Direct and daring

With more direct-to-home TV players in the fray, subscribers are being wooed with value-added services. Growing by leaps and bounds, DTH expects to take share from the cable industry.

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The slowdown could well have had an unintended impact on the nascent direct-to-home TV industry. As consumers cut back on visits to cinemas and plonk themselves in front of their TV screens, the DTH industry has seen growth spiralling.

According to the Telecom Regulatory Authority of India's (TRAI) recent report, the pay DTH market was at 11.1 million subscribers by end-2008. Industry sources say this has now grown close to 13.5 million.

India has over 130 million TV homes and close to 14 million are being added every year (industry experts say part of the growth comes from additional TVs and the replacement market, so it should be at least 10 million). Of the overall TV homes, 80-85 million are cable & satellite homes. Of this, DTH accounts for 20 million, including Doordarshan's seven million. Pay DTH alone is 13 million.

"We are talking of 25 per cent of the pay TV market having moved to the DTH platform in the space of two-and-a-half years," says Vikram Kaushik, Managing Director and CEO of Tata Sky. The DTH market, which had been adding about three lakh subscribers a month in early 2008, now adds over 7-8 lakh subscribers a month on an average, says Ajai Puri, Director and CEO, Bharti Airtel DTH.

According to Salil Kapoor, COO of Zee TV venture Dish TV, the first mover, from July-September 2008, the industry added six lakh subscribers every month. It crossed the one-million-a-month mark in October, November and December, when the impact of the slowdown was being felt on the economy.

This year even in March, April and May, usually 'slack months' for the entertainment sector due to exams, the DTH industry witnessed tremendous growth, says Tony D'Silva, Chief Operating Officer of Sun Direct, a major player in the southern market.

SWEETENING THE DEAL

This growth can be attributed mainly to the entry of multiple operators, which has created much greater awareness of the service, now seen as an easy-to-use technology. The competition in the industry has also resulted in "low and affordable" entry prices offered by various players with freebies to attract subscribers. They also bundle channels with regional focus to price them almost on par with cable TV charges. Besides, a number of value-added services such as 'movie on demand', interactive channels on matrimonial match-making, and education add to the appeal.

Dish TV alone currently has five million subscribers and expects to reach 7.5 million by the year-end.

While the industry is witnessing growth from all over, with metros and big cities accounting for 35 per cent of it, and the rest coming from smaller cities and tier II towns, Dish TV focuses more on rural markets. It has an equal distribution of subscribers in urban and rural markets. "The cable-dry and cable-frustrated rural markets have been our strength as we launched our service first in these markets," says Kapoor.

Tata Sky has 3.7 million subscribers. According to Kaushik, while it took 11 months to reach the first million, the second million was achieved in nine months and the third in seven months. And "we hope to cross the 4-million mark in the next two months". It aims at eight million in the next three years.

Sun Direct, which initially launched its services in Tamil Nadu in December 2007 and began its pan-India rollout in September 2008, has secured 3.1 million subscribers so far. "And, we are adding close to two lakh subscribers month on month." Another recent entrant, Reliance Big TV, has garnered over 1.5 million subscribers in less than a year.

Ajay Puri, Director and CEO – DTH, Bharti Airtel, says, "We have received an overwhelming response to our service in spite of being a late entrant." He says that every fifth new customer on the DTH network comes to Airtel and that the number is increasing every month. "We are extremely happy with the acquisition figures and see growth coming in from cable-dark areas." Videocon, too, is expected to enter the fray very soon.

The story does not stop with acquiring new subscribers. With TRAI mulling interoperability, the competition is going to get fierce. More than subscriber acquisition, retention would be a bigger challenge. What would players do to retain their subscribers?

Today, consumers know exactly what they want, doing much research prior to purchase. Industry experts say that in the absence of exclusivity of content, pay-per-view and interactive features are the core differentiators for DTH operators and they expect this is where the most innovation will happen.

MAKING A DIFFERENCE

Hence, the value-for-money proposition and offering to consumers will be more than just tariffs. The focus will be on making DTH viewing an enriching experience. The attention would be on introducing improved value-added-services, innovative product offerings such as interactive services and movie-on-demand, says Sanjay Behl, CEO, Reliance Big TV. "The industry will also look at monetising some of the services to ensure multiple revenue streams." He says Big TV is looking at offering "robust value-added services in the near future. This will include a host of interactive features and global channels."

Kaushik of Tata Sky says customer service will also make a big difference. Though Tata Sky products are priced at a premium to those of other players in the industry, it commands close to 30 per cent of the market share. "Efficient customer service, superior technology and more interactive features are the keys," says Vikram Mehra, Chief Marketing Officer, Tata Sky. The company recently rolled out "next generation set-top boxes" with 160-GB 'personal video recorders'. Behl of Reliance Big TV says, "We have been watching the DVR market worldwide, and how it has changed television viewing around the world. It will become an integral part of the television experience in India too. We are finalising our DVR plans and a formal announcement can be expected soon."

High definition will be another area all these players will focus on. HD TV has enjoyed great success in all the markets where it was introduced, such as the US and Europe. Most Asian countries today carry HD channels and these are well received. The US is now phasing out standard definition channels from many platforms.

In India, full HD TV was recently launched by all the major TV players and four-six channels are likely to come in as HD channels by the year end. Sun TV has already rolled out two of its channels in the HD format.

"HD TV will find a market among users willing to pay for video recording features targeted specially for home theatre owners," says Kapoor of Dish TV. Big TV is also planning to roll out HD set-top boxes soon. And Tata Sky's Kapoor too says to expect an announcement soon.

With all this coming up, the DTH market is expected to grow even faster in the years to come. Industry players say that by 2015, DTH will enjoy at least 40 per cent share of the C&S market. Digital cable may have 40 per cent and analogue cable will follow with 20 per cent. But, the spate of expansions is only half the story. Considering that DTH is an investment-intensive, long-haul business, the biggest challenge would be to see return on investment.

Service with a smile, innovation and interactivity are the keys to success

According to Kaushik, apart from creating back-end infrastructure, almost all players are spending anywhere between Rs 5,000 and Rs 6,000 on every installation. However, while some companies charge a few hundreds, some charge in the range of Rs 1,000-2,000. DTH subscription is today being driven by large subsidies on set-top boxes (according to industry sources, all players are offering over 30 per cent subsidy) as well as low subscriptions ranging from Rs 100 to 300. This way, every company invests over Rs 4,000 to acquire every new subscriber. Sun TV offers new connections at Rs 499. And, it comes with free subscription. Other players too often come out with new discount offers.

"It's a big problem. Take a look at the dynamics of the business. Overall, what happens is that the revenue model of all DTH players is fundamentally dependent on the subscription that the consumer pays every month, which is average revenue per user (ARPU). If the ARPU is Rs 75 a month, it will take at least five years to recover the cost of a connection – that too, provided the consumer stays with you and continues to pay every month," says Kaushik.

Primarily, it's a long pay-back business, and second, if the subscriber acquisition cost continues to be inordinately high, and the DTH player's ARPU is really inordinately low, "it's a very dangerous business to do. And that has been why we have refused to go into the price war. Because it's a very dangerous business model. They are all trading on the future," he adds.

The dollar is appreciating, interest costs have more than doubled, and all the players are currently investing and not earning. So, costs have moved up, and the ARPU has moved down. "This is the reason why we have said, it's fine, we will focus only on getting the best-quality subscribers," adds Kaushik. He says Tata Sky's ARPU is at least 40 per cent higher than everybody else. It holds 45 per cent of the market in value terms. Tata Sky hopes to break even in the next couple of years.

On whether the market will see any other price war in the future, Dish TV's Kapoor says, "Already, these are much lower than the levels prevailing in other countries. We feel there is very little scope for a price war in the near future." According to him, the company became EBITA-positive in the fourth quarter of the last fiscal, "which happened three quarters ahead of our earlier estimate. We look forward to be cash-positive by the third quarter of the current fiscal".