

## Digitization & mobility Next frontier of growth for M&E



# Message for Screens 2014



**Prakash Javadekar**

I am happy to note that ASSOCHAM is organizing the Eighth edition of SCREENS – 2014 this year.

The Indian Entertainment and Media Industry has been growing at a rapid pace over the past decade. Indian Cinema has also taken dramatic strides with growing multiplex culture, wide variety of content, increased digitalization and opening up of new overseas territories accompanied by worldwide appreciation, acceptance and acclaim of our cinema.

A path breaking digitization initiatives, spearheaded by Government is poised to improve the quality of T.V. broadcasting in the country and bring enhanced consumer experience, customized tariffs and improved transparency in the sector.

I am sure that SCREENS – 2014 will project new ideas, views and innovations to give further impetus to this fast growing industry.

I wish SCREENS – 2014 all the success.

**Prakash Javadekar**

Minister of State  
Information & Broadcasting (Independent Charge)  
Environment, Forest & Climate Change  
(Independent Charge) and  
Parliamentary Affairs  
Government of India



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Information & Broadcasting (Independent Charge)  
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19 JUN 2014

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(Prakash Javadekar)

# Message from secretary



**Bimal Julka**

I am happy to learn that the Associated Chambers of Commerce and Industry of India (ASSOCHAM) is organizing SCREENS – 2014, Annual Summit on Media & Entertainment on 20th June, 2014 at New Delhi.

The Entertainment and Media sector is one of the rapidly growing sectors of our country, contributing to national growth. The Industry has great potential to compete with the best in the world. Government, on its part, is endeavouring to promote and facilitate growth of the industry.

It is heartening to note that prominent persons from the Media and Entertainment industry are expected to participate in this annual summit, a summit that shall enable major stakeholders to come together and exchange views. Bringing out a special "Knowledge Report" on Media and Entertainment Industry on this occasion is an entirely beneficial step for constituents of the industry, as also policy makers.

I take this opportunity to convey my appreciation and good wishes to ASSOCHAM for organizing the event.

I wish the Summit every success.

**Bimal Julka, IAS**  
Secretary  
Ministry of Information & Broadcasting  
Government of India

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GOVERNMENT OF INDIA  
MINISTRY OF INFORMATION & BROADCASTING  
SHASTRI BHAWAN, NEW DELHI - 110001

Dated : 18 June, 2014

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(BIMAL JULKA)

# Message from president



**Rana Kapoor**

India is witnessing a paradigm shift in its ₹ 92,000 Crore Media & Entertainment industry, which has been on a sustained growth trajectory and is expected to double in size to ₹ 1, 80,000 Crore by 2018. With the new Union Government likely to introduce a wave of comprehensive measures, this expected target seems achievable, however there is need for more reforms and progress in Broadcasting, Filmed Entertainment and other rapidly growing verticals such as Radio, Animation & VFX and Digital Media.

In the last few years, huge opportunities have emerged in the form of cable digitization, growth in new media, impact of digital technologies and distribution, sustained growth of regional media and penetration of mobile telecom. Today, with TV connections in 161 million households, over 90,000 newspapers, 2,000 multiplexes, over 200 million internet users, a wide variety of social platforms and numerous applications, the perpetual demand for content from Tier II and III cities will further enable the entire M&E value chain to connect, grow, engage and eventually monetize India's strongest asset – our population.

The last few years have witnessed a metamorphosis for the Broadcasting industry with reforms such as digitization of the cable network, greater autonomy for Doordarshan and crystallization of an audience measurement system

in the form of BARC (Broadcasters Audience Research Council). The Filmed entertainment industry is also witnessing growth fuelled by expansion of multiplexes, rise in average ticket prices and the expanding digitization framework. With rapid digitization, industry players are now focusing on creating business models and revenue streams to monetize from digital media, instead of simply using it as an engagement tool. Although the commercial impact of some of these transformations and business models is yet to be fully realized, continuous efforts and initiatives will further stimulate the growth of our vibrant M&E industry.

ASSOCHAM is organizing the 8th Annual Summit on Media & Entertainment, SCREENS 2014, on the theme 'Redefining Infotainment'. On this occasion, I am pleased that ASSOCHAM and Deloitte are releasing the Knowledge Report "Digitization & mobility: Next frontier of growth for M&E". I am confident that the contents of this Knowledge Report will provide valuable insights to policy makers and industry stakeholders.

Thank you.

Sincerely,

**Rana Kapoor**  
President, ASSOCHAM

# Message from chairman



**Sharad Dutt**

It is a matter of great pride and delight that ASSOCHAM is organizing the 8th Annual Summit on Media & Entertainment. It is a platform where business meets innovation, regulation meets initiative and science meets technology.

SCREENS 2014 is an endeavor at developing an understanding about the way technology is changing and affecting not only our daily lives but also the contours and content of media and entertainment. The media of tomorrow may be entirely different from what we see today. It is both a huge challenge and a tremendous opportunity for us to delve deep into the digitization of media products and services.

I am confident that SCREENS 2014 would work as a catalyst for meeting of minds, in providing innovative ideas and charting new territories for all the stakeholders.

Looking forward to your enthusiastic participation again.

**Sharad Dutt**

Chairman  
ASSOCHAM National  
Council on M&E

# Message for Screens 2014



**Sujata Dev**

We at ASSOCHAM, the apex knowledge Chamber have always endeavoured to keep pace with the current trends and address the changes brought about by technology and the challenges faced by the industry. The M&E industry has seen many drastic changes with new screens and platforms being added. These additions have challenged the existing policies many a time. ASSOCHAM has presented critical white papers and suggestions based on industry in-puts to the Information and Broadcast ministry from time to time, which have been very well accepted by the government of India. We are all aware that M&E as a sector has shown rapid double digit growth over the last many years but our major concern has been to bring about inclusive growth; which encompasses regional content and every element in the value chain. Positioning of Indian content industry in the global market for enhancing revenue generation is of utmost priority. With a stable government in place we have great hopes of taking the robust Indian M&E industry to greater heights.

On the Eighth annual Media & Entertainment Forum, 'Screens 2014', we are witnessing an epochal change where consumers are demanding for ubiquitous content access, leading to evolution of new economic models, as well as shifts in how people consume media. Never before has industry-wide business transformation occurred at such rapid speed and with such great impact that we're seeing today in media and entertainment, and we're now in one of those rare moments where traditional and new business models are coexisting and in many cases complementing each-other. This change has been ushered by digital transformation leading to innovative revenue models. With content at the epicentre, our major drive

would also be to take Indian content beyond the Indian diaspora. One important way of garnering revenue would be by promoting India as a destination for foreign film makers. At ASSOCHAM we strongly believe that single window clearance and film incentives could be a great motivator to attract international film makers to shoot in Indian locations.

India is well known for its early adaptability. Perhaps we will soon see the Indian M&E industry moving into the 'Cloud era' with the right video-cloud platform leading to greater sustainability of large complex business models of multiple devices and varied distribution mechanisms with reduced time-to-market; ultimately de-risking the investments. It would be pertinent to mention that "SoMoClo" phenomenon which is defined as cloud at the core, mobile at the edge and social media as the connection from edge to edge through the cloud—can face the demands of the evolutionary Indian M&E domain, having a lasting impact on business intelligence: the convergence of social media, mobile technologies and a cloud IT infrastructure.

We expect high trajectory growth in the M&E sector, whereby it can substantially contribute to the nation's exchequer.

Cheers!

**Sujata Dev,**  
Co-Chairperson,  
ASSOCHAM National Council on M & E

# Message from ASSOCHAM



**D S Rawat**

ASSOCHAM, India's Apex Chamber for Commerce and Industry was set up in 1920. Today it proudly serves more than 450,000 Corporate Members across the country.

ASSOCHAM's initiatives in Media & Entertainment Industry through its National Council has been well received by all the stakeholders.

ASSOCHAM's journey in Media & Entertainment Sector started with the Annual Summit in 2007, where by the Industry leaders have shared their vision and ideas. I am very pleased to note that this year the Annual Summit on Media & Entertainment, SCREENS-2014 is being organized on 20th June, 2014 in New Delhi and is deliberating on four important issues impacting the M&E Sector – namely Broadcasting, Films, Radio and Future Technologies including Cloud Computing.

SCREEN-2014 is being officially supported by Ministry of Information and Broadcasting and Department of Electronics & Information Technology, Government of India along with The Association of Radio Operators for India, CASBAA, COFI, Film Federation of India, The Film & Television Producers Guild of India Ltd., Indian Broadcasting Foundation, The Indian Music Industry, The Indian Newspaper Society, Motion Picture Association of America and News Broadcasters Association.

I convey my good wishes for the success of SCREEN-2014 and I am confident that the deliberations from this Summit will be helpful for the Stakeholders in creating the future road map for the M&E Sector.

**D S Rawat**

Secretary General  
ASSOCHAM

# Foreword



**Hemant Joshi**

Digital age has arrived big time in India. It was clearly portrayed by the last election campaign with seamless use of social media and technology to reach the masses. The party's slogans were carefully drafted to strike the right cord with the common man. This shows the importance of appropriate regional content in local language and the new innovative modes of delivery beyond the traditional media of print, television and radio. It is indeed surprising to see how digital media is increasingly becoming critical part of our daily lives. Digital forces of social media, mobility, analytics, and cloud are shaping the new virtual world today. Digital customer service and engagement is now core to the success of many service organisations and the Media and Entertainment (M&E) industry needs to embrace this revolutionary transformation.

From e-mail to instant messaging to streaming video to social media - there are endless ways for people to share information, communicate, and view content. The richness and magnitude of the data transmitted across these channels is constantly expanding as a result of societal and technological changes. Traditional media is finely complementing the new digital media of smartphones and tablets. The content preferences of



**Ashesh Jani**

consumers are different for the mobile and the television platform and are also influenced by demographics. Mobile video services are growing at a much faster rate than fixed internet services.

The M&E industry has grown in double digits in 2013 and will continue to grow similarly in the next few years. Indian television distribution industry is undergoing a paradigm shift through the government's digitization mandate. The challenges of digitisation and significant headroom due to under penetration, presents great potential for all players in the value chain to innovate and to develop new business models. The film Industry is also rapidly evolving by using newer technologies for special effects, animations and hence the budgets of movies have seen an upward trend. The Indian film Industry is being appreciated globally and is making inroads into newer markets worldwide. The specialized talent pool in the M&E Industry is also ensuring that the costs remain high as newer and innovative content are required on an on-going basis.

This report hence aims to bring out the significance of digitization and mobile entertainment in India.



# 1. Broadcasting digitisation

## Digitisation is driving a complete makeover of the Indian distribution space

- Subhash Chandra, Chairman Essel Group<sup>1</sup>

### Background story

According to The Television Networks (Regulation) Amendment Bill of 2011, moving all analogue broadcasting to digital signals has now become mandatory. The bill's 'sunset clause' stipulates the total switch-off of analogue signals and thus, 88 million households estimated to receive analogue cable-TV services will have to be moved onto digital platforms.<sup>2</sup> Digitisation has the potential to change the entire landscape of the industry and plug both revenue leakage to broadcasters and taxes to the government.

There were around 20 paid channels in 1995, whereas today, there are more than 800 channels registered with Ministry of Information & Broadcasting, out of which around 167 are paid channels.<sup>3</sup>

### What was the expectation on account of digitisation?

- Broadcasters were expected to benefit in terms of:
  - Increased capacity to deliver more channels than those on Air
  - Reducing Carriage Fees that had risen steeply with limited analog capacities
  - Incremental revenues for Pay Channels with each set-top-boxes (STBs) being accounted for in place of wholesale 'Declaration System' of analog era
- Multi System Operators (MSO) were expected to be the greatest beneficiaries and the ones to face most of the challenges.

In terms of subscribers, MSOs will get a share of revenue from a significantly larger volume of subscribers (as Local Cable Operators (LCO) will be unable to under-report). In terms of Average Revenue per User (ARPU), they will see an upside because of:

- Subscribers consuming and paying for value-added services, such as high-definition channels and Video on Demand (VoD)
- The opportunity to bundle broadband to some digital customers.

- Customers would benefit in terms of:
  - Vast number of channels available
  - Better picture quality
  - Choosing and paying only for those channels that they actually want
  - Access to value-added products and services, such as digital video recorders (DVRs), premium VoD, etc.
  - Finally, driven by demand dynamics and high competition, the price that the customer will pay for all of these better, additional choices and features is not expected to be drastically higher than the current price of analogue cable TV

Table 1: Phase-wise details of sunset dates for analogue cable TV services

Phase	Areas suggested by TRAI	Sunset dates for analogue cable TV services
Phase I	Delhi, Mumbai, Kolkata and Chennai	30 June 2012
Phase II	Cities with population of more than one million	31 March 2013
Phase III	All urban areas (municipal corporations and municipalities)	30 September 2014
Phase IV	Rest of India	31 December 2014

Source: TRAI: International training program ITP 2012

### Current scenario

- About 12 million set-top boxes have been seeded and 80% consumer application forms received as of December 2013.<sup>4</sup>
- The Telecom Regulatory Authority of India (TRAI) has said that 100% digitisation has taken place in the second phase of cable television digitisation.
- Recommendations on the new Direct-To-Home (DTH) licences would be brought out very soon as per TRAI.
- HITS License has been issued to two players and expected to enable digitization in Phase III and Phase IV markets.
- Digitisation of cable saw the television industry still



on the path of progress, with the mandatory Digital Access System (DAS) rollout. The impact was felt to the extent that carriage fees saw a reduction of 15-20% overall.<sup>5</sup>

### Challenges

One year into the implementation of digitisation, the cable and broadcast sector is still trying to iron out the creases and get systems in place. The delay in implementation of the various phases of digitisation has meant the promised jump in subscription revenues and average revenue per user (ARPU) has not materialised.

The key goal of digitisation was addressability, which was expected to plug leakages in the system. While cable subscribers have been increasing, rampant under-declaration meant Multi-System Operators (MSOs) that transmitted the signals to cable operators earned little from the large subscriber base.

Digitisation was meant to benefit all stakeholders – content owners and producers (broadcasters), content distributors (MSOs and cable operators) and consumers. Despite being aware of hiccups in implementing digitisation in phases across cities and towns, broadcasters were hopeful that they would be

saved from ‘huge’ carriage fees, thereby increasing profitability, and enabling them to focus on better content. While digitisation has brought down carriage fees, MSOs and broadcasters are quick to underline that the drop hasn’t been to the extent that they had expected.

The lead time for the delivery of set-top-boxes (STBs) still remains a challenge as we approach Phase III and Phase IV.

Complaints have poured in against set-top boxes. People in the city are complaining about digital set-top boxes installed in their residences and commercial organizations. Visual and sound disturbances coupled with channels going off air from time to time have left viewers unhappy.<sup>6</sup>

In the haste to install set-top boxes in the city, cable operators have overlooked a crucial step - that of filling in the Cable Access Form (CAF) before installation of the device. The purpose behind mandating Digital Addressable System (DAS) was to identify the actual number of cable viewers in the country. But with most customers not filling in the form, the purpose still remains defeated.<sup>7</sup>

## Digitisation will open new frontiers of opportunities in India and improved regulation footprint, which will facilitate better monetization.

### Future scenario

In 2014, Deloitte predicts that the digital TV distribution space – both Digital Cable and Direct-to-Home (DTH) would find ample room for growth given the catalyzing effect of digitisation and the headroom for growth provided by non-TV households in the country.

Table 2: Digitisation phases, scope and affected subscribers

Digitisation phase	Scope	Subscribers affected (million)
Phase I	Delhi, Mumbai, Kolkata, Chennai	8-10
Phase II	All cities with population > 1 million	12-14
Phase III	All urban areas (Municipal areas)	30-35
Phase IV	Rest of India	22-25

Source: Industry discussions

With penetration of TV in India standing at approximately 65%, at present, the country has close to 80 million non-TV households, which present a key opportunity for the television distribution players. This low level of penetration holds a great potential for players to increase their subscribers and revenues. Drivers such as rising incomes, decreasing household size, multi TV phenomenon and rising urbanisation would only provide a further fillip.<sup>8</sup>

With the government's digitisation mandate slowly but steadily progressing towards its target, the television distribution space is abuzz with prospects, albeit it would call for investments and improvements, especially

from the Digital Cable players. All metros except Chennai have been largely digitised and the Phase-II of digitisation, which covers 38 cities, is also nearing completion. Phase III and Phase IV of digitisation target December 2014 for their completion. This would mean digitisation of additional 40-50 million household in the balance towns.<sup>9</sup>

Phase III aims to focus on digitisation of all urban areas (municipal areas). Given the extensive coverage of Multi-System Operators (MSOs) and Local Cable Operators (LCOs) in such areas, Digital Cable is expected to make the most in the relatively densely populated areas, notwithstanding the churn of subscribers to DTH. In the first phase of digitisation, DTH operators were able to grab 20% of subscribers converting them from analog to digital.<sup>10</sup>

Phase IV aims to focus on digitisation for the rest of India, which predominantly aims at rural areas and tier II cities. DTH is expected to gain the most in areas with sparse population and inadequate cable infrastructure. DTH, as a sector, had started off by concentrating on rural areas, which were deprived of cable infrastructure and gradually also entered the urban markets. However, they are still strong in rural markets. For instance, contrary to the popular perception, over 50% of Tata Sky's subscribers appear to be from rural India.<sup>11</sup>

Given the complexity of the exercise across the country and the rate at which television penetration is growing (MPA expects India to have 183 million pay-TV homes by 2020); the scale of undertaking of digitisation will be a big challenge.<sup>12</sup> Yet, analysts and sector professionals agree, with the learnings from Phases I and II, the future looks more promising.

# 2. Film Industry

The 101 year old Indian film industry is marching towards newer heights. It begins with Hindi (Mumbai) and goes south.

### Background story

That Bollywood has been the second cinema of the world, which has been known for a long time. India is the world's largest producer of films. In 2012, it produced a total of 1,602<sup>13</sup> feature films. By contrast, Hollywood produces an average of 500 per year. Pather Panchali (1955) directed by the legendary Satyajit Ray was one of the first films to have international recognition. Later, Raj Kapoor's films charmed the Russians.

The 1990's saw films like Hum Aapke Hain Kaun (1994), Dilwale Dulhania Le Jayenge (1995) and Kuch Kuch Hota Hai (1998) directed by Sooraj Barjatya, Aditya Chopra and Karan Johar respectively, which was a big hit amongst the NRIs in the UK and US. Indian movies got a reckoning as colourful films full of song and dance. The difference between the currencies and better average prices in the UK and the US meant that a film, which did well abroad, could get 40% or more of its revenues from there<sup>15</sup>. Many film makers such as Yash Chopra consciously targeted the overseas market and the urban Indian to get through the 1990s.

Over the years, things have improved. The grant of

industry status which allowed the flow of organised capital in 1998, the tax breaks for multiplexes announced in 2001 and the launch of digital cinema in 2003 led to changes at the retail sales end. As capital began to flow into building screen infrastructure, the Indian industry started growing once again. In ten years, what was seen as an industry that was looking down the barrel has grown nearly three-fold.

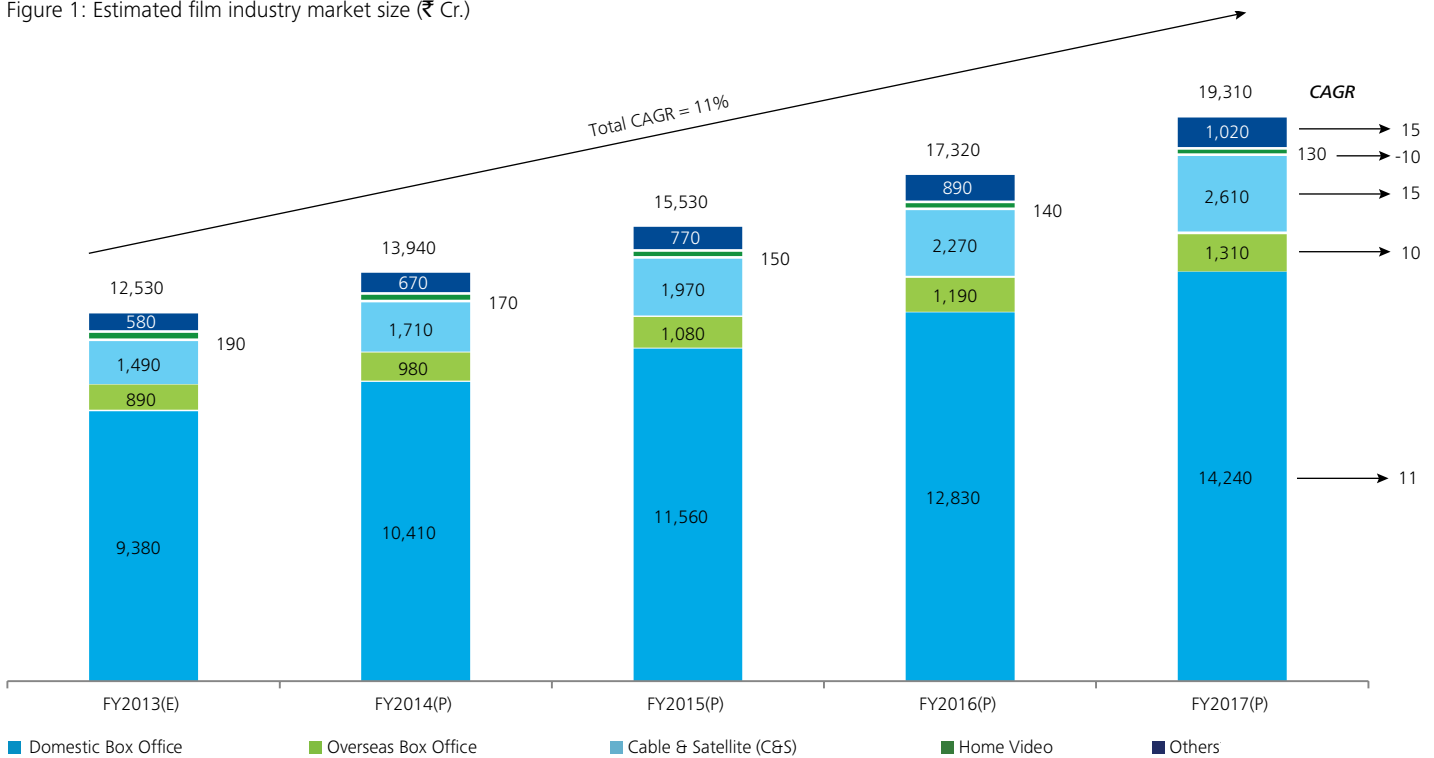
The big Indian movies earn ₹ 350-550 million (\$7-10 million) overseas - and sometimes a little more. There may be a bigger market for many of these because the appeal of Indian films goes beyond just 22 million NRIs to local audiences in China, Morocco, Hong Kong and dozens of other countries with an 'affinity' for Indian culture. There are new markets such as Germany, Peru, France and Poland coming up. These need to be nurtured<sup>16</sup>.

The performance of the overseas market for Indian films then depends on two things:

- 1) Indian studios acquiring scale, something that will happen over time.
- 2) Global audiences accepting that Indian cinema is more than just Bollywood.



Figure 1: Estimated film industry market size (₹ Cr.)



Source: Deloitte – MPA Economic Contribution Study 2013

**Current scenario**

**Bollywood Films**

With several Bollywood movies doing great business in NRI pockets in international markets, revenue contribution from overseas markets is set to grow exponentially.

Domestic box office collections accounted for a majority of film industry revenues, representing 75%<sup>17</sup> of the total industry revenues in FY2013.

Cable and Satellite (C&S) rights and online/digital

aggregation revenues are the fastest growing segments, and expected to grow at a CAGR of about 15% over the period FY2013 – FY2017<sup>18</sup>, driven by rising demand for movies on TV and increasing smartphone penetration across the country respectively.

The home video industry has been shrinking, and this is expected to continue, due to increasing piracy and more importantly, by the growing popularity of digital platforms. Home video has lost share to Video on Demand (VoD) through DTH operators and Over the Top (OTT) platforms.

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## Ticket sales, domestic and international, along with cable and satellite rights will dominate the Bollywood growth story

Table 3: Top 10 Highest-grossing Bollywood films in overseas

No.	Overseas Top 10 Bollywood movies	Lead stars	Collections in USD
1	Dhoom 3	Aamir Khan, Abhishek Bachchan, Uday Chopra, Katrina Kaif	\$27,000,000
2	3 Idiots	Aamir Khan, Kareena Kapoor	\$26,000,000
3	My Name Is Khan	Shah Rukh Khan, Kajol	\$23,000,000
4	Chennai Express	Shah Rukh Khan, Deepika Padukone	\$19,300,000
5	Jab Tak Hai Jaan	Shah Rukh Khan, Katrina Kaif, Anushka Sharma	\$13,560,000
6	Don 2	Shah Rukh Khan, Priyanka Chopra	\$11,750,000
7	Kabhi Alvida Na Kehna	Shah Rukh Khan, Rani Mukerji, Preity Zinta, Abhishek Bachchan	\$10,770,000
8	Yeh Jawaani Hai Deewani	Ranbir Kapoor, Deepika Padukone, Kalki Koechlin and Aditya Roy Kapur	\$10,500,000
9	Ek Tha Tiger	Salman Khan, Katrina Kaif	\$10,150,000
10	Om Shanti Om	Shah Rukh Khan, Deepika Padukone, Arjun Rampal	\$10,080,000

Source: Boxofficeindia.com

### Regional Films

While the Hindi movie industry in India is the largest, the country also has a fairly large and active regional movie industry. With audiences looking beyond Bollywood, regional films are fast catching the fancy of Indians living abroad.

Many of these will have English sub-titles for a wider appeal, a trend that started last year with Tamil film Vinnayithaandi Varuvaayaa. It was followed by Rajinikanth's Endhiran, which earned ₹ 700 million overseas.

The Indian film industry is hardly restricted to Bollywood; while it is the most prestigious industry on the local market and the best known abroad, the 255 films certified in the Hindi language represented 15% of the country's film production in 2013<sup>19</sup>.

Among the regional markets, Tamil and Telugu are the largest segments comprising ~36% of the total net box office revenues<sup>20</sup>. This shows that these two regional film industries have a large market not only in India but internationally as well.

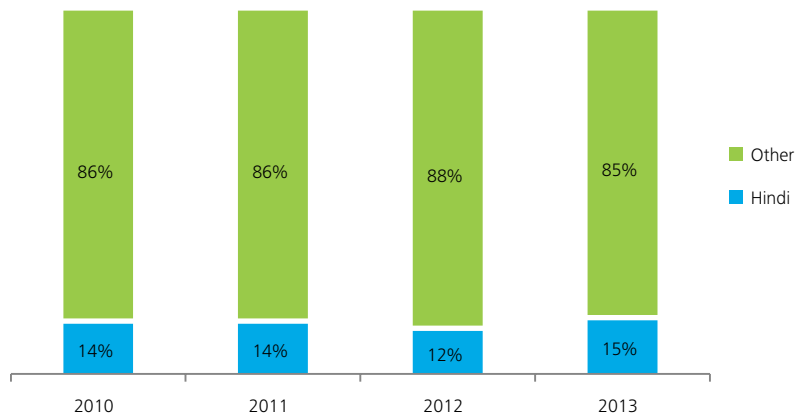
Table 4: Box office revenues by language in FY2013

Languages	₹ billion	\$ million
<b>A Hindi</b>	<b>35</b>	<b>565</b>
<b>B Regional</b>		
(i) Tamil	15.5	250
(ii) Telugu	13.5	218
(iii) Other Regional	12.2	197
<b>C International (English and Foreign language films)</b>	<b>4.8</b>	<b>77</b>
Net Revenues	81	1,306
Add: Entertainment tax	12.7	205
Gross Revenues	93.8	1,513

Source: Box Office reports, Industry discussions and analysis

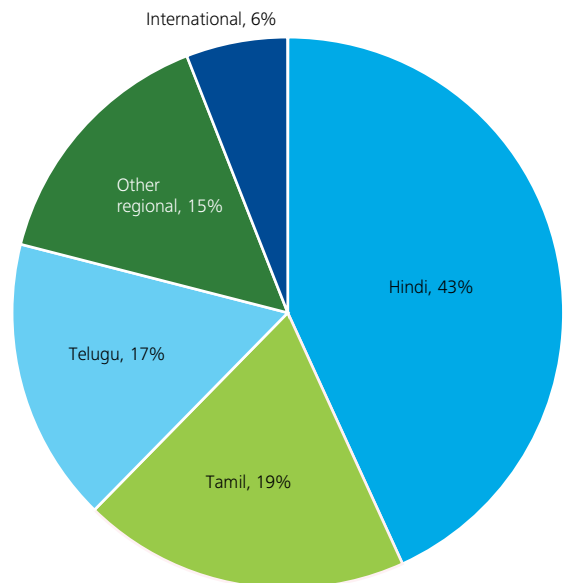
Large national producers such as Reliance Entertainment, Eros, Disney UTV, Viacom 18 Motion Pictures, Fox Star Studios as well as independent producers like Emmay Entertainment (Nikhil Advani), Akshay Kumar and Grazing Goat Productions plan to spend 20% of their annual budgets on regional cinema. Cinema of the south grows in both the domestic and the international markets and may soon dethrone Bollywood from the top spot.

Figure 2: Box office collection comparison between Hindi and regional movies



Source: Film Federation of India

Figure 3: Box office net revenues by language in FY2013 in %



Source: Box Office reports, Industry discussions and analysis

### Digitisation

Following a slump in 2009-2010, the Indian film industry is once again expanding substantially. It saw Y-o-Y growth of 11.5% generating ₹ 125.3 billion in 2013.<sup>21</sup> The factors explaining this success clearly include the improved quality of Indian films, aggressive marketing campaigns, along with the industry's ongoing digitisation and an increase in the number of multiplexes. Multiplexes, which represent 15% of theatres and one-third of ticket sales, have increased in the average price of a ticket, currently ₹ 160 (60 in single-screen theatres)<sup>22</sup>. As a result the flexibility offered by the transition to digital cinema (representing 80-90% of copies distributed today, compared to 50% in 2010)<sup>23</sup>, movie theatres operators are able to better manage screening schedules, with theatres getting better occupancy as a result. Digital film also means that movies can be released in more theatres, thus earning more revenue. The record is held by Dhoom 3, a 2013 blockbuster featuring Aamir Khan simultaneously released across 4,500 screens in India (inclusive of Tamil and Telugu versions) along with 750 screens overseas<sup>24</sup>.

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Right before our eyes, motion pictures are undergoing a revolution that may have far reaching, fundamental impact than the introduction of sound, color or television.





### Crossover effect

A latest phenomenon is the crossover of talent in the direction of Hollywood.

Anil Kapoor, who began life as a leading Bollywood actor in the 1980s, has achieved what he describes as a "second career" in Hollywood.

After his sleazy game-show host portrayal in *Slumdog Millionaire*, he has appeared in the hit US television series *24* alongside Keifer Sutherland, in *Mission Impossible 4*, released in 2011, and is currently filming *Cities*, also starring Clive Owen.

Bipasha Basu, who made her Hollywood debut in Roland Joffe's *Singularity*, released in 2011.

Irrfan Khan is perhaps the best example of the cross over effect and his English-language mainstream work includes character roles in movies like *The Namesake*, *New York, I Love You*, *A Mighty Heart*, *Slumdog Millionaire*, *The Amazing Spider-Man*, and *Life of Pi*, *The Lunch Box*, as well as in the HBO series *In Treatment*.

### With IIFA Awards - Indian cinema flexes business muscle abroad

The 15th International Indian Film Academy (IIFA) Awards in 2014 was held in the scenic coastal town in Florida with Hindi cinema's new generation of stars lending glamour to its biggest celebration outside India. This is the first time the awards are being held in the US and it is expected to bring in tourism and business opportunities. In addition to all the top Bollywood stars, the awards were also attended by top Hollywood actors like John Travolta and Kevin Spacey.

The four-day series of events, ending with the April 26 awards ceremony at Raymond James Stadium, generated nearly \$32 million in direct spending and a total economic impact of \$56 million<sup>25</sup>.

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# Indian film industry and actors in international films and television showcase the talent in Indian entertainment industry and bring worldwide recognition and fame to not only the actors but also to the overall Indian film and television industry.

### Challenges still remains with respect to Audience other than the NRIs

The success of Indian films abroad is closely tied to the star system and marketing efforts and tends to follow the Indian diaspora. Punjabi cinema, whose blockbusters earn 45% of their revenue abroad, has conquered a number of areas in the United States, Great Britain and Canada, all of which have a substantial Punjabi community. Malayalam cinema (from Kerala) has a market in the Middle East, resulting from the emigration from Kerala to the region.

Indian film industry has not yet been able to create universally appealing movies for a global audience. The genre of Indian film is extremely different from a Hollywood movie, it is longer, has many songs and dance numbers, and is considered to be too dramatic to appeal to western audiences. Some new directors who are exposed to western film making are making Indian movies in keeping with their sensibilities to draw wider audiences in world cinema. However, overall, no industry participants predicted that films popular with Indian audiences would find true global audiences; recognizing this, Indian entertainment companies hope to develop content separate from the Indian audience that would appeal to viewers outside India.

Some in the film industry make the case that Indian cinematic styles don't need to change to make the crossover to western audiences, but their perceptions need to change. Song-and-dance melodrama is a part of an Indian film and it will take a while before that is accepted mainstream globally.

### Opportunities

In recent years, as urban Indian society has evolved, commercial films have begun featuring new themes, and box office success has been attained by films deviating from the beaten path. One such blockbuster, *Dostana* (2008), depicts a kiss between John Abraham and Abhishek Bachchan and more recently, *Vicky Donor* (2012), attained veritable commercial success, with ticket sales amounting to over nine times its production cost. Meanwhile, *Gangs of Wasseypur* by independent

film director Anurag Kashyap – more accustomed to critical acclaim than commercial success – earned ₹470 million at the box office. Ritesh Batra's *The Lunchbox*, was another significant film, not just because it got rave reviews at every major festival from Cannes to Toronto - it is a critical film because it tests how hard Indian studios can push in their bid to revive the overseas market for Indian films.

### Future scenario

Indian entertainment companies are increasingly interested in developing and co-producing Hollywood films intended for Western audiences. Indian film companies are also making inroads in Hollywood. UTV Motion Pictures co-produced two films with Fox Searchlight, "The Namesake" and "I Think I Love My Wife" and one with 20th Century Fox, M. Night Shyamalan's "The Happening," which earned over \$163 million worldwide. Dharma Productions had premiered their new movie "My Name Is Khan" at the Berlin Film Festival which will give the movie global attention. (Note: Major US studios have signed agreements to co-produce Bollywood films with established Indian directors and production houses.)

The Anil Ambani's Reliance Big Pictures has invested \$325 million for a 50% stake in Steven Spielberg's Dreamworks. The group has also formed development partnerships with several US production houses owned by Nicholas Cage, Jim Carrey, Tom Hanks, Brad Pitt, Julia Roberts and George Clooney. The group has also acquired movie theatres in the US in areas populated by Indian diasporic communities to showcase Bollywood and regional Indian films.

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Indian film industry will fly globally especially to the west and western studios will co-produce with Indian production houses.

# 3. M-Entertainment

We are entering a digital decade where smart, connected devices and advanced home-entertainment solutions will enable people to utilize technology in new ways and maximize its full potential.

- Bill Gates, Founder of Microsoft Corporation

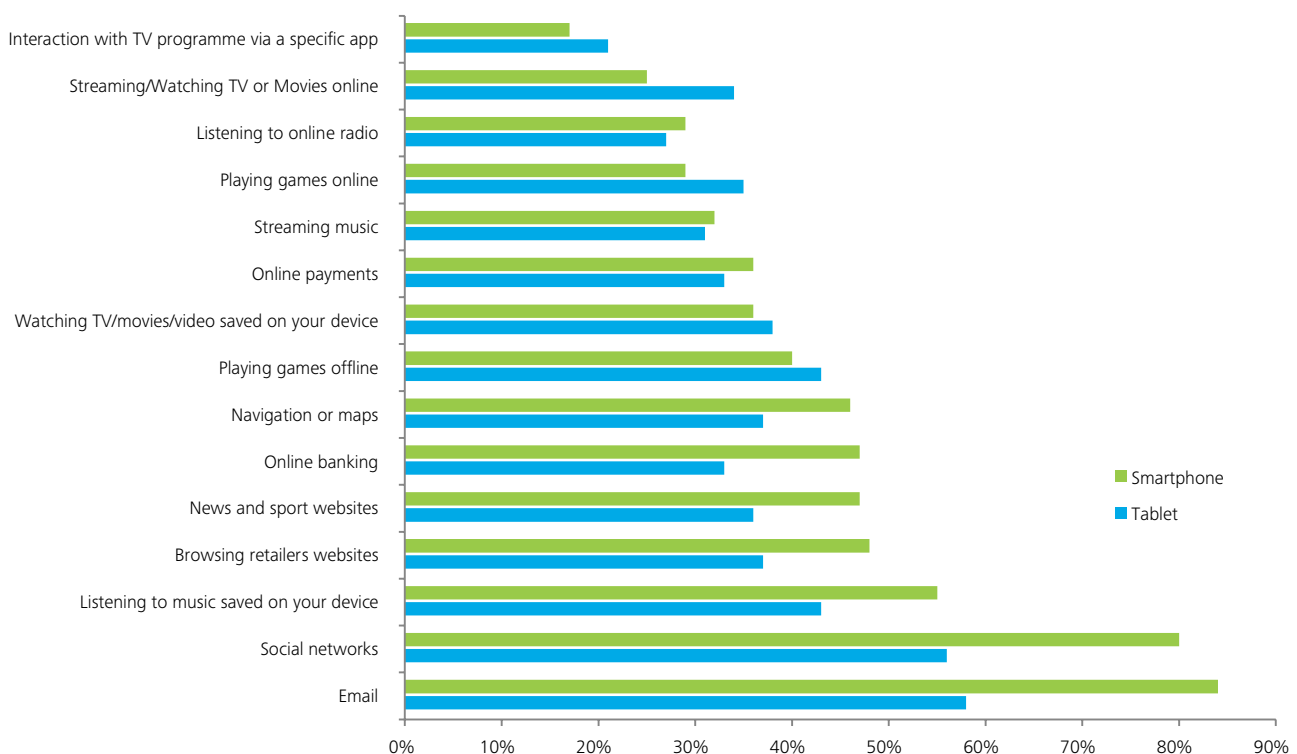
## Background story

Entertainment used to quickly make us conjure images of going to the movies – a dark theatre, a big screen, yellow popcorn. As mobile technology has reshaped the way we live, it has become apparent that being on one screen is likely not enough to capture a global market.

Mobile devices are thought of as replacing the traditional media channels (TV, radio, etc.), but they are truly complementing them in ways that entertain consumers. The second screen concept changes across geography and demographics and understanding of this will help mobile businesses and M&E industry to embrace this opportunity and benefit from it. The true

potential of the mobile phone needs to be unlocked to take the medium truly beyond voice and SMS. Currently, VAS revenue mainly comprise of entertainment as smartphones are popular among urban youth. Mobile TV or music streaming are prime examples of how dynamically a profile can change due to the popularity of few devices — smartphones and tablets — and some applications or services. Mobile Instant Messaging (IM) services that stemmed from the consumer space are now gradually percolating into the enterprise market. Mobile operators and developers are geared to get creative and innovative in the mobile entertainment space.

Figure 4: In the last week, for which of the following activities did you use your device?



Source: Deloitte Global Mobile Consumer Survey, May-June 2013

The M&E focus on cloud has been propelled by the rise of media friendly, but storage shy smartphones and tablets, as well as better networks. Cloud's game changing attributes are revolutionizing the media value chain and forcing media executives to adapt their business models to gain competitive advantage.

**Current scenario**

India is estimated to have gained a mobile phone user base of more than 900 million by the end of Feb 2014.<sup>30</sup>

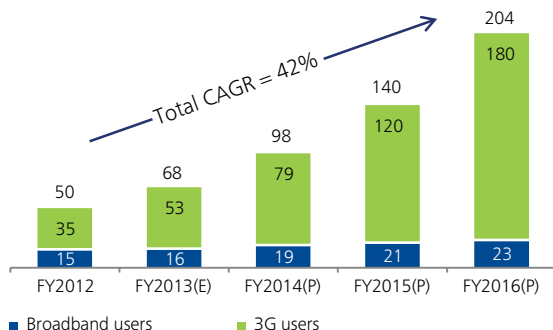
**Rapid adoption of gadgets that delivers networking capabilities and multiscreen home entertainment**

The country is today the third largest smartphone market in the world.<sup>31</sup> The overall mobile phone market, which includes both feature phones and smartphones, grew by 12% Y-o-Y.<sup>32</sup> The dramatic growth in the usage of smartphones is driven by a desire among users to stay connected and have instant access to social networking sites.

**Pipe (broadband, 3G, 4G) availability is expected to enable rapid adoption of digital consumption of content**

India's Internet audience grew 31% Y-o-Y from March 2012. Mobile internet users dominated the internet user base with a share of 61%. High-speed broadband is available in most of the urban centers in the country.

Figure 5: Smart devices growth trend in India

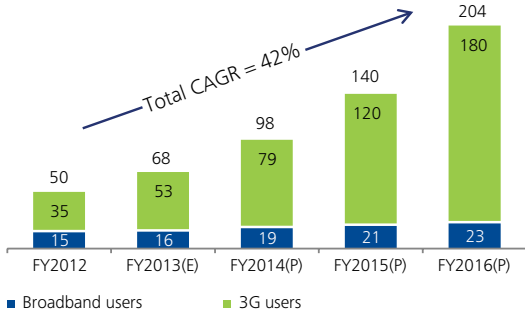


Source: Deloitte – MPA Economic Contribution Study 2013

“Just as past generations met the great infrastructure challenges of the day, such as building the railroads and the Interstate highways, so too must we harness the potential of the Internet. Expanding broadband across the nation will build a foundation of sustained economic growth and the widely shared prosperity we all seek.”

- Barack Obama, US President

Figure 6: Broadband & 3G user base in India (million)

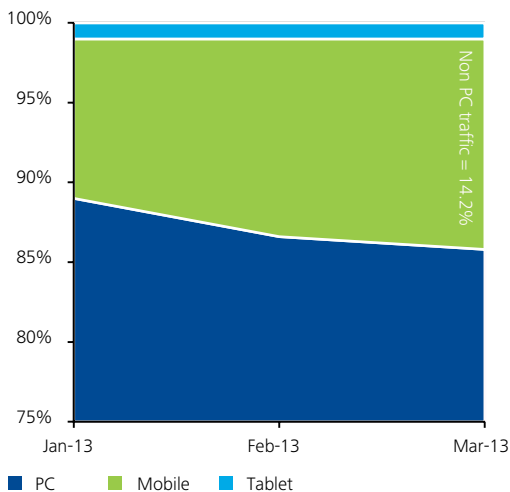


Source: Deloitte - MPA Economic Contribution Study 2013

**Number of services are becoming available across many devices as well as online, providing consumers with a multichannel experience**

This is particularly true for TV, video, music, shopping, social media and payment services. With consumers increasingly wanting to watch content on the move, share of videos as well as non-PC devices in internet traffic is on the rise. Online video consumption in India is dominated by film and TV based content. Video apps feature in the list of both top paid as well as top free apps downloaded in the country. The challenge is that people would not like to watch full movie on the mobile but would prefer to watch few popular scenes and songs, thus creating separate content targeted at mobile audiences would increase consumption quickly.

Figure 7: Non-PC share of internet traffic in India



Source: Deloitte – MPA Economic Contribution Study 2013

**Key trends**

**Mobile gaming** continues to gain momentum, as is evident from the ongoing interest of gaming companies in this market. The current size of mobile gaming segment is ₹ 5.6 billion. Few International gaming products such as Angry birds (Rovio), Candy Crush (King), Clash of Clans (Supercell) are extremely popular in the Indian gaming market. Popular social messaging apps, such as Line, offer games on their platforms, which has helped to build the messaging app into a social gaming network and to monetize the app.

Apple offers community-based experience with applications such as Game Center, which is accessible on iPhones and iPads. Similarly, Windows smartphones have Xbox Live.

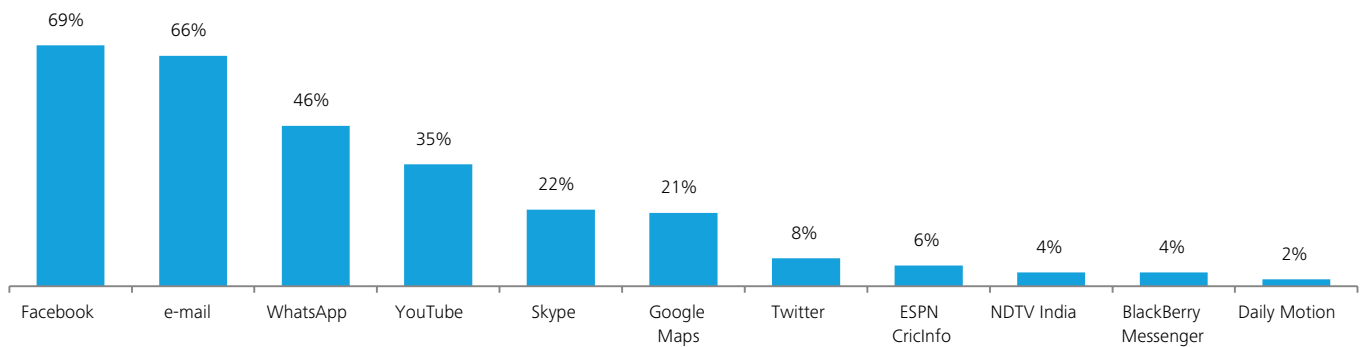
**Mobile TV** has matured in terms of streaming technology, and user adoption is evident from the increase in video traffic. Mobile TV registered a 400% growth rate in viewership for the country's largest telecom companies as more Indians watched TV on the go. YouTube, the most popular video app is accessed by 35% of smartphone users who spend almost 1.5 hours a month on it. Apple's iTunes platform to pay for downloading music continues to dominate globally both units sold and revenue contributions to the industry.

Mobile carriers are keen to derive revenue from value-added services, such as music and TV, to augment their wireless data revenue opportunities. The trend is to partner with music and video solution providers, as Vodafone has done with Star India. Airtel Radio and Airtel Talkies are famous for listening to music or to watch cinema entertainment while on the move. The momentum for second-screen apps grew during IPL in India. A prominent genre of content on mobile that surfaced in 2013 in India was Live-TV especially GEC, News & Sports.

The growing adoption of mobility devices is prompting pay-TV and Internet TV (or Cloud TV) providers to offer a wider choice of content via smartphones, tablets, phablets, etc. Internet TV providers such as BigFlix, Dish TV offer mobile apps (DishOnline) to access their Internet TV services as part of a multiscreen strategy. Pay-TV providers are beginning to offer apps for streaming TV (live or time-shifted) in or out of the home.

**Mobile social networks and instant messaging**  
are proliferating in consumer and enterprise markets.

Figure 8: Which, if any, of the following services/applications would you most like to have unlimited access to for a fixed fee?



Source: Deloitte Global Mobile Consumer Survey, May-June 2013

Latest paradigm shift was brought by social media campaign during the last elections, where 29 million people made 227 million interactions regarding elections on Facebook and about 60 million tweets from the day elections were announced to the day polling ended.

Most smartphones are shipped with preloaded apps to connect to IM services and social networks. A variety of mobile apps are available in app stores: Apple's devices are equipped with iMessage, BlackBerry devices with BlackBerry Messenger (BBM) and Windows Phone devices with a Windows Live client. Android devices have a range of messenger apps options including WhatsApp and SnapChat.

Enterprise social networks, such as Yammer, Salesforce Chatter, are used as real-time collaboration tools to support the distributed workforce. In addition to publicly available services, enterprises increasingly deploy corporate IM and presence on smartphones, e.g. Microsoft Lync through mobile communicator clients.

Megaplayers in the Internet space launched different initiatives to enable social networking experiences on mobile devices e.g. Google with Google+, Skype with its mobile client on many devices, Facebook & Twitter Apps.



### Challenges

The device compatibility, price points and bandwidth issues remain the biggest challenge. The 3G enabled mobile penetration in India is very limited and 4G is rolled out in few cities in India. Video streaming require continuous power, and cannot benefit from all of the types of optimizations that are used to reduce power consumption for data and voice services. Currently, the available memory capabilities do not support large buffering requirements for long hours of mobile TV viewing. Significantly more processor performance is required for mobile TV than that used by applications such browsers and messaging. Providing the optimal user experience across different screens (different size and resolution) is another challenge.

With India being a price sensitive society, the people are still reluctant to pay for mobile games and downloading large file-sized games/apps despite of cheap gaming rates and mobile internet plans. Monetization is thus a big issue for both the local and global mobile game developers entering the Indian market.<sup>38</sup>

Mobile operators show limited commitment to mobile IM adoption as it affects their lucrative SMS businesses by providing a cheap/unlimited alternative for personal messaging. It is also increasingly a threat as applications such as WhatsApp Messenger and BBM continue to cannibalize the SMS revenue stream.

### Opportunities

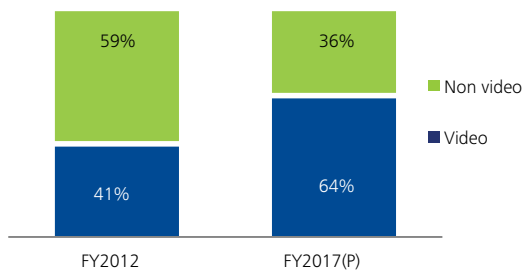
The biggest bet is the youth in the 16-30 year bracket who form substantial part of the mobile subscriber base in the country. Creating appropriate apps and local language content for each market, marketing of it, user education & awareness, promotions, etc. could generate greater opportunities for telecom and M&E industry.

The consumer shift towards mobility devices and applications from fixed products and services provides technology providers, equipment manufacturers, content providers and marketers an opportunity to accelerate the development of mobile solutions (extensions of fixed). The move to mobile devices and cloud services present technology providers with new opportunities to create a closer relationship with customers and increase customer loyalty.

### Future scenario

Mobile is going to become even more significant portion of people's lives and entertainment is likely to become a central theme on the mobile. The number of app downloads in India is expected to grow from 1.56 billion per annum in 2012, to 9 billion by 2015, which translates to a CAGR of 75%.<sup>39</sup> Share of video in internet data traffic is expected to rise from about 41% in FY2012, to 64% in FY2017.

Figure 9: Share of video in internet data traffic, India FY2012-17



Source: Deloitte – MPA Economic Contribution Study 2013

Sophisticated context-centered services are expected to emerge as mobile, social and location-based services further converge. Due to the convergence of these services, context-aware services will become more real as we are able to pull data from multiple sources to offer an increasingly intelligent and personalized experience for shopping or infotainment.

The ultimate consumers currently face the challenge of accessing content over multiple devices and loss of content. Since cloud delinks content from hardware, content is protected even in case hardware gets destructed. M&E companies can use cloud-based solutions to manage the digital content life-cycle comprising of content creation, storage, delivery, and management. The consumers also might prefer cloud based solutions from the M&E companies.

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## In hand, cloud and mobility together will give efficiency, reach and cost optimization in the future

Social networking companies will target a multichannel audience with context-aware services. Internet companies will consolidate multichannel social networking services. Enterprises should leverage the IM capabilities of smart mobile devices that employees use for work to enable new forms of real-time collaboration.

The size of **mobile gaming** segment will become more than triple to ₹ 18 billion by 2017.<sup>40</sup> 3D-mobile games are expected to create a boom in the market, as various game developers are focusing on 3D games developments and some of them have already launched 3D games in the market.<sup>41</sup>

Although consumers will watch streamed mobile TV mainly via Wi-Fi, its delivery over cellular networks will continue to impact mobile data traffic usage and revenue, especially during major sporting events.



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