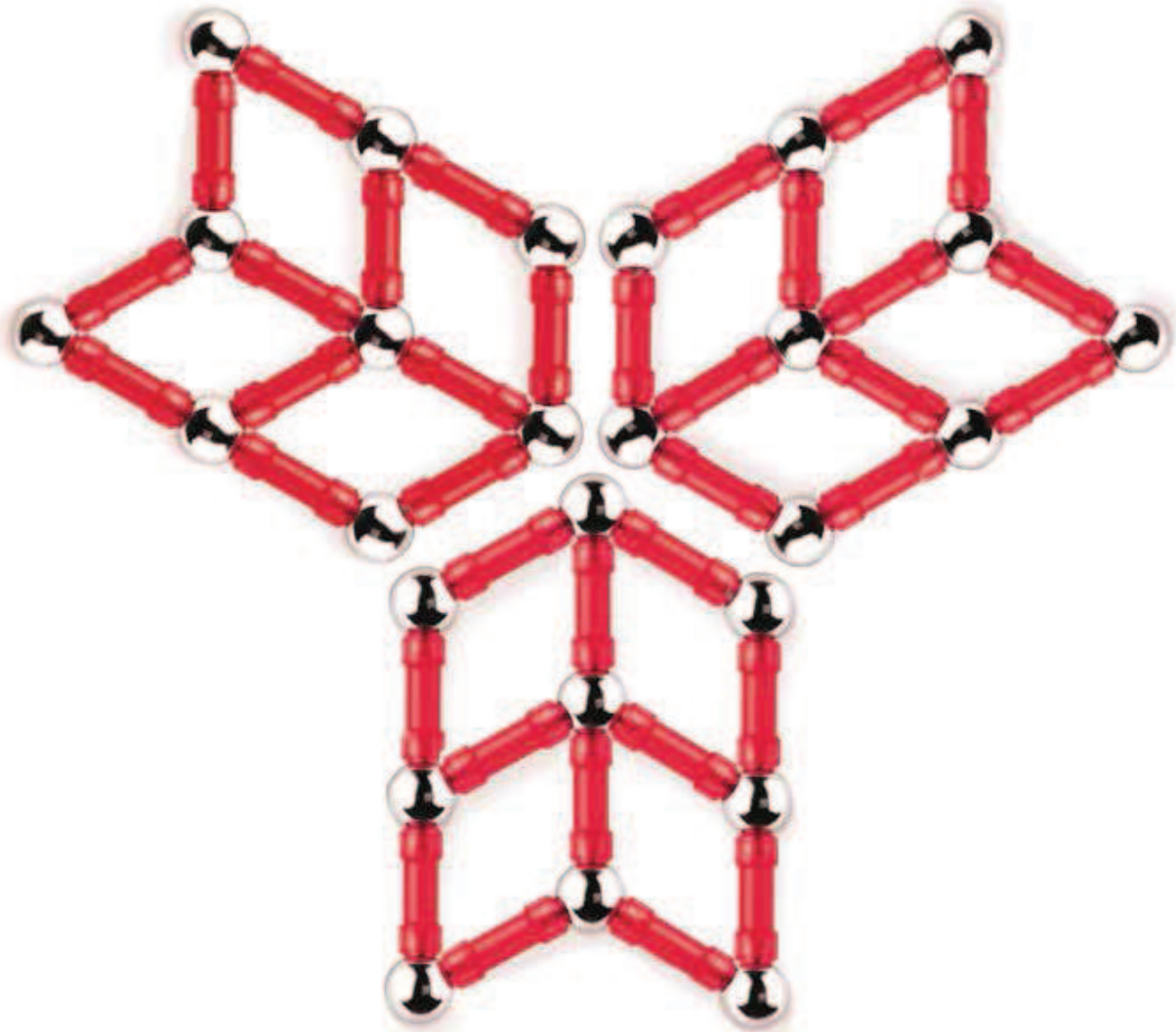


# Media

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# Newspapers: The regional surge

In 2014, Deloitte predicts that regional print industry will continue to surge primarily driven by factors such as under penetration in regional markets, rise in regional ad-rates and sustained pressure on English print advertising by digital media.

The print industry continues to depend on advertising spends, which owing to its high correlation with economic growth, remains under pressure. On the contrary, local retail growth and local advertising favoring the regional newspapers could hedge the pressure on advertising revenues for regional newspapers. Furthermore, the affinity of people to consume content in local languages<sup>20</sup> and a sizeable proportion of population staying in tier II and III cities, towns and villages would continue fuelling this growth.

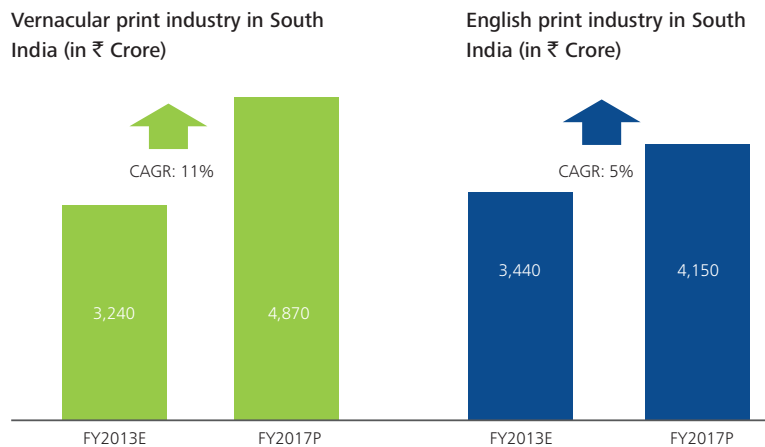
An indicator of regionalisation is the comparative analysis of expected growth of vernacular print industry in South India vis-à-vis the English print market in South India. The advent of regionalisation is not just limited to languages but also to geographies.

## Under penetration in regional markets

Average penetration of newspapers is low in the country and stands at approximately 15 percent. However, the penetration numbers are as high as 70 percent in cities while as low as 5 percent in the countryside.<sup>21</sup> India's literacy stood at 73 percent, according to the 2011 census<sup>22</sup> and is expected to continue its upward growth. Even among the literate population, the penetration of newspapers is low. As an indicator of the level of under penetration in regional markets, only 30 percent of literate population in South India (Andhra Pradesh, Karnataka, Kerala, and Tamil Nadu) read newspapers.<sup>23</sup> This indicates a huge potential for newspapers to expand with respect to their readership base.

With its continued march towards higher literacy, the country is witnessing upward mobility along the class lines. This will make newspapers important for the aspirational middle class. Further, such consumers in smaller cities, towns and villages would continue to consume news in their local languages rather than English.

**Figure 3: Expected industry sizes of Vernacular and English Print industry in South India**



Source: M&E in South India: Promising signs ahead, Deloitte, 2013

### Rise in vernacular ad-rates as gap with English ad-rates expected to narrow further

Due to the growing interest of national players in the regional print sector, as well as growth witnessed by the vernacular print industry, the gap between the ad-rates commanded by the English newspapers and vernacular newspapers has reduced. This was evident last year as well with the share in print advertising of Hindi and vernacular medium gradually increasing.<sup>24</sup>

The industry believes that this gap will reduce further with sustained growth of the regional print industry backed by market inclination to consume news in local language and growing relevance of local advertising.

On the back of such factors, English newspapers have started expanding into regional territories. For instance, the Hindu has recently launched a Tamil newspaper under the same name.<sup>25</sup> The Times of India

is contemplating entry into regional languages including Tamil and is already on the verge of launching a Bengali daily 'Ei Shomoy'.<sup>26</sup>

This push has been further aided by the growth of digital advertising. It witnessed approximately 41 percent growth in revenues in FY2012 as compared to almost 7.3 percent accrued by the Indian print industry.<sup>24</sup> It is expected to grow further on the back of a rising internet user base in India, which is slated to become world's second largest by June 2014 with 243 million users.<sup>27</sup> A majority of this internet user base resides in the urban areas<sup>28</sup> and hence is also the target base for digital advertising. As advertisers embrace digital advertising, they may increasingly choose internet over English newspapers to target such urban populace. As a result, the English dailies are increasing their focus on regional markets through special editions and local dailies.

#### Bottom line:

Newspaper and print industry will continue to witness regionalization both in terms of language and geography. This would be driven by:

- Prevalent under penetration of newspapers in the regional markets in spite of high literacy, leaving a great potential for growth in such areas.
- Rise of digital advertising putting pressure on English dailies to look towards untapped markets with relatively less reach of digital media.
- Narrowing gap between ad-rates charged by Vernacular and Hindi newspapers and English newspapers, thus increasing the viability of regional newspapers.

# Distribution Networks: The digital leap

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 digitization and the headroom for growth provided by non-TV households in the country.

**Table 2: Digitization phases, scope and affected subscribers**

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

Source: Industry discussions

With penetration of TV in India standing at approximately 65 percent, at present the country has close to 80 million non-TV households, which presents a key opportunity for the television distribution players.<sup>29</sup> This low level of penetration holds great potential for players to increase their subscribers and revenues. Drivers such as rising incomes, decreasing household size and rising urbanisation would only provide a further fillip.

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.

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 digitization, DTH operators were able to grab 20 percent of subscribers converting them from analog to digital.<sup>30</sup>

Phase IV aims to focus on digitisation of 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 percent of Tata Sky's subscribers appear to be from rural India.<sup>31</sup>

Both DTH and Digital Cable have their respective shares of pros and cons. It would be interesting to see the direction in which the industry moves as digitisation gains further momentum. The results would depend upon how well the players are able to leverage their respective strengths.

## DTH

DTH used a cautious approach to begin with and focused on rural areas. Within ten years of its launch, DTH has become a force to reckon with. Its subscribers are not just limited to rural India with over 60 percent belonging to top 20 cities.<sup>31</sup> DTH has already proved its capability to satisfy the prerequisites of digitisation. It has successfully deployed Conditional Access System (CAS), Customer Relationship Management (CRM), Electronic Programming Guides (EPGs), billing platforms and other systems key to serving customers transparently. All DTH players in India are backed by large organisations with significant ability for marketing, thus creating a unique brand. With no intervention by the middlemen and its direct access to customers, DTH has successfully addressed the issue of accessibility.<sup>32</sup>

On the flip side, DTH plays more on a national scale. This may hinder it from offering localised content specific to a city, town or smaller geographies. They also have to incur transponder and spectrum charges, which are sizeable in nature. Availability of satellite bandwidth on Ku band could also pose a constraint on the offerings of DTH, specifically high-bandwidth services such as High Definition (HD).

#### Digital Cable

Cable operators in India, through their sustained expansion, have managed to hold a 60 percent pie of the subscriber base. Cable has always grown locally. Apart from a handful of MSOs, majority of cable operators are confined to smaller localities. This makes them more suitable for providing localised content of relevance to the particular geography. On the technology side, Industry participants consider cable

to be technologically stronger as it offers a higher bandwidth and a natural return pipe. On the cost front, cable players do not need to bear any transponder or spectrum charges, which burden the DTH players. Also, cable has the capability of providing an uninterrupted experience as opposed to DTH, which is vulnerable to rain attenuation.<sup>33</sup>

On the other hand, given the large fragmentation in the industry, players have struggled to develop brand positioning. Also, digitisation mandates would necessitate implementation of systems such as CRM, Billing etc. and additional digital heads and fiber, all seeking capital expenditure and investments. Despite digitisation, MSOs are still grappling with the issue of addressability and are focusing on getting customer acquisition forms (CAFs) filled and mapping subscribers onto their systems.

#### Bottom line:

- Indian television distribution industry is going through a paradigm shift through the government's digitization mandate.
- The ramifications of digitisation and significant headroom due to under penetration, presents great potential for both DTH and Cable operators.
- Digital Cable is expected to gain more out of the densely populated areas with adequate cable infrastructure while DTH is expected to gain more in sparsely populated areas with minimal cable infrastructure.

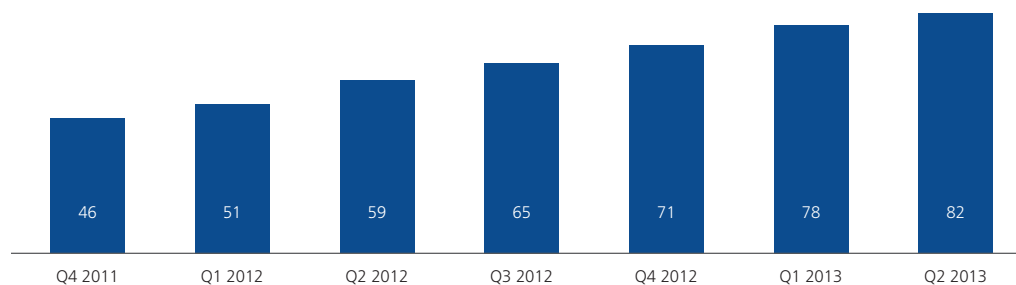
# Social Media: The urge to connect

In 2014, Deloitte predicts that social media would continue to grow as a favored platform for targeted advertising as its adoption surges, driven by increasing mobile usage and higher penetration of smartphones and a young population.

Social networks such as Facebook, Twitter, and LinkedIn continue to grow in terms of relevance in the country. In the fragmented media landscape, they have become daily haunts of millions of users. Facebook's annual report indicated 71 million monthly active users in India as of December 31, 2012, an increase of 54 percent year-on-year, and identified India as a key source of growth. India currently accounts for 7 percent of the Facebook's global monthly active user base<sup>34</sup> and is the second largest in the world behind US.<sup>35</sup> Other networks such as Twitter are also gaining foothold with more than 20 million users. Mobile has added another dimension to the usage patterns of the social networks and will be an area of immense interest and focus for all networks, with the growing user base on mobile fuelled by increasing smartphone adoption and increasing usage of internet via feature-phones.

A fragmented media landscape and the rising popularity of social networks have propelled social media to become a favored platform for targeted advertising as well as consumer engagement. Social media platforms have built up extensive databases containing information on consumer demographics, social connections, interests, habits and behaviors, thus providing a wealth of information, which can be leveraged for targeted and relevant advertising. The lure of social media is further heightened because of higher levels of user engagement in terms of time spent on the network. Beyond advertising, social media platforms also facilitate client engagement for consumer-centric organizations to engage with their customers on a one-to-one level, thereby, providing a personalised experience. This is only expected to intensify in the future with social networks working on their own tools providing better targeting as well as third party developers who specialise in social media marketing and consumer engagement.

**Figure 4: Facebook India Monthly Active User Base (in million)**



Source: Medianama

### An expanding user base

India is a rather young country with a median age of 24, and 31 percent of population in the 0-14 age group.<sup>36</sup> This presents a significant opportunity for social media platforms with opportunity to attract additional users onto their platforms.

Further, mobile is increasingly becoming an important medium for social media platforms. Both Twitter and Facebook have passed the 50 percent mobile usage mark and this is only expected to increase.<sup>37</sup> Platforms are also innovating advertising tools specific to mobile. For instance, Facebook started native advertisements (apps embedded in the News Feed) on mobile Facebook timelines. Such native ads are expected to generate a higher click through rate.<sup>38</sup>

The current user base of smartphones in India is estimated at over 60 million.<sup>39</sup> Internet-enabled mobile devices such as smartphones and tablets are expected to grow further in the future. With the rapid growth of internet users in India, it is expected that India would have more internet users than US by June 2014.<sup>29</sup> Such large scale and rapid adoption of devices and large base of internet users presents a golden opportunity for social media platforms to increase their penetration.

### Advertiser's perspective

Social media platforms with detailed understanding of user's demographics, preferences, social connections and behavior provide an attractive proposition for advertisers. The high granularity of information allows advertisers to target consumers much more effectively.

Social platforms too have been innovating to produce tools, which help advertisements become more effective and span across multiple properties. For instance,

Google launched Google+ shared endorsements in November 2013. Using this tool, businesses can leverage comments and ratings given by users to them. The tool showcases such comments and ratings within the search results, thus allowing businesses to showcase consumer confidence.<sup>40</sup> Facebook started native in-line advertisements in News feed of their mobile users. Twitter has also revamped its analytics platform to provide improved campaign reporting for advertisers.<sup>41</sup> LinkedIn, along with targeting options for ads, also offers sponsored updates that allow companies to promote their content to specific audiences on LinkedIn in a similar manner as companies post sponsored tweets on Twitter and promote page posts on Facebook.

In addition to the platforms themselves, multiple third party providers are also entering the fray. For instance, UberMedia has launched a mobile advertising platform called UberAds that tracks publicly available information provided by smartphone users and offers interest based advertisement to the users.<sup>42</sup> Facebook has partnered with data companies such as Epsilon, Datalogix, Acxiom and Blue Kai, which helps it to track both online and offline purchase behavior thus expanding the understanding beyond the platform.<sup>43</sup>

#### Bottom line:

Social media will continue to increase its relevance for advertisers driven by:

- Surge in adoption driven by increase in internet users, smartphone users and a young population
- Innovation in various tools provided by social media platforms as well as third party providers for targeted advertising and improved customer engagement

# Sports: Winds of change

In 2014, Deloitte predicts that, fuelled by increasing popularity of new sports properties and the steps taken by various broadcasters to leverage this growing momentum, sports viewership in India would continue to grow beyond Cricket.

Sports and cricket have been synonymous in India for the past few decades. Cricket still continues to be the dominant sport both in terms of the viewership as well as its monetisation ability in terms of ad-rates. A few years back, no sports channel without Cricket could think of survival. However, winds of change are slowly sweeping the sports media landscape in the country.

Other sports have been continuously growing in popularity. Football properties like World Cup, Euro Cup, English premier league and Spanish La Liga, among others are slowly growing from content with niche popularity, to ones with much higher fan following and viewership. The popularity of Football will further get a fillip from IMG Reliance's Indian Super League, the IPL styled football league expected to be launched in 2014.<sup>45</sup> With the Buddha International Circuit, Formula 1 too has started garnering more attention. Badminton and Hockey leagues modelled on the famous and successful India Premier League have also managed to attract viewers. The Indian badminton league offered prize money of \$1 million, the highest in any badminton tournament in the world.<sup>46</sup>

The broadcasters too are taking notice of these developments. They are initiating steps to cover non-cricket sports and also increase their reach and penetration with plans to offer channels in Hindi and other languages. Sponsorship money flowing in from various brands and heavy marketing has stirred up appetite for non-cricket sport properties, thus prompting broadcasters to cover such sports. Even in Cricket, the focus is no longer limited to only international cricket. Broadcasters are taking initiative to cover good quality domestic cricket.<sup>47</sup>

## New properties

IPL has been a success in India in terms of viewership and its ability to attract advertisers and sponsors. Through its successful model of city-based franchises, it

**Table 3: Comparison of Badminton, Hockey and Cricket Leagues**

	Indian Badminton League	Hockey India League	Indian Premier League
Duration	18 days	26 days	54 days
Reach	21.7 million	41.4 million	190 million
Ad revenues	₹75-90 Crore	₹50-70 Crore	₹850-875 Crore

Source: Business Standard<sup>44</sup>

provided a template, which is being leveraged by other sports as well.

Football is globally the most popular sport in terms of sponsorship, number of fans, TV viewership and revenues.<sup>46</sup> In India too, it is gaining in popularity in Sec A and Sec B<sup>48</sup> markets, especially amongst the youth.<sup>49</sup> English premiere league and Spain's La Liga as well as Italian Serie A have seen increased coverage. Domestically, driven by the popularity of European leagues, IMG Reliance and Star India have planned the launch of franchise-based 'Indian Super League' which would feature eight city teams and would include marquee international players and coaches. The league is scheduled to commence in September 2014<sup>50</sup> and if things go as planned, could further push the popularity of Football in India.

Other sports are also finding their footing. The first edition of Indian Badminton League recorded a cumulative viewership of 21.7 million, while the Hero Hockey India league recorded a viewership of 41.4 million.<sup>51</sup> Going forward, media planners expect these properties to increase in popularity and attract more sponsorship and viewership. Sports like Formula 1 and Golf, once limited to the developed nations, are also finding takers in India. Going forward, their popularity is expected to further increase given their affluent audience, which could be targeted by brands thus increasing the sponsorships. Another new entrant in this area is the Super fight league started in 2012. Over the past, Mixed Martial Arts has developed into a highly respected sport with a global audience and Super fight league marks its entry in India.



### Broadcaster's perspective

Broadcasters too are shaping the sports scenario in the country by increasing coverage of non-cricket sports properties. While Cricket still reigns supreme in terms of monetization potential, other newer or international concepts are being rapidly taken-up by the sports broadcasters as a key differentiator to break away from the cricket fatigue.

Star India has repositioned itself post retiring the ESPN brand. It has a bouquet of six channels in India. Star Sports has broadcasting rights of English Premier League, Spanish La Liga, Italian Serie A and FA Cup.<sup>52</sup> Star India has also made equity investment into a joint venture to run the 'Indian Super league', franchise-based IPL styled football league, to be launched in India by IMG-Reliance. Star India has acquired the

broadcasting and sponsorship rights for the league.<sup>53</sup>

Within Cricket, Star India is going beyond International cricket and also looking at good quality domestic and university cricket content. Further the broadcaster has plans to launch a Hindi channel as well as content in other languages such as Tamil, Kannada, Marathi and Bengali. With an investment of ₹20,000 Crore, Star India is betting big on sports in India.<sup>54</sup>

Other Broadcasters too have also taken bold steps. Zee launched Ten Golf in 2012, a dedicated 24-hour golf channel. Neo Sports describes itself as a general sports entertainment and cricketing channel and has undertaken steps to consciously become a five sport channel as opposed to just a cricket focused broadcaster.<sup>55</sup>

### Bottom line:

Though Cricket still reigns supreme in the country, new non-Cricket sports properties are expected to emerge and gain popularity in the country.

- Driven by the success of IPL, other sports such as Hockey, Badminton and Football have also leveraged the model to build similar properties, which are being lapped-up by broadcasters and sponsors alike. Further, the popularity of such sports is expected to continue to witness an upswing.
- The broadcasters too are going beyond cricket in order to satiate the growing demand with a focus on specialty channels and non-cricket properties.