

'More the activity, faster the category grows'

Vikram Kaushik, MD & CEO, Tata Sky, on the growth of the DTH industry, competition and more

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In Chennai recently to participate in an event involving Tata Sky's South brand ambassador actor Asin, Vikram Kaushik, Managing Director & CEO, Tata Sky Ltd, is gung ho about the DTH provider's prospects. Set to cross the four-million mark in subscribers, Kaushik says the competitive landscape has changed dramatically since Tata Sky launched its service two years ago with five pay DTH players slugging it out. Kaushik spoke to Brand Line on a variety of issues confronting the industry. Excerpts:

On ads on Tata Sky

It is a revenue spinner. Advertisers believe that in a targeted fashion they can reach 3.7 million homes. And more importantly, through interactive applications, which means the advertisement will be beamed only on demand, not like any other 30-second spot which you may see or skip. At Tata Sky, the ad could be part of interactive channels, or when you switch on the power. **On movie-on-demand channels**

All the conventional relationships between different links in the chain in the media industry are undergoing changes. For example, there is a standoff between film producers and multiplex owners on revenue-sharing. And, it has to do with the whole

business of the terms in which the business is done. There are questions being asked from both sides. The fact is that new opportunities such as direct-to-home offer platforms like Tata Sky where you have a guaranteed addressable audience, and where you can actually pin down how many people actually watched a movie to the last number. It makes sense for us to give a revenue share to the producer of the film. We say you take 50 per cent and we keep 50 per cent ... depending upon the number of people who buy this specific movie. So, it's an open addressable revenue model for them. But, what is really attractive for content owners is that it cuts into piracy.

On industry growth

Cable connections in the country are estimated at 81-85 million. Of this, DTH is 20 million, including Doordarshan's seven million. So, pay DTH alone is about 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. It's a galloping growth. And, I always like to make this comparison that it took mobile telephony in India six years to reach 13 million connections, whereas it took DTH five years to reach the same number.

On competition in the industry

There are five significant competitors now. In 2007 there was Tata Sky and one



Vikram Kaushik, MD and CEO, Tata Sky Ltd. — BIJOY GHOSH

discount player - Dish TV. Today, along with Tata Sky, there are four discount players. All the four, without exception, are operating on price. But, what has changed, it happens in every category, is the more activity you have the faster the category grows.

The benefits of professional pay television are: you get addressability, customer service, better picture quality and sound .. and other value-added services ... TV from being just a one-way experience becomes a two-way interactive experience.

On product pricing

Our products are priced at a premium, and there is value for money. That's because we are targeting a better quality subscriber base. If you look at our subscriber base nationally, more than 70 per cent of all Tata Sky subscribers belong to the SEC-A. It's a hard choice we had to make.

On growth of the subscriber base

We did our first million in 11 months, the second million in nine months, the third in seven months and we should be crossing four million in a month or two. The growth was not stagnant. It picked up. The category has exploded.

On its investment plans

The number of Rs 2,000 crore that I discussed in 2007 is seriously obsolete. The investment in this business has gone up significantly. There are good chances that it will be doubled. Because, it's an infrastructural business, it requires that kind of investment upfront. There is obviously a lot of concern with the economic downturn, with the higher interest costs, with the foreign exchange costs. So, like in every other busi-

ness, we have undertaken some serious cost-effective programmes across the whole spectrum of activities. But, it does not change the fact that this is a high-investment business, and very dependent on ARPUs. That is why we have decided not to participate in the mindless price war. Because of the subsidy, more subscribers mean more investment. It's like a treadmill, you can't get off. That's why we are not in the business of building volume market share but in building value market share. Despite the five competitors today, I believe our market share today exceeds 40 per cent in terms of value. Tata Sky is by far the market leader in value. In the volume market, we are close to 27 to 30 per cent.

On when the company is likely to break even

In this business, typically break even would take five to seven years, depending on how many subscribers you have and the quality of your subscribers. And the other factor is your subscriber acquisition cost.

On whether its value-added services are well received by subscribers...

Typically, Tata Sky homes watch TV for 180 minutes a day. Of this, 35 minutes are spent on our interactive channels such as education, learning, kids programming and our other services such as matrimony, cooking, Darshan ...

► It took mobile telephony six years to reach 13 million connections in the country; it took DTH five years to reach the same number.