GLOBALISING THE INDIAN TELEVISION INDUSTRY- DTH A FRONT LEADER:

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ABSTRACT
The direct-to-home (DTH) TV industry has been witnessing tremendous growth since the past few years. DTH market in India is one of the fastest growing segments of the Segmented Pay TV industry and is witnessing significant growth on account of rising per capita income and Government mandate of complete digitization. The market is estimated to be worth INR 104 bn in 2012. Increasing role of the government to support FDI in India and technological innovation will also drive the industry. 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 2012, an increase of approximately 50% over 2011. 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. Every fifth satellite pay TV subscriber in the world is an Indian, no mean feat considering that DTH operators have been in India for just five years. Unfortunately, all six DTH operators together rake in just 1 percent of the global subscription revenue.

KEYWORD: DTH, Market, Digitalization, Service, Subscribers, liberalization, television, government

History: The history of Indian Television dates back to the launch of Doordarshan, the country’s national television network in 1959 when the transmission was in black & white. The 9th Asian games which were held in 1982 in the country’s capital New Delhi heralded the mark of colour television broadcast in India. 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. In 1991, Indian economy was liberalised from the license raj and major initiatives like inviting FDI, deregulation of domestic businesses emerged. This led to the influx of foreign channels like Star TV and creation of domestic satellite channels like Sun TV and Zee TV. This virtually destroyed the monopoly held by Doordarshan. 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. Country’s first DTH license was awarded to Dish TV in 2003 which started operations in 2004. Prasar Bharati also started its product DD-Direct+In 2007.

**DTH INDUSTRY:** Since its inception in 2003, the Indian Direct-To-Home (DTH) TV industry has been growing at a rapid pace. This growth has been supported by huge investments by the existing and new players. DTH market in India is one of the fastest growing segments of the Segmented Pay TV industry and is witnessing significant growth on account of rising per capita income and Government mandate of complete digitization. Increasing role of the government to support FDI in India and technological innovation will also drive the industry. In 2005 Dish TV was the only player in the DTH industry and was registering subscriber growth mainly in the areas where cable TV was not available. The subscribers were not ready for the cost of set top box. In 2007 CAS mandate was introduced in selected metro cities, where users had to invest in a set top box. Though the initiative was not very successful, it gave a wider acceptance to the DTH and consumer became ready to pay for the set top box. Spotting the opportunity Sun Direct launched its services in 2007 with a drastically low onetime cost involved for DTH subscriber. Followed by this Reliance, Big TV and Air-Tel and Videocon launched their services. The market became competitive. Every player came with innovative offerings.

**Current Scenario:** Since the start of commercial services in 2003, the Indian Direct-To-Home (DTH) TV industry has been witnessing fast pace growth. This has been possible due to huge investments made by the existing and new players. Given the superior quality of DTH services, the number of DTH subscribers has been soaring. In the current context of the global financial meltdown, the Direct to Home (DTH) industry in India is in the throes of multifarious challenges and opportunities. The big game is all about shaping up grandiose plans to master the winning rules to garner as much portion of the Indian DTH pie as possible by a handful of players. Since the DTH space denotes big value, akin to the space occupied by television and telephony, inter-firm rivalries have thrown up price wars, discount schemes, procurement of transponders, ambitious targets for improving the subscription base, popular bouquet of channels, set top boxes with superior quality of videos, improving content, etc as a desperate means to entice the Indian viewer. In the early 2008, five major players, Zee’s Dish TV, Tata Sky, Reliance ADAG, Sun Direct and Bharti Telemedia formed an umbrella body – DTH Operators Association of India (DOAI). The ongoing digitization drive of the Indian government is definitely helping the direct-to-home (DTH) industry. According to Media Partners Asia’s (MPA) annual research report, DTH subscriber base in the country is estimated to grow from 23 million in 2010 to 64 million by 2015, and 83 million by 2020.Digitization is carried out in four phases. In the first phase--which ended on December 31, 2012--the four metros switched to set-top boxes (STBs). In the second phase, 38 cities in 15 states moved to STBs by March 31, 2013. In the third phase--the deadline for which is September 30, 2014--all urban areas of India have to switch to STBs. By December 31, 2014, the entire country will have to switch to STBs. While this has led to more demand for digital cable services (via STBs) and digital DTH services, competition too is hotting up. Estimated to have 30 million subscribers today, the DTH industry today has six operators--Dish TV, Airtel Digital TV, Tata Sky, Sun Direct, Reliance Digital TV, Videocon D2H, and DD
Four of these players--Airtel Digital (owned by Bharti Airtel), Tata Sky (a joint venture between Tata Sky and STAR), Reliance Digital TV (owned by Reliance Communications), and Videocon D2H (owned by the Videocon group)--also offer mobile telephony services. And these telecom players see the rising demand for DTH services in India as an opportunity for them to unlock the value of this business. This way, they can reduce the strain on their finances. News reports reveal that two players in the DTH business--Reliance Communications and Bharti Airtel--are planning to sell their stake in the DTH business due to tough competition. Anil Ambani-owned Reliance Communications is said to be in talks with South-based Sun Group to sell its DTH business for an estimated 20 billion rupees (US$367 million). Similarly, there have been reports Bharti Airtel is in talks with Liberty Global and a couple of private equity firms to sell 25 percent stake of its DTH business. Both are reportedly looking to exit from satellite business due to financial issues. According to the news reports, the main aim of Reliance Communications is to reduce debt which is estimated at 370 billion rupees (US$6.8 billion). Reliance Digital TV currently has 4.6 million subscribers, with 9 percent share of the DTH market in India. Sun Direct has 8.5 million DTH subscribers. Bharti Airtel reportedly also has started the process to sell up to 25 percent stake of the company's DTH arm, estimated to be valued at US$1 billion. Reports also noted that U.S.-based DTH players like Comcast and Liberty Global are in talks with Bharti Airtel to buy a stake in its DTH arm. Some of the private equity players like KKR, Providence, Bain Capital, and GAAP are also said to be in the fray. Bharti is looking to raise over US$200 million from the sale. Two other players--Tata Sky and Videocon--are planning to raise funds through the IPO (Initial Public Offering) route. Tata Sky, which has over 10 million subscribers, is looking for an IPO with a valuation of around 80 billion rupees (US$1.5 billion). Even Videocon is looking to raise funds through the IPO route. Tata Sky is planning to raise 20 billion rupees (US$367 million) by putting on offer 25 percent stake.

**Digitization pushing up STB demand**

Television viewing services in India is currently provided mainly by three mediums--analog cable services, digital cable services (through the use of STBs), and digital DTH services. Analog cable services have existed in India for nearly 30 years, but it offers limited number of channels and no extra features or value-added services. Due to the digitization drive, consumers are fast switching to digital cable services and DTH. Both offer superior audio and video quality as opposed to analog cable services. Earlier this week, Infonetic Research issued a statement regarding the growth of STBs. Julien Blin, directing analyst for consumer electronics and mobile broadband at Infonetics Research, said in the statement: "Contrary to popular opinion, the set-top box market is alive and well." Revenue from these devices grew almost 10 percent in 2012, a considerable rebound from a year ago, according to Infonetic. The market for STBs is expected to remain healthy in the near-term as operators in China, India, and Latin America introduce new digital services, the market researcher added.
Porter analysis of DTH industries
1) Threat of substitutes: DTH faces stiff competition from terrestrial, cable, and IPTV. As per the industry estimates, there are 130 million TV homes of which 85 million are served by cable and 16 million by DTH with the remaining taken by terrestrial transmission.

a) Terrestrial transmission: Doordarshan is the world’s largest terrestrial broadcaster with over 1400 terrestrial TV transmitters. The reach provided by this route is phenomenal with Doordarshan covering 88% of India’s geographical area, covering the remaining 12% area required substantial capital investment which does not outweigh the benefits. The transmissions were done originally in analogue mode but beginning from 2002 Doordarshan has partnered with BBC resources: the consulting wing of BBC, in offering digital terrestrial TV. The transmission could be received using a low-cost Yagi antenna. However, due to lack of attractive content, it does not seem to be a formidable threat to DTH.

b) Cable TV: Cable TV currently operates in 2 modes viz. through CAS covering cities like Chennai, Delhi, Mumbai, and Kolkata, and through non-addressable systems in the rest of the country.

c) Internet Protocol Television (IPTV): IPTV is a service where television signals are digitally sent over the telecommunications line. It is often presented as a bouquet of Video (IPTV), Audio (Telephone) and Data (Broadband Internet) services. With widespread adoption of broadband in the country and the growing techno-savvy population, IPTV has a potential to become a huge success. IPTV takes the interactivity to a newer level. In regular mediums, all the channels are pushed to the consumer regardless of his preference. IPTV encourages a two-way request response model where the consumer chooses the programs he wants to view.

2. Bargaining power of suppliers: DTH industry relies on three major supplies: Customer Premise Equipment (CPE) comprising of the satellite dish, Set Top Box with the necessary Access card, the Ku band transponders in the orbiting satellites and content. With India overtaking Japan as Asia’s largest DTH, the bargaining power of Indian DTH operators with CPE supplies has increased. However, the availability of transponders is increasingly becoming difficult. Supplier’s bargaining power influences the cost and quality of input material. Higher supplier power raises the input cost, thereby reducing the industry profitability.

3. Bargaining power of buyers: With enough options to choose both from the point of alternate mediums like Cable, IPTV and Terrestrial broadcast, and from the point of increasing DTH operators, the consumer is at his will to decide. Customers will continue to have a high bargaining power until DTH platforms try to differentiate them as superior players with better content and clarity.

a) 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: 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 Up graders:** 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. 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.

b) **Buyer Concentration:** The industry is akin to consumer durables whose end users are fragmented. Hence buyers do not have any specific influence on producers.

c) **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.

4. **Inter firm rivalry:** With six operational players, the inter firm rivalry is quite high. The competition from state owned DD-Direct to private players is negligible from the content point of view as. Between Dish TV and Tata Sky there is an intense rivalry exhibited by price wars and discount schemes offered to new Other than price wars and intense competition in increasing customer base, there is also a competition at acquiring the content.

5. **Threat of new entrants:** With already established six players in the DTH space, threat of new entrants is relatively low. There is already enough competition which will discourage new firms to enter this business. While getting a license is relatively easy, the barriers to entry are high when it comes to pricing of CPE and getting the connections.

**Profile of players in the industry**

1. **DD DIRECT:** Doordarshan is the public television broadcaster of India and a division of Prasar Bharati, a public service broadcaster nominated by the Government of India. It is one of the largest broadcasting organizations in the world in terms of the infrastructure of studios and transmitters. Recently, it has also started Digital Terrestrial Transmitters. On September 15 2009, Doordarshan celebrated its 50th anniversary. Doordarshan had a modest beginning 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 Mumbai and Amritsar in 1972. Finally Doordarshan as a National Broadcaster came into existence. National telecasts were introduced in 1982. In the same year, colour TV was introduced in the Indian market with the live telecast of the Independence Day speech by then Prime Minister Indira Gandhi on 15 August 1982, followed by the 1982 Asian Games being held in Delhi. DD Direct+ is a free Direct to Home (DTH) service that provides satellite
television and audio programming to households and businesses in the Indian subcontinent. Owned by parent company Doordarshan, DD Direct Plus was launched on December 16, 2004.

2. **Dish TV**: Dish TV is the first private DTH satellite television provider in India, using MPEG-2 digital compression technology, transmitting using NSS Satellite at 95.0. 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, specialty packaging and entertainment. Zee Network incorporated dish TV to modernize TV viewing. 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.

3. **Tata Sky**: Tata Sky is a DTH satellite television provider in India, using MPEG-2 digital compression technology, transmitting using INSAT 4A at 83.0°. Tata sky was incorporated in 2004. Tata Sky is a Joint Venture 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. Tata Sky Ltd is the First Indian DTH provider to be awarded the ISO27001:2005 accreditation, the ultimate benchmark for information security.

4. **Sun Direct**: Sun Direct is a DTH satellite television provider in India, using MPEG-4 digital compression technology, transmitting using INSAT 4B at 93.5°E. It is the country's first MPEG 4 technology DTH service provider. Sun Direct is a DTH service in India headquartered in Chennai, Tamil Nadu. Sun Direct TV was registered in February 16, 2005. Because of the lowest pricing of any DTH in India Sun Direct spread rapidly all over the country. In April 2009 Sun Direct officially launched its High-Definition service in India.

5. **BIG TV**: Reliance BIG 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. It is the first Pan-India DTH provider that uses MPEG-4 for broadcasting.

6. **Airtel digital TV**: Bharti Airtel Limited is the flagship company of Bharti Enterprises and is India’s largest integrated and the first private telecom services provider with a footprint in all the 23 telecom circles. As India's leading telecommunications company, the Airtel brand has played the role of a major catalyst in India's reforms, contributing to its economic resurgence.

7. **Videocon d2h**: Videocon d2h is a DTH satellite television provider in India based in Mumbai, using MPEG-4 with DVB S2 digital compression technology. Videocon d2h was launched May 1, 2009. It came with a very good strategy for selling both of its electronic products like TV’s DVD’s along with the new set top box. This is offering direct to TV without any set top box also.

**Reasons for growth**: Huge market potential has been one of the key factors augmenting the demand for DTH transmission. In addition, emergence of middle class and increase in discretionary spending also promotes the growth of set top boxes. Increasing television penetration accompanied with attractive offers and price war has also been driving the market.
Advantage for DTH players over traditional cable operators add on to the potential for the growth of the DTH market. Complete Digitization of TV services, growing rural market and increasing advertising revenues also play a major role in driving the popularity of the DTH segment. Threat from substitutes and the demand and supply gap for transponders adversely affect the growth of this market. Strict regulations and cap on foreign investments also act as a hurdle for the growing industry. Partnerships with movie distributors, combined retail of LCDs and DTH connection along with technological innovations have been emerging trends in this market. Focus towards exclusive value added services by DTH players have also been a significant uptrend in the market.

It is noteworthy how DTH brands have fared in the minds of the customer. The two players who have successfully built Differentiation, which is a compelling proposition that stands out in the mind of the customer, are the market leader Dish TV and the late entrant Videocon d2h. On the other hand, early mover Tata Sky enjoys the highest awareness (Knowledge Pillar) and regard (Esteem Pillar) among consumers. And if you look at the category on the whole, you see that there is higher Brand Stature (Esteem, Knowledge) rather than Brand Strength (Differentiation, Relevance), implying that this is a well-established category with potential to grow further. DTH is associated with strong technology values like "High Quality," "Trust," and "Reliability". Additionally, the rapid growth and acceptance of DTH has led to associations with concepts like "Energetic," "Trendy," and "Unique." Individual brands, too, have distinct associations that keep them in the commitment quadrant. While the market leader Dish TV stands for "Uniqueness" and "Popularity," its closest challenger Tata Sky has the 'Good value' association. Newer players like Airtel Digital TV and Videocon d2h are seen as 'Customer Caring' and 'Innovative', respectively. While this indicates distinct branding in the category, which of these associated values are the ones that will truly drive 'Preference' among consumers? This is the most critical parameter to watch for at a time when DTH stands to gain maximum share as a category. The BAV throws light on how imagery can drive preference and consideration within the category. When it comes to 'Total Consideration' scores, Dish TV leads the pack, followed by Airtel Digital TV. Forty-five percent of households clearly see Dish TV in their consideration set. Surprisingly, early-mover brands like Tata Sky are seen lower on the consideration scale. While total consideration scores allow for a brand to be in the mind space of the consumer, it is being the top preference that will drive a particular brand forward in a competitive category. In the "My Single Preference" versus "One of my several options" battle of the brands, Airtel Digital TV takes the lead. Most consumers see Airtel Digital as their destination of choice. This is also true, but to a lesser extent, for market leader Dish TV, and even lower for its challenger Tata Sky. Another part of the Preference jigsaw is the resistance shown towards certain DTH brands. Tata Sky+ is the brand most customers would never consider as an option. Airtel Digital and Dish TV are avoided the least, with only 25% of customers never considering these two brands as options.
With 47 million DTH connections covering 30% of the C&S market and growing at the rate of 18% or more, what is making DTH companies feel so threatened? • DTH service was introduced by pay broadcasters like Zee, Star and Sun Group because they wanted to reach direct to subscribers keeping cable operators out of their reach. There was no other way to sell pay channels were as pay channels being given in a single package in analog cable. First DTH license was given in 2003 but till 2006, DTH operators were fighting for content because the major content owners were other competing DTH operators. • The real growth of DTH started after 2007 when content was amicably shared by existing players. • India is not a pay TV market as majority of people cannot afford costly entertainment. Cable became popular because
operators charged subscribers according to their economic status. • DTH could not penetrate in the urban areas where cable TV already had a strong hold. So it spread only in rural areas and cable dark regions. • Firstly making people buy STB was an uphill task, secondly selling multiple packages of pay channels was extremely difficult. Operators offered schemes at heavy discounts to lure subscribers, thus getting into deep debts. • Six DTH operators are too many for fair competition where the content with them is same. So they invested more in value added services, interactive content, DVRs HD and other sops for the subscribers. • Where as TV channels have increased more than 800, transponders and technology does not permit more than 300 channels on DTH. More over HD channels consume more bandwidth. • DTH operators cannot fulfil the demand of their subscribers because most of them are broadcasters with many channels of their own. Hence they prefer to place their own channels in the popular packages rather than provide channels of their competitors. • All DTH operators face a high churn rate where subscribers stick with them only till the initial ‘Subscription Free’ period of two three months to. Then they either go back to cable or change their operator. • Since number of channels on DTH is limited, they avoid carrying all the regional channels. • Broadcasters force lump sum deals with the operators rather than make them pay for what their subscribers are watching. • Since DTH is competing with analogue cable which is much cheaper, their ARPUs remain very low. ARPUs vary from `150/- `180/- per month. This indicates that majority of people opt only for the basic package. Where as if a subscriber wants all the popular channels that he gets on cable, he would be paying between `400/- `500/- every month. • There is no exclusive content or local content on DTH which a subscriber can enjoy on any cable network. DTH operators elsewhere in the world thrive on adult content or sports but in India adult content is not yet allowed. Sports channels are priced too high, beyond the reach of majority of Indians. • Lastly many people become disappointed with DTH service during rains and atmospheric disturbances that disrupt the service.

Due to the above reasons, DTH service has not been able to well in the country in spite of a high growth. Its growth has been made at the cost of Cable TV which was ignored by the government since the beginning. The biggest setback to Cable TV was not allowing it to go addressable in 2003. This made people move to DTH which was digital and with quality. Let us be truthful that it is a costly service because satellite space is required and servicing a country like India is a big challenge. This is the reason that none of the DTH players have broken even till date. It is another matter that they all are companies with deep pockets and hence is able to survive till date. But with all the problems listed above, they feel highly insecure and they know that their growth has reached its zenith and will keep going down contrary to what some research agencies predict.

Only way DTH can continue its growth as in the past is when majority of Indians change their mindset and prefer to have a quality product and be ready to pay more for that. This will not happen immediately unless drastic changes are brought in the industry and public awareness increases. The biggest mistake that the DTH operators have done is marketing their services for the masses whereas, inherently it is a costly service and popular amongst the high economic section of the society worldwide. India has about 22% penetration of flat panel TVs that can provide the best picture and sound. This should be the main target of the DTH operators. They have everything for a rich person; quality, convenience, variety, technology. Innovations like DDB (Digital Direct Broadcasting), DVRs, HD, 3D etc. DTH has a great potential among the top 25% of Indian society. So DTH should stop waiting for cable TV's doom and focus on selling an
elite service at a high price to the top segment of subscribers instead of competing with poor man’s Cable TV service.

**Market demographics:**

**Geographic segmentation:**

In terms of geographical location, North India and Western India together contribute over eight million DTH subscribers, while the southern market contributes 3 million. The states of Maharashtra, Goa, Punjab, Uttar Pradesh, and Rajasthan are the leaders in DTH subscription, contributing over 6.5 million DTH connections to the overall base.

**Urban and Rural:** In order to cater to the diverse taste and needs of both urban and rural people operators provide entirely different range of services and offerings. In rural areas, fleet of vans for demos, installation as well as selling hardware and pre-paid vouchers are being used. Most players are building up their subscriber base by targeting viewers outside the big cities, which suggests that about 60 per cent of DTH subscribers reside in rural areas and towns with a population under a million. DTH service providers give special offers where regional and sports channels are viewed the most.

**Demographic segmentation**

**Age and gender:** Most of the players in DTH offer niche channels to create a unique and exciting offering for its viewers of every age and gender segment. DTH industry mainly concentrates on women who don’t like missing their daily soap and news more ever women are able to learn English speaking which is a very special feature of DTH. It also focuses on old people as it has updated videos of various holy and religious places.

**Income:** DTH service provider gives various recharge options to consumer according to the income like silver pack, golden pack, diamond pack etc.

**Behavioural Segmentation**

**Occasions:** DTH operators come out with new offers of channels or new buyer schemes at relatively cheaper rates on occasions of festivals or major sports events. For example it offers benefits to customers like: In a cricket match choosing the language of the commentary, camera angles, know player statistics and watch match highlights at our will.

**Government Policies**

**TRAI Rules:** The Direct to Home Broadcasting Services (Standards of Quality of Service and Redressal of Grievances) Regulations, 2007, were issued on 31st August, 2007. These regulations were issued to lay down the standards of quality of direct to home services and to protect the interests of direct to home subscribers.

1. No visiting or repair and maintenance charges of DTH equipment during warranty period.
2. The DTH operators cannot alter the subscription package during the first 6 months, or till validity expiry, of a subscriber's enrolment.
3. In case a channel is removed from a subscription package in the first 6 months of enrolment, the DTH operator must reduce the price proportionately, or replace the removed channel with one of the same genre and language.
4. The option of choosing the package with reduced charges or the package with replaced channel has been given to the subscriber.
5. In case a removed channel needs to be replaced, the replacement option will be in the hands of the DTH operator.
6. Your DTH operator needs to give a prior notice of fifteen days to you before changing the composition of any subscription package.

7. Subscribers are allowed to request their DTH operator to suspend their services for up to 3 months. However, this suspension period should not comprise the same calendar month.

**Entry barriers in DTH industry**

*High initial set up cost of satellite, transponder and other high-tech equipment:* The initial cost of setup for broadcaster is high so this acts as a big entry barrier.

*DTH is a low margin and high volume industry:* DTH though is a lucrative business however it is a low margin and high volume industry. For a new entrant to succeed it has to ensure that it builds customer bases on otherwise it will not be possible to make profit.

*Cost of a set top boxes:* The cost of setup box installed in a homes is still very high and the cost of a set top box is a significant entry barrier. Higher number of subscriber can bring down the cost incrementally.

*Pricing has to be competitive versus cable:* For a new entrant to be successful it is going be very difficult as they will have to compete with local cable operators as well as existing DTH service provider. There are already established players in the market and the price war has already started.

*Differentiation through content:* There are hundreds of TV channels in India and as per the industry reports there are close to 150+ channels waiting for approval, this take the numbers to 400 different TV channels. So providing the right content to the right consumer will also play a critical role in success of new entrant, differentiation through content is must.

*Customer Service:* The quality of customer service will be a key differentiator. A new entrant will face challenges in two fronts; One to ensure that it is providing better customer service than local cable operators and on the other hand it has to provide better customer service than existing DTH service provider.

*Multicultural & Multilingual Geography:* India being a multicultural, multilingual society it is very important for the new entrant to ensure that it maintains a fine balance between the regional and nation flavour.

*Long gestation and break even period:* It takes lot of time to for a new entrant to stabilize and grow in this industry. Even achieving the break even period is comparatively high.

**How players can make money**

A dth offer comprises six elements. **Content:** the movies, news channels, sporting events and general entertainment that constitute an offer to consumers. **Space:** ownership or access to sufficient transponders in the right orbital slot to broadcast an offer to a specific area. **Ground:** the ability to distribute, install and service dishes and set up box (known as customer premises equipment) combined with access to relevant technology and manufacturing capabilities. **Subscriber management:** ability to acquire and deactivate subscribers, bill and collect from them, activate pay per view movies and perform customer service. **Financing:** the provision of credit to customer seeking to buy or lease. **Government regulation:** ability to navigate government procedures and regulations to obtain permit. So diverse are these requirements that no existing player in any market will be able to fulfil all of them on its own.
Strategic and success factors

- **Exploit bottleneck**: in this market, content and transponder capacity are scarce and controlled by few players with content, access to local language material is critical. In a market like India, all a dth player may need to do is repackag existing channels that are not universally available. The second obvious bottleneck is in transponder capacity. a modest dth offering is likely to require a minimum of 10 to 15 transponders almost a dedicated satellite.

- **Move first**: in dth industry a credible and well managed first mover service has a tremendous advantage over others.

- **Exploit market niche**: in some markets, the segment of consumers who desire highly specific content may be large enough to form the core subscribership of a dth service.

- **Leverage killer content**: Build an appropriate content for this is the single most crucial choice a dth company will make. a subscription service could use its rights more effectively. it might secure the exclusive right.

- **Offer superior services**: cable companies are frequently criticized for installation delays, billing errors and surly staff and the nature of cable plant make signals prone to disruption.

Where to place bets

- **Number of TV households**: the number of TV households and its rate of growth determine how easy it will be to break even and how quickly if at all, a developing market will become effective.

- **TV advertising and its growth**: ad revenue is also available to a dth service provider, so the existence of a robust or growing ad market is important.

- **Technical barriers to access TV**: even if dth offers are likely to be thin on the ground, it is possible for a company to don a piece of the chain that links a service to subscriber.

- **Ownership of key content**: the availability of sports and film rights is a crucial determinant of market attractiveness. in India such rights are divided among many separate players.

- **Position in a market**: the most important asset is arguably an ability to play a unique role in the dth value chain.

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.

1) **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.

2) **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.

3) 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.

4) 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.

**Recommendation**

- **Increase awareness**: Since there is lack in communication channel, it should be tackled with care and dealers should be constantly made aware about the offers and new plans through meetings with company executives at regular intervals.
- **Improve processes and techniques**: In order to make recharge or activation process more transparent and user friendly, the EPRS technology needs to be upgraded consistently.
- **Give more value added services**: Since Tata sky and Airtel have clear edge over value added services like free installation, DTH needs to mend its strategy to face these competitions. One way of doing this would be to offer at least the same service as these two competitors are trying to eat the market share.
- **Improvement in after Sales Services**: Arrange proper training for customer care executives.
- **Standardized the price plans and avoid frequency changing**: Frequent changes in price and offers is proving no good as it is in way frustrates the customers with changes in offers without being informed about it.
- **Voucher Availability**: Make proper channel of Distribution of voucher.
- **Visibility**: Danglers create more impact on customer mind, it always visible and promote offer and help to recall brand resonance.

India will replace the US as the world’s largest direct-to-home (DTH) market in the next six months, hitting over 32 million subscribers within the first quarter of the next calendar year. In 2011, there were 130 million DTH subscribers across the globe and the number grew by 14 per cent, according to international studies. Also, the high-definition DTH revolution will explode in India much earlier than predicted. Operators say by 2014, more than 10 per cent of the 50 million subscribers of DTH in India will be on high-definition DTH.

Jahawar Goel, managing director of Dish TV, the country’s largest DTH service provider, says: “As a category, DTH services are adding around 1 million subscribers every month. India will overtake the US in terms of sheer volume by early next year.” Goel says that half-a-dozen DTH operators in the country currently command over 28 million subscribers and expect to touch
around 30 million by the end of this year. Looking at the pace of growth, they will overtake the US within the first three months of next calendar year, adds Goel. Moreover, he points out, the market in the US is not growing at all. A similar view is endorsed by Tata Sky, which says the DTH industry has already grown by over 25 per cent in the first six months of the year. “Tata Sky itself has added on about a million subscribers,” said Vikram Mehra, chief marketing officer of the company. And, he predicts that in the next six months, the industry will have over 33 million subscribers.

However, just like in telecommunications, it might take at least another two to three years before operators, who are at present reeling under losses of over Rs 6,000 crore, will be able to haul themselves back into the black. That is because most operators have invested large sums of money to build infrastructure and on the cost of acquiring subscribers (which still includes subsidising the set-top box), even while tariffs are falling. Global average revenue per user for DTH is $45. For the moment, high-definition 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, Colours, 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. Dish TV at present has a subscriber base of 8 million. Tata Sky and Sun Direct come in second with a subscriber base of around 6 million each. While Airtel Digital TV has a reported subscriber base of 3.8 million and Reliance Big TV has garnered around 2.4 million consumers.

**Conclusion:** A few things are assured in the DTH industry even in the face of paradigm shifts. First the value of transponders is likely to fall as compression allows more and more content to go through the same satellite, and as more satellite are launched. Second as bandwidth exposes so will demand for content. Obscure sports and the like will become more valuable, conversely much of the content that is currently valuable will face downward pricing pressure, niche content providers will emerge. The industry is likely to be characterized first by a period of fragmentation and then by an increasing concentration of global consortia as unprofitable participant fold. What is clearer than ever is that satellite TV is here to stay and will play an important role in bringing television to, access around the world. Huge market potential has been one of the key factors augmenting the demand for DTH transmission. In addition, emergence of middle class and increase in discretionary spending also promotes the growth of set top boxes. Increasing television penetration accompanied with attractive offers and price war has also been driving the market. Advantage for DTH players over traditional cable operators add on to the potential for the growth of the DTH market. Complete Digitization of TV services, growing rural market and increasing advertising revenues also play a major role in driving the popularity of the DTH segment but Threat from substitutes and the demand and supply gap for transponders adversely affect the growth of this market. Strict regulations and cap on foreign investments also act as a hurdle for the growing industry.

Tax burdens on DTH are another area of complaint for operators. Around 40 per cent of revenues are siphoned off to pay taxes and license fee and another 12 per cent for services imposed by the Central government. Apart from this, there are entertainment taxes that differ from state to state Partnerships with movie distributors, combined retail of LCDs and DTH connection along with technological Though DTH has certain advantages such as better picture/
sound quality, better customer service. It also has a disadvantage of price. The DTH player have to pay various taxes such as Adjusted gross receipts @ 10%, service tax @ 12.36%,VAT @ 12.5%,CST@3%,corporate tax, Excise duty@ 16%, Customs duty, CVD ,etc..At the same time in Indian market “One size fits all” strategy doesn’t work for long. So, the DTH players have to design packages suitable for rural consumer enable them to enjoy the digital content .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.

References:

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