with 47 million. The boom in TV sales is feeding the demand for high-end LCD and LED television sets by consumers looking for quality TV viewing. Industry observers say that there are about 13 to 14 million households buying LCD and LED TVs every year in India. Approximately 700,000 LCD TVs were shipped by brands in India during the month of October alone last year. As television buyers in India gravitate to purchasing more of flat panel displays, direct-to-home (DTH) satellite television has emerged as the choice medium for digital and high-definition (HD)-quality video over other media channels like digital cable networks or IPTV, offering a broader entertainment experience to subscribers. On offer are entertainment, news and lots more options such as searching for job vacancies on TV, looking for prospective marriage partners and choosing travel packages across India that DTH viewers living in even remote nooks & corners of the country can choose from. Proliferation of television channels, viewers increasing sensitivity to quality

transmission & programming of their choice and a growing demand for value-added services, have further promoted DTH revolution in the country.

DTH and Cable TV households as a percentage of total

The number of DTH subscribers is much smaller but steadily on the rise



The Indian market has a huge opportunity despite having seven DTH players, including government-owned DD Direct. The total number of households in India is estimated around 232 million, of them only 141 million have TV sets. Of the total number of the households, 116 million have cable and satellite connections of which DTH users count for just 31 million. The figures confirm that there is a huge untapped opportunity for DTH. The DTH players have been quick to grab the opportunity with both hands. In fact, the past three years have seen the DTH sector clock phenomenal growth ever since the category was first introduced in India. From one service provider and a little over half-a-million subscribers at the end of the financial year 2005-06, to six service providers and 30-million plus subscribers now, the DTH industry has come a long way in an analogue cable-dominated market.

Market share of DTH players

Dish TV is the leader of the pack so far

Market share (in %)	
Dish TV	30
Tata Sky	20
Airtel	15
Others	35

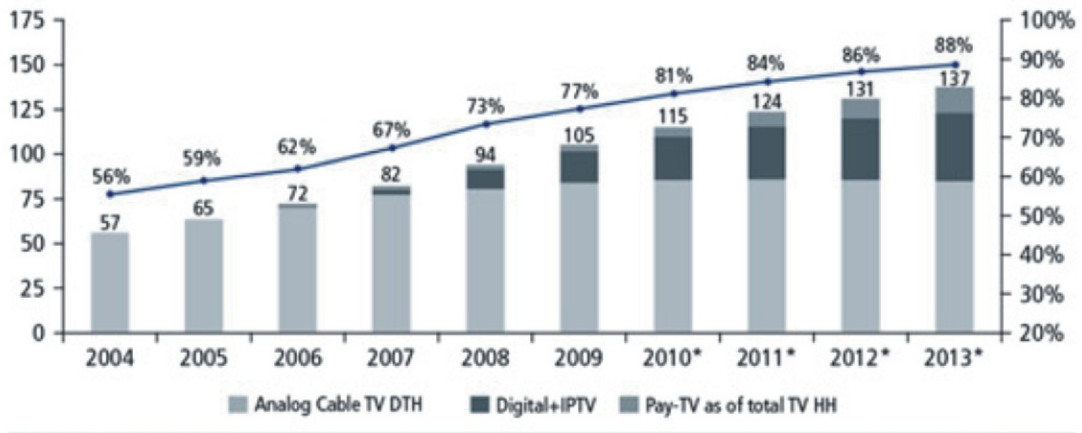
In 2003, when the first mover and the country's largest DTH player, Delhi-based Dish TV with over ten-million subscribers on board, launched the country's first DTH service, not many people knew about the technology and its advantages. The entry of other players such as Tata Sky, Sun Direct, Big TV, Airtel and Videocon in the following years has added traction to the market. Industry observers say the DTH market is on its way to grow even faster in the months ahead. The industry witnessed robust growth in January-December 2010,

with subscriber base growing 50% to nearly 30 million from 20 million at the end of 2009. Dishtv claims to have acquired 1.4 million subscribers in the first half of FY11 and expects to add another 1.8 million in the second-half. A research report by Edelweiss, an industry tracking analyst firm, points to how lower prices for DTH installation and packages is having a positive impact on consumer psyche: 76% of DTH subscribers are from small towns and rural areas, the report says. The price points for pay-per-view format on DTH channels has also come down from Rs.75-100 in 2009 to Rs.25-75 in 2010. With falling SACs, declining content cost for service providers and deeper penetration into the rural markets, India's DTH industry is projected to overtake the US DTH market, currently the biggest with 34 million subscribers, by the end of financial year 2011-12. Hong Kong-based research firm Media Partners Asia's (MPA) findings show that India is poised to become the world's largest DTH satellite pay TV market with 36 million subscribers by 2012, overtaking the US. Furthermore, in its report titled 'Asia Pacific Pay-TV and Broadband

Markets 2010,' MPA has said that India's DTH subscriber base would increase to 45 million by 2014 and 58 million by 2020. The bee in the bonnet of all DTH players, for the moment, is high-definition services. According to industry estimates, more than 10% of the 50-million DTH subscribers by 2014 will be on high definition DTH. For the moment, however, HD services cater to a niche segment and are constrained by the lack of content. Only around half-a-dozen channels offer programming in high definition. They include Sun TV, Discovery HD, National Geographic HD, Colors, Zee TV HD, Zee Cinema HD and two regional movie channels in Tamil and Telugu. For high-definition services to pick up substantially, channels will have to offer a much larger bouquet of programming in this format. Once that happens, operators could see a significant rise in average revenue per user. For Dishtv which ended up with a loss of Rs.442.80 million in the quarter ended December 2010, HD services offer the best bet for the company to swim into black and become profitable.

Pay TV market is on a growth trajectory

Though analog still holds the fort, digital and pay TV subscribers are growing.



To encourage adoption of HD services by new and existing customers, DTH providers are showering offers - from providing advertisement-free coverage of cricket matches through HD feed to lowering entry price and offering sports channels for free. Introduced first during the FIFA World Cup last year, HD-enabled channels have become popular amongst subscribers for their better picture and sound clarity. To attract more customers, Dishtv has increased the number of HD channels from four to 30. It has also lowered its entry price from Rs.2,990 to Rs.2,330 and offering coverage options of popular sports events to sweeten the offer. Other DTH service providers such as Tata Sky, Airtel Digital TV and Reliance Digital TV have also gone ahead to acquire rights for HD coverage of big sporting events. Most are offering HD coverage at an extra cost of around Rs.150 over the package cost. Like Dishtv, Airtel DTH too expects an increasing number of subscribers to opt for the HD format. The company is expecting a 15% increase in subscriber base during this cricket season. Reliance Digital TV, which launched its HD format in February also expects a rising sales graph and 40% growth in subscription over the combined sales of December and January. But despite the robust subscription numbers DTH operators report every month and regardless of new offerings, constant innovation and product differentiation at the packaging, servicing and distribution end by DTH providers, the industry is awash in a sea of red. Analysts reckon that the industry is mired in losses of almost Rs.50 billion. This poor performance is a consequence of rock-bottom pricing to attract customers. DTH service, which began selling at Rs.4,000 for a set-top box, including installation, is now available for Rs.1,600-1,700. The launch of HD services triggered another round of price war with DTH players selling

services at a heavily subsidised upfront price ranging between Rs.2,599 and Rs.2,990. To sign up each new customer, a DTH company spends an estimated Rs.3,000 but has to make up for that and other costs with an average revenue of Rs.150 a month from each home. All the same, losses aside, the huge market potential offers a positive outlook and rosy long-term picture for the industry.

The direct-to-home (DTH) TV industry has been witnessing tremendous growth since the past few years. This growth has been supported by huge investments by the existing as well as new players. The DTH market acquired around 30 Million subscribers by the end of 2010, an increase of approximately 50% over 2009. The entry of new players in the Indian DTH industry is intensifying competition. Due to this intensified competition, installation prices are declining and subscribers now have a wide range of options. The reason for this high growth in DTH subscriber base can be attributed to the fact that quality of service delivered by DTH is superior compared to cable or any other medium. As DTH TV industry is currently in the phase of growth, it is expected to attract a large number of subscribers in near future.

3. INDUSTRY ANALYSIS- 5 FORCES MODEL OF MICHAEL PORTER

Porter's 5 forces model is one of the most recognized framework for the analysis of business strategy. Porter, the guru of modern day business strategy, used theoretical frameworks derived from Industrial Organization (IO) economics to derive five forces which determine the competitive intensity and therefore attractiveness of a market. This theoretical framework, based on 5 forces, describes the attributes of an attractive industry and thus suggests when

opportunities will be greater, and threats less, in these of industries.

Attractiveness in this context refers to the overall industry profitability and also reflects upon the profitability of the firm under analysis. An "unattractive" industry is one where the combination of forces acts to drive down overall profitability. A very unattractive industry would be one approaching "pure competition", from the perspective of pure industrial economics theory. This model comprises of an analysis dependent on 4 entities external to the firm and the fifth force: the Industry structure. These forces are defined as follows:



A graphical representation of Porter's Five Forces

Source http://en.wikipedia.org/wiki/Competitive_Strategy The threat of the entry of new competitors

- The intensity of competitive rivalry
- The threat of substitute products or services
- The bargaining power of customers
- The bargaining power of suppliers, (Business Fundas,2011)

3.1 Industry Rivalry

Industry rivalry denotes the intensity of competition

within the industry. There are seven companies giving DTH (Direct To Home) services in India now. The DTH companies in India are Zee TV's "Dish TV", followed by Doordarshan's "DD Direct Plus" "Tata Sky" (Owned By two companies. Tata: An Indian company and Sky: The company under STAR TV) "Sun Direct" under the Chennai based SunTV , Anil Dhirubhai Amabani's Reliance "Big TV", Barati's Airtel Digital TV and finally Videocon's "d2h" DTH. Doordarshan DD direct plus considered as the worlds one and only free DTH service .It is under the control of Indian government. There are fifty nine channels available in "DD Direct Plus" service. Twenty three of them are channels of Doordarshan itself. Dish TV has got the market share of over 32% and is the market leader in the DTH market. Dish TV has become the Asia's first company to have 1 crore subscribers for its DTH services. Dish tv attained this leadership position with an unparalleled over 1 million subscriber additions in less than three months, having reached the momentous 9 million subscribers mark in November 2010. DTH in India started with the introduction of cable tv which is off beat now, 68 million households market of pay cable tv in 2008 has turned into 28 millions in year 2010 and DTH (direct to home) service has grown with 40% of CAGR per year, DTH subscribers marked at 10 millions in starting of 2008 has reached to 30 millions in 2011. Dish TV, Tata Sky, Sun Direct, Reliance digital TV, Airtel Digital TV, and Videocon D2H are the only prominent DTH players in the Indian dth market. Earlier only the tata sky and dish tv were present in the DTH market but after the entry of new dth players competition has become quite intense as everyone is fighting for the market space and same set of consumers. DTH services in India is growing year by year with CAGR of 15%. The DTH

market has acquired around 30 Million subscribers by the end of 2010, an increase of approximately 50% over 2009. Due to the intensified competition, installation prices are declining and subscribers now have a wide range of options. The reason for this high growth in DTH subscriber base can be attributed to the fact that quality of service delivered by DTH is superior compared to cable or any other medium. As DTH TV industry is currently in the phase of growth, it is expected to attract a large number of subscribers in near future. As per a research report "Indian DTH Market Forecast to 2012" the number of DTH subscribers is projected to grow at a CAGR of around 23% during 2011-2014, reaching 69 Million. The report contains comprehensive information about DTH service providers in India, with a focus on in-depth analysis of their strengths and weaknesses. It also explains the reason due to which, all the incumbent players have been investing huge amounts in the promotion and marketing of DTH services in the country. "Indian DTH Market Forecast to 2012" The report highlights certain key marketing strategies along with the current industry trends. These marketing strategies could serve as a benchmark for the anticipated future growth of the Indian DTH market. Apart from this, the report will also help clients to recognize/identify the factors that will drive the country's DTH market in the coming years. The report also studies the Indian consumer behavior and elaborates various factors that will enable people to switch into DTH in the near future. The number of active direct-to-home subscribers in India will touch 4.2 crore, making it the largest DTH market in the world by 2012, according to Media Partners Asia's (MPA) annual research report Asia Pacific Pay-TV and Broadband Markets 2011. MPA estimates the DTH subscriber base in India to grow from 2.3 crore in 2010

to 6.4 crore by 2015, and 8.3 crore by 2020.

(Rs Cr)			
Group	Key Markets	Fiscal year end	EBITDA
Sun TV	India	Mar-11	1,478
Zee Entertainment	India	Mar-11	739
Star India	India	Jun-11	582
Premier Media Group	Australia	Jun-11	582
TVB Pay Channels and Licensing	Greater China, SEA, Intl	Dec-10	542
Fox Intl Channels	Regional	Jun-11	515
Discovery Networks Asia	Regional	Dec-10	515

market with 3.5 crore active subscribers. The challenges laid out by Media Partners for Indian DTH players are transponder capacity, high churn, subscriber acquisition costs and limited pricing power.

3.1.1 Competitor Analysis A detailed analysis of some of the major players is done below:

DISH

Dish Tv is a division of Zee Network Enterprise (Essel Group Venture). EGV has national and global presence with business interests in media programming, broadcasting & distribution, speciality packaging and entertainment. Zee Network incorporated dishtv to modernize TV viewing. dishtv is India's first direct to home (DTH) entertainment service. By digitalizing Indian entertainment, this enterprise brought best television viewing technology to the living room. It not only transmits high quality programmes through satellite; but also gives a complete control of selecting channels and paying for them. Dish TV has reported an income of Rs 1434.68 crore sales and services, up from Rs 1084.13 crore the previous fiscal, and full year revenues of Rs. 1524.6 crore, up from Rs 1130.32 crore. Losses for the company declined to Rs. 189.7 crore, from Rs 262.1 crore. EBITDA for the year was

Rs 326.8 crore, with an EBITDA margin of 21.4%. For the quarter, DishTV reported standalone revenues of Rs 451.7 crore, up 41.4% from last fiscal. The EBITDA for the quarter stood at Rs 108.9 crore, up 93% increase over the corresponding quarter last fiscal. The net loss for the quarter was Rs 37 crore, down from Rs 60.6 crore reported for the corresponding quarter last year. Loss for the company has been declining quarter on quarter.

TATA SKY

Incorporated in 2004, Tata Sky is a JV between the TATA Group and STAR. Tata Sky DTH endeavours to offer Indian viewers a world-class television viewing experience through its satellite television service. The TATA Group is one of India's largest and most respected business conglomerates. It comprises diversified businesses in sectors such as materials, engineering, services, energy, information systems & communications, consumer products and chemicals. The Group and its enterprises have been steadfast and distinctive in their adherence to business ethics and their commitment to corporate social responsibility. This is a legacy that has earned the Group the trust of many millions of stakeholders in measure few business houses anywhere in the world can match. STAR is a leading media and entertainment company in Asia. STAR's parent company, News Corporation, owns an International group of DTH businesses that include BSkyB in UK, Sky Italia in Italy and Foxtel in Australia. CRISIL has upgraded its ratings on the bank facilities of Tata Sky Ltd (Tata Sky) to 'A/Stable/P1' from 'A-/Stable/P2+'. The upgrade reflects a sizeable increase in Tata Sky's number of subscribers in 2009-10 (refers to the period from April, 1 to March, 31) and 2010-11, which helped the company to maintain its market

position. CRISIL believes that the increase in the number of subscribers will help Tata Sky achieve break-even over the medium term; until then, Tata Sky will continue to receive funding support from its shareholders, including majority owner, Tata Sons Ltd (Tata Sons, rated 'AAA/FAAA/Stable/P1+' by CRISIL). Tata Sky received a total equity of Rs.6.2 billion in 2009-10 in 2010-11 from its shareholders, thereby helping Tata Sky fund its cash losses while maintaining lower than expected debt level. Tata Sons has also provided letter of comfort for Tata Sky's long-term debt.

VIDEOCON D2h

Videocon d2h had about 3 million subscribers as of April 2011. Videocon d2h, the DTH arm of Videocon group is the fastest growing DTH service provider in India. Videocon d2h launches the India's first ever HD - DVR with 3D for its customers to watch content with 3D experience. Customers not only can watch it but experience the new world, a fabulous 3D television or the 3D feed from your broadcaster won't be sufficient, Videocon d2h will bridge the gap as a connector to broadcaster and the TV customers. Videocon d2h services, today unveiled its new range of satellite LCDs, a revolutionary breakthrough that enables the LCD to receive signals directly from the satellite, without the use of any set top box (STB), giving consumers freedom from wires, additional contraptions and multiple remotes. The in-built STB offers perfect picture quality by ensuring no signal loss. Available in 16 models from 19-inch to 42-inch screen size, the Videocon d2h LCD range is competitively priced between Rs 12,990 to Rs 59,990. The consumers are eligible for complimentary subscription of 3-12 months offering 260 channels across several genres like

music, movies, entertainment, education and lots more. The satellite LCDs are aesthetically designed and offer high definition view and sound. A USB port is also provided with the LCD. Special technology has been used that helps reduce reflection and refraction of ambient light.

RELIANCE DIGITAL TV

Reliance Digital TV is a DTH satellite television provider in India based in Navi Mumbai, using MPEG-4 digital compression technology, transmitting using MEASAT-3 91.5° East. It is the 5th DTH service launched in India. Reliance BIG TV limited is a part of Reliance Communications Ltd., a subsidiary of Reliance Anil Dhirubhai Ambani Group founded by the Late Dhirubhai Ambani, the Indian business tycoon and owned by his son Anil Ambani. BIG TV started operations from 19 August 2008 with the slogan "TV ho Toh BIG Ho" ("If you have a TV, make it BIG").

AIRTEL DIGITAL TV

Airtel Digital TV is the brand name for Bharti Airtel's DTH service in India. It uses MPEG-4 digital compression with DVB-S2 technology, transmitting using INSAT 4CR 74°E and SES 7 108.2°E. Airtel digital TV service was launched on 8 October 2008. Airtel Digital TV has a total subscriber base of 5.66 million by 31 March 2011. SUN TV

Sun Direct is India's youngest and most exciting state of the art DTH Company. Sun Direct uses the latest MPEG-4 based technology to increase broadcast capacity. Sun Direct confirms to provide next-generation services in fast-growing and emerging markets quickly and efficiently. Sun Direct will be supported by Irdeto's conditional access solution to

manage content and revenues in the satellite broadcasting venture. Sun Direct selected Oracle based on its convergent multi-service capabilities and proven real-time scalability allowing it to consolidate billing operations, enable powerful new service offerings and improve visibility into customer information across services.

DD+

With the fast developments taking place in Satellite Broadcasting, it is but natural that Doordarshan has also come up with an alternative to get the required reach with an alternate technology option "Ku-band broadcasting" which is envisaged for the coverage of remaining population. This is a much cheaper and economical option as compared to the coverage through Terrestrial transmitters.

Ku-band transmission will provide coverage in all uncovered areas including remote, border, tribal, hilly and inaccessible areas in one go within a short time. With this coverage, the national broadcaster proposes to meet its obligation of covering the whole nation and its people not only with national channels, but also make available popular Doordarshan and some other free-to-air channels on its platform. In order to meet its obligations, it has also been decided that 10,000 receive systems (Dish and Set Top Box) would be provided free of cost at public institutions like Anganwadis, Schools, Public Health Centres, Panchayats, Youth Clubs, Cooperative Societies etc. in the uncovered areas.

3.1.2. Industry Growth

According to a research report "Indian DTH Market Forecast to 2012", direct-to-home (DTH) industry in India has been witnessing tremendous growth for the past few years. Such a stupendous growth is mainly due

to the continuous drop in setup and service costs of DTH. Further, decline in the prices of Set-Top Box (STB) has made DTH a viable option for the Indian users. It is anticipated that, the DTH market will post 28% CAGR growth during 2011-2014, thus positioning India as one of the most favorable destinations for industry investments. The report outlines that, the Indian DTH industry holds dynamic future prospects with new technologies and business opportunities emerging at a rapid pace. Thus, it is suggested that, to remain competitive in the market, players require offering the latest bouquet of services along with the flexibility and content that consumers want. The research has identified that, High Definition (HD) content is an emerging market segment, which is currently at its early growth stage. The affluent middle class consumers have widely accepted the market offerings and helped players to maximize their revenue results. Additionally, various DTH companies are coming up with more number of channels for their subscribers. Besides, the report contains comprehensive information about DTH service providers in India, with a focus on in-depth analysis of their strengths and weaknesses. It also explains the reason why all the incumbent players have been investing heavily in the promotion and marketing of DTH services in the country. "Indian DTH Market Forecast to 2012" highlights certain key marketing strategies along with the current industry trends. These marketing strategies could serve as a benchmark for the anticipated future growth of the Indian DTH market. Besides, the report will help clients in recognizing/identifying factors that will drive the country's DTH market in the coming years. The report also outlines Indian consumers' behavioral pattern and elaborates various factors that will enable people to

switch to DTH in near future. **3.2 Threat of Entry**
Threat of entry is determined by the entry barriers, which act to prevent new firms from entering the industry. A lower entry barrier makes it difficult for the existing producers to remain profitable for long time. When profits increase, additional firms will enter the market to take advantage of the high profit levels and over time drive down profits of all firms in the industry. When profits decrease, some firms will exit the market, thus restoring the market equilibrium.

3.2.1 Access to Distribution Channels

A strong distribution network is absolutely essential to compete in this industry. Not only does it guarantee a country wide reach for a company's products but is also necessary for providing good after sales service. The market leader Dish TV has a vast distribution network of about 1400 distributors & 55,000 dealers that spans around 6600 towns across the country. Dish TV has a 24* 7 call centre with 1600 seats, to attend calls in 11 different languages. In addition to the dedicated call centre network in place, Tata Sky has nominated nodal officers for redressal of grievances of those subscribers who are not satisfied with the redressal at the call centre level. Such subscribers can contact the nodal officers citing the docket number issued by the call centre. Videocon d2h has set up customer call centres in Pune, Dehradun, Noida and Bangalore to cater to customer needs in ten different languages.

3.2.2 Brand Salience

With little product differentiation and parity products, it is imperative that distinct images are created in the minds of consumers through positioning and brand building. Companies have been able to do so by regular advertisements through a number of mediums of

communication. A number of companies have been able to make a mark on consumers' mind by regular advertisements on TV and other mediums of advertising and customers do remember those advertisements. Like TATA Sky, Reliance digital or Videocon D2H have been able to create a brand identity for themselves. Moreover customers are going to remember those brands which provide them extra applications or features. As far as the prices are concerned all DTH offerings are placed on the same price platform.

3.3.3 Threat of Substitutes

In Porter's model, substitute products refer to products in other industries. As far as the substitution is concerned the DTH offering is clearly substituted by the local cable offering available in every city and town. The local cable has still the advantage over the DTH as the investment on the hardware which is to be installed before the reception of the channel could start is quite high so majority of people still opt for the local cable operator. Another substitute for the DTH is internet where a number of channels are available through free live TV but that is not as popular because the cost of accessing the internet in India is still very high and maximum people still don't have the access to the internet connections and internet connections are quite erratic in nature.

3.4 Buyer Power

The power of buyers is the impact that consumers can have on a producing industry. Buyer power influences the prices that a firm can charge. The DTH market can be broadly segmented into following categories-

1. First time buyers
2. The Upgraders

3. Multiple set purchasers

1. First time buyers: This constitutes the people who are buying the DTH connection for the first time, these are the people who are having the cable connection at their homes from their local cable operator. The reason for these people of choosing the DTH connection at their homes might be the following-

- People are not happy with the services of local cable operator.
- People want more flexibility about the channels they want to watch.
- People want to show off to their peer group by having DTH connection.

2. The Upgraders

This segment of buyers has upgraded from a normal DTH connection to the High Definition or HD connection because they want to get the better quality of picture. A number of people are there who want some more functions in their DTH like recording, for this purpose DTH companies have come out with the Set Top Box with in built Digital Video Recorder which has got an internal hard disk which saves the tv program for later viewing. The consumer in this segment usually goes for active information search. This segment normally builds its product knowledge from advertising and other product communication which is generally available through a number of sources like advertising in tv, magazines or internet.

3. Multiple Set Purchasers

This segment represents those people that are purchasing more than one set and are looking for specific need gaps to fill. The family demographics of this segment are mostly joint families and full nests. The

principal reason behind most of the purchases is an increasing family size and desire to own a personal TV set. Even the DTH companies offer certain discounts on the subscription prices on multiple connections in one home.

3.4.1 Buyer Concentration

The industry is akin to consumer durables whose end users are fragmented. Hence buyers do not have any specific influence on producers.

3.4.2 Buyer Switching Cost

The cost incurred by consumer in switching from one television brand to another is practically zero. Brand loyalty is low. Hence the companies cannot rest on their laurels and have to be on their tenterhooks to retain the customers.

3.4.3 Price Sensitivity

Market is highly price conscious and promotion driven. With the onslaught of price cut started by the TATA Sky with their promotion of all inclusive 999 offer few time back, in which the company made available the DTH for just nine hundred and ninety nine rupees all the other players of the DTH market are also moving on the same line and they are giving the DTH connections for the same rate or even less than that.

3.5 Supplier Power

Supplier's bargaining power influences the cost and quality of input material. Higher supplier power raises the input cost, thereby reducing the industry profitability. DTH industry relies on three major supplies: Customer premise equipment (CPE) comprising of the Satellite Dish, Set Top Box with necessary Access Card, the Ku band transponders in the

orbiting satellites and content. With India set to overtake Japan as Asia's largest DTH by next few year, bargaining power of Indian DTH operators with CPE suppliers have been steadily increasing. With India set to overtake Japan as Asia's largest DTH by next few year, bargaining power of Indian DTH operators with CPE suppliers have been steadily increasing.

4. INDUSTRY ANALYSIS-GOVERNMENT AND REGULATORY INTERVENTIONS

The Government of India through TRAI has imposed a number of regulations on the working of the DTH players in India. The following conditions must be met before a company could start its business in DTH sector in India.

- Applicant Company to be an Indian Company registered under Indian Company's Act, 1956.
- Total foreign equity holding including FDI/NRI/OCB/FII in the applicant company not to exceed 49%.
- Within the foreign equity, the FDI component not to exceed 20%.
- The quantum represented by that proportion of the paid up equity share capital to the total issued equity capital of the Indian promoter Company, held or controlled by the foreign investors through FDI/NRI/OCB investments, shall form part of the above said FDI limit of 20%.
- The applicant company must have Indian Management Control with majority representatives on the board as well as the Chief Executive of the company being a resident Indian.
- Broadcasting companies and/or cable network companies shall not be eligible to collectively own more than 20% of the total equity of applicant company at any time during the license period.

Similarly, the applicant company not to have more than 20% equity share in a broadcasting and/or cable network company.

- The Licensee shall be required to submit the equity distribution of the Company in the prescribed Performa (Table I and II of Annexure to Form-A) once within one month of start of every financial year.

4.1 Challenges faced by the Industry

❖ Policy and Regulation

Being a nascent industry, there are lots of teething issues with the current policy framework and the way it is regulated in reality. Some of the notable challenges faced are as below.

❖ Lack of Exclusive Content

In the global DTH market, competition is mostly on providing niche content. In India TRAI does not allow broadcaster to offer content exclusively to a specific player. Hence content differentiation as USP is not possible currently in the Indian scenario. TRAI has clearly indicated that exclusivity can be provided only when DTH market matures and there is perfect competition in the market place. But DTH operators are feeling that without content differentiation, the competition can only be on price which may even cannibalize the industry.

❖ Cap on Foreign Investment

The total foreign equity including FDI/NRI/OCB/FII cannot exceed 49% and within that FDI component cannot exceed 20%. This would reduce the interest of foreign investors as they cannot get a controlling stake in the company in spite of a heavy investment. On the contrary, up to 74% of foreign equity, with no limit on FDI, is allowed in the Cable industry.

❖ Cap on Cable Company/ Broadcaster Investment

The current regulations restrict the cap on Broadcasting/Cable company investment in the DTH venture to 20% and also prevent the DTH firm to hold more than 20% in a Broadcasting/Cable company. As one can see, DTH operators are able to overcome this challenge by spinning of new companies. But removing this rule would reduce the bureaucracy involved and also reduce the content cost for an operator due to the synergies created between him and the broadcaster.

❖ The Rule of "Must Carry"

DTH Operator is obliged to carry all the channels provided by every broadcaster on a non-discriminatory basis. However, with the capacity constraints in place, this is not feasible. So in cases, where the operator is willing to broadcast only the popular channels, the broadcasters either deny giving the entire bouquet or charge prices for the complete bouquet.

❖ Interoperability issues.

TRAI mandates an open architecture for STB's to ensure technical interoperability but in reality this is not being implemented.

5. DRIVERS AND CHALLENGES FACED BY THE INDIAN DTH INDUSTRY

The Drivers

- The growing middle-class and rising disposable income Increasing television penetration and sale of LCD monitors
- Price war and different package options attracting consumers
- DTH advantage over traditional cable Operators

The Challenges

- Getting a share of the cable driven market and facing the new age IPTV
- Trapped in TRAI's content guidelines
- Demand supply gap for transponders

6. CONCLUSION

The DTH industry is gaining popularity very fast and the consumer is also ready to adopt this technology which is helping the companies to gain market share but this thing is to be equally kept in mind that the consumers is easily swayed away by the costs. The focus should be on providing value for money to the consumer with more brands in the economy segment. The growth in disposable incomes and the subsequent demand for the multiple sets of DTH in a single home are certain variables which are expected to sustain the growth momentum of the DTH industry in India. The HD content also need to be increased so that people could be hooked to the DTH services.

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