



Market research Indian Media & Entertainment Management Summary - August 2009

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The purpose of this market research was to gain insight into the Indian Media- and Entertainment industry. The following questions formed the foundation of this research:

- a. What are the characteristics of the Media- and entertainment industry in India?
- b. What opportunities are there in entering the Indian Media- and Entertainment market?

Companies within the Indian Media- and Entertainment industry generate, on average, higher revenues than any of their counterparts elsewhere in the world. The fast growth of the entire Media- and Entertainment industry, together with the high potential in profits, cause a great appeal towards international companies. This has led to many international companies entering several segments of the Indian Media- and Entertainment industry in the last couple of years. The main pillars for the growth within the Indian Media- and Entertainment industry are: Regionalization; the forming of niches; Internationalization; Way of financing; Digitalization; Vertical integration; Deregulation and a Positive business climate.

The strong growth and the high potential in income in the Indian Media- and Entertainment industry make it highly attractive to enter the market for foreign investors. English as primary business language is also favourable for Dutch entrepreneurs to do business in India.

However, the large extent of piracy, unsound transparency and an obscure and bureaucratic judicial structure can create obstacles for, especially smaller, organizations to enter the market.

The Media and Entertainment industry

a. Film

Bollywood is often considered as *the* film industry of India by the west. It is incorrect to speak about one integrated film industry in India. Besides Bollywood, there are six other major film industries in India: Tollywood, Kollywood, Sandalwood, Malayalam, Bhojpuri and Marathi.

Within the film industry there are several clear trends. The most important ones are vertical integration, digitalization, regionalization and internationalization. With vertical integration film companies expand their business in several facets of the film chain like production, distribution and exploitation. Digitalization makes the distribution of films cheaper, because the production costs of digital prints and the transport costs are lower.

The internationalization is occurring in rapid pace, especially towards the United States and the United Kingdom. Within the Indian film industry more and more Hollywood producers are investing in Indian film companies.

b. TV

The television industry comprises the majority of the Indian Media- and Entertainment industry and will grow excessively until at least 2013. The contents of the Indian television is changing under the influence of foreign parties, the rise of the middle class and the influence of the West and globalization. Due to this development there is a demand for quality content. This demand is partially met by game shows and reality shows that are found outside of India and partially through shows produced in India, such as drama series. The market for concept development is, with over 400 channels, large and will only grow extensively over the next couple of years. Interesting markets are: Reality shows; Talent shows; Game shows and Mythology.

c. Other Media (Radio, Internet and Games)

The turnover of the radio industry increased with almost 20% in the last couple of years. Many private radio companies have entered the radio-industry and a lot of channels have been launched. However, up till now, there have been few international radio companies that have entered the radio market of India. There are chances in expanding the radio range, through the use of internet. Broadband internet will have to be made available; also outside of the major cities of India. Internet mainly serves as a way of distribution for other applications. Radio, TV and Online Gaming will profit from a higher penetration of the Internet, especially outside of the metropolises.

So far, the internet access in the bigger cities are reasonably well. The Internet however, has not spread through all of India; the smaller cities and villages often do not have internet.

The gaming industry contains three important components: Mobile gaming, console & PC gaming and online gaming. Although the joint turnover of these three components within the gaming industry is still small in 2009 in comparison with the film- and television turnover, the Indian gaming industry is growing fast. In the last couple of years with this was 37% annually. Until now, mobile gaming has mainly been popular in the bigger cities, and there the market becomes saturated. The most popular genres in gaming are; Racing, Cricket, Action and Mythology. At this moment, there are few international developers for mobile games operation in India. Games are mainly developed by companies in India.

The ambitions of the corporate cluster ME-India are:

- An increase in the market share of Dutch parties in India through the sale, exploitation and export of formats, content and Technologies;
- To play a mediating/servicing and an executing/facilitating role in the realization of successful collaboration within The Netherlands and between The Netherlands and India

These ambitions are supported by the following findings in this research:

- **Measure:** The Indian Media- and Entertainment industry is, in potential, the biggest in the World. It is however underdeveloped in many fields.
- **Range:** The cable television currently reaches approximately 5 million households, making India the third television-country behind China and the United States. There is a market for over 30,000 theatre screens, with currently 12,000 screens in India.
- **Growth:** Films are an interesting growth market in India, especially the market for regional films.
- **Income:** The entertainment income (film, TV, shows, etc) from countries outside of India in 2008 was approximately Euro 180 million. The major, which is over 140 million, come from theatre releases. According to the FICCI this amount will increase towards an approximately Euro 3 billion in 2015! This will be gained from television productions sold to foreign countries, exhibitions on satellite channels worldwide and the explosive growth revenues from theatre and home video releases. In this, the European market is viewed as one of the main pillars.

Aspects that should be taken into consideration:

- **Market imperfections:** The Indian market appears to be easily accessible, this is however not the case. Reasons for this are the cultural language of commerce, the bureaucracy in combination with (despite the liberalization process) a large government interference (for instance the strict formulated 'program codes'), widespread corruption, the often non-transparent market, high level of protectionism and the regular change in personal in lower and middle management.
- **Infrastructure:** India has a poor physical infrastructure (roads, waterways, airports), a weak banking sector and energy supply.
- **Judicial apparatus:** on the lower level, the judicial apparatus is poor. Especially MKB organizations may experience inconvenience when they become involved into a legal conflict.
- **Government policy:** Although the policy is being improved, thanks to the applied reshaping policy, there are still a lot of bottlenecks to be solved (including the rigid employment legislation).
- **Own standards:** In India people tend to hold on to their own standards that may cause conflict with the European standards, which are influenced by those of the United States. This has to be taken into account in the preparation, or else collaborations may become very difficult.

Concrete opportunities lie in:

a. Film distribution / exploitation

The growing middle class is getting more interested in non-Indian films and Arthouse films. The Dutch film industry can benefit from this development, which applies mainly to the movie going audiences in the bigger cities and metropolises.

Furthermore, the Indian film is realizing more sales in the Netherlands, because more films are being screened in a number of multiplex theatres. They are however not available on television or on DVD.

b. Film(co)productions

In comparison to other European countries, The Netherlands stay behind. France, Switzerland and even Luxemburg have facilities making it easier for Indian filmmakers to shoot a film in their country. These facilities range from film- and media funds to arrangements on a bilateral level through a coproduction agreement.

The Swiss bureau of tourism finances film –giving them an interest free loan- that are recorded in Switzerland on the condition that when the film reaches a certain revenue, the amount has to be reimbursed. This could be an interesting model for The Netherlands with relatively few risks. The Netherlands will get the opportunity to create, besides the tourism aspect, a clear creative –economic-collaboration.

There are many opportunities to make use of each other's technical possibilities. Dutch filmmakers can, assuming that they make use of the right channels, shoot faster and cheaper in India. They may also be able to outsource activities like post-production. Together with the Suriname-Hindustani community the possibility can be explored to (co-)produce a Bhojpuri film. The Dutch market may offer a new or additional area of distribution for a Bhojpuri director. On the other hand is the Bhojpuri market a relatively new market for foreign filmmakers and may therefore be easily accessible for Dutch filmmakers.

c. TV Concept development

The Indian market has grown enormously concerning television channels and there is a need for quality television formats. Dutch companies can benefit from this development by offering concepts, like British and American concept developers are doing. Because of the number of channels, there is also a need for parties that can create advertisement commercials and animations for niches.

d. TV Distribution

The Netherlands have a head start, for instance in the field of internet television. Expertise can be exchanged with India. There are also several platforms available, for instance UTV World Movies and Series, to broadcast Dutch films, series and programs on Indian television.

e. Other Media (Radio, Internet and Games)

Concrete opportunities lie in the supply side, e.g. by offering games and radio concepts. There are also opportunities on the demand side. The Netherlands are an interesting market for online applications. The broadband internet penetration is one of the highest in the world. Ready made games and other similar applications can always be offered in the Netherlands.

The ambition and opportunities lead to the following recommendations. A permanent hub, a physical area, ought to be established to get the activities between both Media and Entertainment industries started and to keep them going for a period of time (even after the end of the ME-India program). Therefore, the 2g@there program may possibly be prolonged. Furthermore there is a need for information on the industries in both countries. To establish this, seminars on this subject need to be organized or specific publications need to be published.

Trade missions and collective trade fair submissions are good tools to bring parties in both countries in contact with each other. These should always have a sound diplomatical character. This is needed to fight the established lack of legibility in India of the Dutch Media and Entertainment industry. Furthermore, it is recommended to create a core group that can critically follow up on business tracks and can offer support where needed.

Finally, it is important to find a connection with parallel running initiatives and predecessors on the terrain of Media and Entertainment in The Netherlands and India, as well on personal as on organizational level. In The Netherlands this could for instance involve initiatives of the bigger local authorities, but also a NBTC (Dutch bureau for tourism and congresses). In India this may involve initiatives of parties such as Ernst & Young and KPMG, but also the FICCI and the GUILD.