



When the majors come marching in

Disney, STAR, Time-Warner. They have all been adding channels to their platforms to get a larger share of the television audience. And their CEOs have been making rapid-fire trips to India. Why is the Indian viewer on the global sights of entertainment majors?

Nina Singh reports.

When Walt Disney Company's Mark Zoradi came calling on India on April 2, he told *India Now* that Disney had identified India along with Russia and China as the target markets that would power the entertainment major's growth over the next decade. Zoradi, president of Disney's film distribution arm, Buena Vista International, said the company had lined up a series of multi-strategy investments over the next three years.

The \$30 billion entertainment conglomerate's plans included Buena Vista and its sister brand Touchstone lining up a slew of high-profile movie releases for India, almost coinciding with the releases in the US. These include the sequel to the *Pirates of The Caribbean*, the film version of the hilarious *Hitchhikers Guide to The Galaxy* and a series of three to

four movies from the *Chronicles of Narnia*. The first of the Chronicles — *Lion Witch and The Wardrobe* — is slated for release on December 23.

Last December, Disney had with much fanfare finally launched its two television channels in the country — its flagship Disney Channel and Toon Disney. For Disney, it was a re-launch after a tepid entry in 1993 with an Indian partner fared poorly. For a decade Disney sat on the sidelines as its global rivals Newscorp (under the STAR umbrella) and Turner (Cartoon Network) raced ahead. At end-2004, it had its new India-strategy in place.

Zoradi's visit was to pave the way for the high profile visit of Walt Disney's international CEO Michael Eisner and the CEO-designate Robert Iger a few weeks later, at the end of April. A fortnight before Michael Eisner and Robert Iger's visit, Rupert Murdoch, chairman of

PUTTING A STAR IN EVERY HOME : Newscorp's chairman Rupert Murdoch



INCREASING ITS PRESENCE ON TELEVISION: A still from the recently launched Disney channel

Newscorp, too dropped anchor. Murdoch is no stranger to India, and his Hong Kong-based television broadcasting company STAR has grown to become the most successful channel bouquet in the country in less than a decade with an annual turnover close to \$500 million. However, this time round he was pitching for an early clearance for STAR's Direct-to-Home joint venture project 'Space TV' floated in partnership with the Tata conglomerate.

STAR had tried launching its DTH service in 1998, but opposition to a 'foreign invasion from the sky' had kyoed the project. DTH eliminates the last-mile wrangles of cable operators and provides bandwidth for an unlimited spectrum of channels. The STAR DTH agenda was back five years later after the government redefined its policy on the subject and allowed foreign companies to participate in DTH joint ventures and bring in 20 per cent equity as foreign direct investment.

Murdoch has other significant investments in the country, and he was there to assure his partners that his intent was long-term. Besides the DTH venture with the Indian business house Tatas, STAR has a 26 per cent stake in the news channel STAR News along with the

Ananda Bazar Patrika newspaper group, and a similar equity position in the content company Balaji Telefilms as well as the cable distribution company Hathway Cable & Datacom.

Rupert Murdoch seems to have scored in DTH as well. By the third week of May, the Information & Broadcasting Ministry issued a letter of intent to Space TV as well as to the south India-based Sun Group's DTH venture, which should be out in another six months. They will add to the existing Zee Network's Dish TV and Doordarshan's DD-Direct. The opening of the DTH space will obviously herald the rush of a new crop of foreign TV channels. Zee Network's Dish TV already offers over a 100 channels, many of them esoteric niche channels like the French international music channel Trace TV. Because of intense competition from cable TV, DTH has willy-nilly had to be price-competitive. For instance, Dish TV has already cut its rate with a \$110 fully loaded start-up option that includes a dish antenna, set-top box and a one-year free subscription.

The reason for the increasing interest in India's entertainment market, and in television in particular, by heavyweights such as Newscorp and Walt Disney is the

Television revenues overtook the Indian film industry three years ago, and now constitutes 62 per cent of the entertainment industry's turnover as compared to the film industry's share of 27 per cent.

high growth rates. According to the 2005 KPMG-CII report (Indian Entertainment Industry Focus 2010 - Dreams to Reality, excerpts from which were published in the last issue), the industry currently estimated at \$4.9 billion in 2004, is projected to grow at a spanking 18 per cent compounded on a yearly basis to touch \$13 billion by 2010. Television revenues overtook the more entrenched Indian film industry three years ago, and now constitutes 62 per cent of the entertainment industry's turnover as compared to the film industry's share of 27 per cent — the balance being radio, music etc. The KPMG-CII report projects television revenues growing from \$3.1 billion in 2004 to a hefty \$8.2 billion by 2010, with film revenues growing from \$1.3 billion to \$3.2 billion in the same period.

Currently, television earns around 53 per cent or around \$1.6 billion from subscriptions while advertising revenue is around \$1.2 billion. Subscriptions are expected to grow faster than advertising

On the Web

Disney Channel Asia:
www.disneychannel-asia.com
Star: www.star.co.in
Time Warner: www.timewarner.com

revenue and amount to \$5.6 billion while advertising revenue is expected to grow at a more modest rate of 8 per cent to \$1.73 billion in 6 years. However, the KPMG report adds that ad spends in television could be double these estimates to \$3.3 billion, depending on the speed and effectiveness of the broadcasting sector reforms, the digitalisation process undertaken by the major players and the entry of telecom companies in distribution.

A more recent J P Morgan report titled 'Indian Media Industry' seems to endorse the KPMG-CII view and predicts that no less than 100 new television channels are likely to be launched over the next three years on the basis of a constantly growing ad-spend pie. A large number of these channels will cover niche areas like infotainment and cater to specific regions across the country.

The surest indicator of the importance of the Indian market is the sharp competition that has broken out in the broadcasting space between the various international majors for a slice of the Indian pie. For instance Disney, reputed for a low profile, non-confrontationist approach, pulled off its gloves soon after its two channels were launched in India in December last. Richard Ross, the LA-based president of Disney Channel Worldwide, speaking of the competition in Mumbai in early January 2005 said Viacom's Nickelodeon in India had never taken off as it did not cater to a family audience especially the parents, while Cartoon Network in India would not be

able to sustain its lead as it was "too library-based".

The Disney executive claimed that the two Disney channels, Disney Channel and Toon Disney, would have appeal to a larger audience since they would have 15 per cent locally developed programming. The network had also commissioned the development of 54 made-for-television movies that would form an important part of Disney's anchor prime-time programming. Interestingly, as a revenue strategy, Rich Ross also said Disney would be developing the two channels for export to the Indian diaspora abroad. Apart from the US and UK markets that had large Indian emigre populations, South Africa was also a promising market.

Time Warner's Turner Broadcasting was not exactly sleeping when Disney was making a high-profile entry into the country. The highly popular Cartoon Network channel was supplemented with another children's channel Pogo, specifically designed for the Indian market, to counter the Disney blitz. The Turner strategy seems to have been successful as along with Cartoon Network's channel share of 65 per cent of the children's market, Pogo added on another 10 to 15 per cent share, giving the group a handsome 80 per cent of the children's market. However, in a short while, the Disney channels have already notched up a channel share of around 10 per cent, and the coming months of fierce competition will be interesting to watch.

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The interest of the majors notwithstanding, there are difficulties at ground level which are compounded by a plethora of laws that regulate this sector. The single-biggest drawback is there is no apex regulator for the sector, nor is there a single, integrated legislation governing broadcasting operations. Attempts to bring in a comprehensive law have not taken off so far as law-makers remained undecided between legislating a catch-all Convergence law for the telecom, IT and broadcasting sector or a single comprehensive Broadcast Bill. Hence, currently, the Ministry of Information & Broadcasting shares decision-making with the Ministry of Telecommunications, while policy matters for broadcasting are referred to the Telecom Regulatory Authority of India. Then again, the Cable Network Act, 1995 regulates cable distribution while the ancient Indian Telegraph Act of 1885 is still the reference point for all satellite and spectrum issues for broadcasters.

These legal and regulatory glitches may have slowed growth in the past. Yet, despite these bottlenecks, television is booming in India and the interest of STAR and Disney underscores this fact. Such interest on the part of global majors, increasing consumer demand and growing advertising spends are forcing a pace of growth which will eventually compel the government to legislate contemporary policies.

