

Your Market Is Everywhere

International Market Series

India

How Canadian producers can benefit from looking beyond borders



This report focuses on the state of the television and gaming industries in India.

Also included: genres on the rise in India, media consumption habits, major local broadcasters, regulatory environment, current trade agreements with Canada, recent deals between Canadian producers and Indian companies as well as advice on the Indian market from experts.

Fast facts:

▶ The volume of Internet users in India is estimated at 462 million as of spring 2017 and it is predicted to reach 635 million people by 2021. ↓

▶ India's market for English language content is sizeable (currently estimated at 220 million). ↓

▶ Children's programming has an estimated market size of 400 million viewers. ↓

▶ With television penetration rates stabilizing in urban areas, a significant new growth area is programming aimed at rural viewers. ↓

▶ Online video delivery is the new medium of choice in India, with consumption times up nine-fold since 2014. ↓

▶ India's video game market is expected to double by 2020. ↓

▶ As it currently stands, about 45% of mobile user time is spent on entertainment content.

▶ Many Canadian provinces and regions have programs to assist project development, production, and marketing in the Indian market. ↓

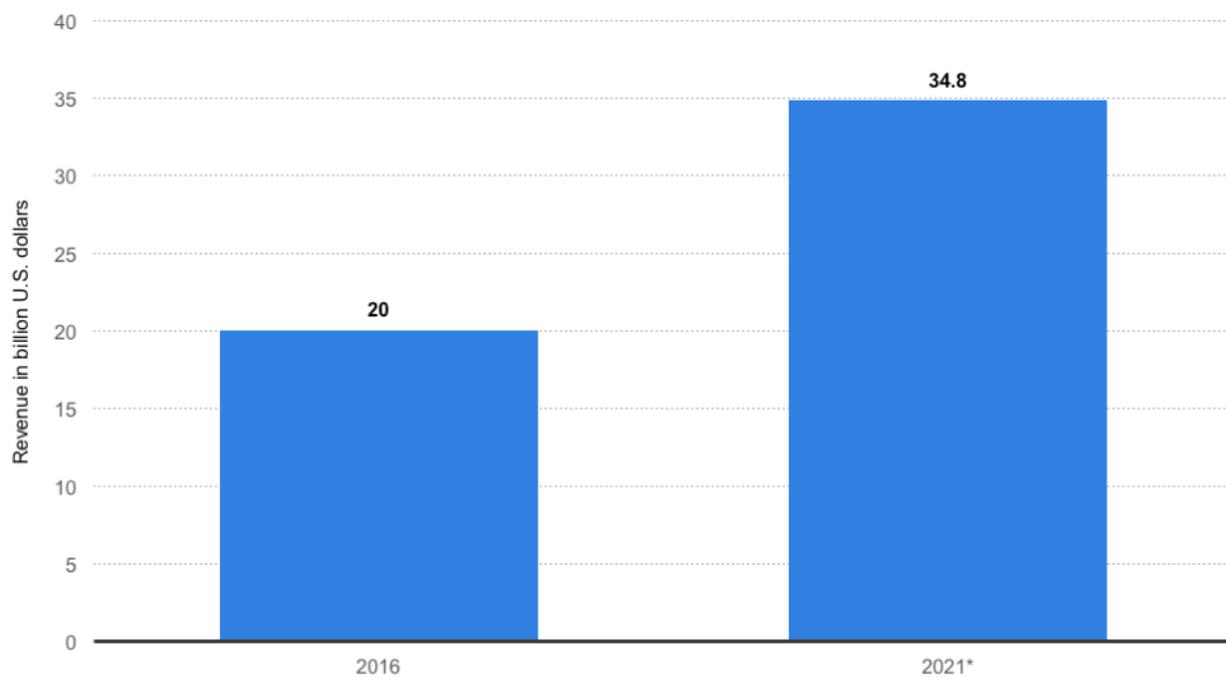
With 1.35 billion people, India is the world's second largest country in terms of population and represents the second largest online market. In both categories, it is bested only by China.

When most people think about India's media and entertainment industry, they think of Bollywood, India's motion picture industry, which is the world's largest—producing about 1,000 feature films per year. However, there's much more to the Indian industry than Bollywood. India is also a country with

a rapidly developing mobile sector, an increasingly connected rural population, and a robust yet highly fragmented broadcast media sector, with over 850 television channels and thousands of cable operators.

India's media and entertainment industry is valued at US\$20 billion in 2016 and has shown a healthy growth in the past five years. According to current forecasts, the industry should be valued at close to US\$35 billion in 2021.

Media and entertainment industry revenue in India in 2016 and 2021



Note: India; 2016

Source: PwC; Livemint

*Forecast

statista

Going forward, however, legacy media systems will be replaced by Internet connectivity to convey news, information and entertainment to the billion plus people in the country. Whereas five years ago, about only 10% of India's population had Internet access, in 2017, that percentage has risen to 35% (460 million people) and it is predicted to reach 50% (635 million people) by 2021¹.

TRACK RECORD WITH CANADA

Canadian companies have established favourable relationships with Indian media conglomerates such as Viacom18 and Times Group as well as with the localized arms of global brands such as Discovery and National Geographic (NatGeo). To date, deals have spanned the genres of children's programming, animation, and both scripted and unscripted lifestyle programming.

While India's media market serves speakers of more than 100 major languages, the market for English language content in the country is sizeable (currently estimated at 220 million)².

Recent sales by Canadian companies include:

- ▶ Toronto-based Essential Media's sale of episodes of the *Body Hack* adventure series to NatGeo India⁴;
- ▶ Squeeze Studio's sale of the first season of the *Cracké* 3D animated series to India's Viacom18 for broadcast on Nickelodeon India⁵;
- ▶ Blue Ant International (a division of Toronto's Blue Ant Media):
 - Sale to Discovery Networks of multiple episodes of *Land of Gremlins*, *Mystery of Evolution*, *Attack and Defend*, and *Wildlife Icons* for broadcast in India⁶;
 - Sale to India's Times Group of lifestyle programs *What's For Sale? With A View!*, *My Retreat*, and *Reno My Reno*⁷.

However, perhaps the biggest news about Canada-India media partnerships is the 2017 establishment of a Vancouver production facility by one of India's largest media companies, Zee Entertainment Enterprises, the first Indian broadcaster to do so. Zee's Vancouver studio will create content for global TV and digital markets in local languages, encompassing genres such as drama, reality TV, game shows, sitcoms and sci-fi⁸.

INSIDER TIPS

On filling a new niche

“With OTT and SVOD being so big, ‘Cracké’ fit in perfectly. It’s short form, with no dialogue, so it’s great for an international audience. To the buyers in India, it looks like Disney, because it’s high quality 3D animation and there’s a big appetite for this kind of fresh content.”

– Denis Doré, CEO and co-founder of Squeeze Studio, on deal with Nickelodeon India and its streaming service Voot Kids³

SUCCESSFUL GENRES

Without a doubt, the most successful television genre in India is the soap opera. Many are in the romantic to melodramatic vein but more recent programs, such as *Main Kuch Bhi Kar Sakti Hoon (I, a woman, can achieve anything)* take on controversial issues such as domestic abuse and acid attacks on women⁹.

Other popular genres include sports, which routinely draw hundreds of millions of viewers for cricket, soccer, wrestling, and auto racing, and children's programming, which has an estimated market size of 400 million viewers¹⁰.

Given the size of the country, India's game market, valued at about \$550 million in 2016¹¹, lags greatly behind gaming powerhouses such as the U.S. and China, with each country's industry valued at around \$24 billion¹². India's game market represents only 0.55% of the global market but is expected to double by 2020, attributed to factors such as rapid smartphone penetration¹³. The PC and console-based gaming business in India is dominated by Sony and Microsoft, but the high cost of hardware has limited overall adoption, with lifetime sales of consoles estimated at only 3 to 3.5 million¹⁴.

MAJOR BROADCASTERS AND MODES OF TRANSMISSION

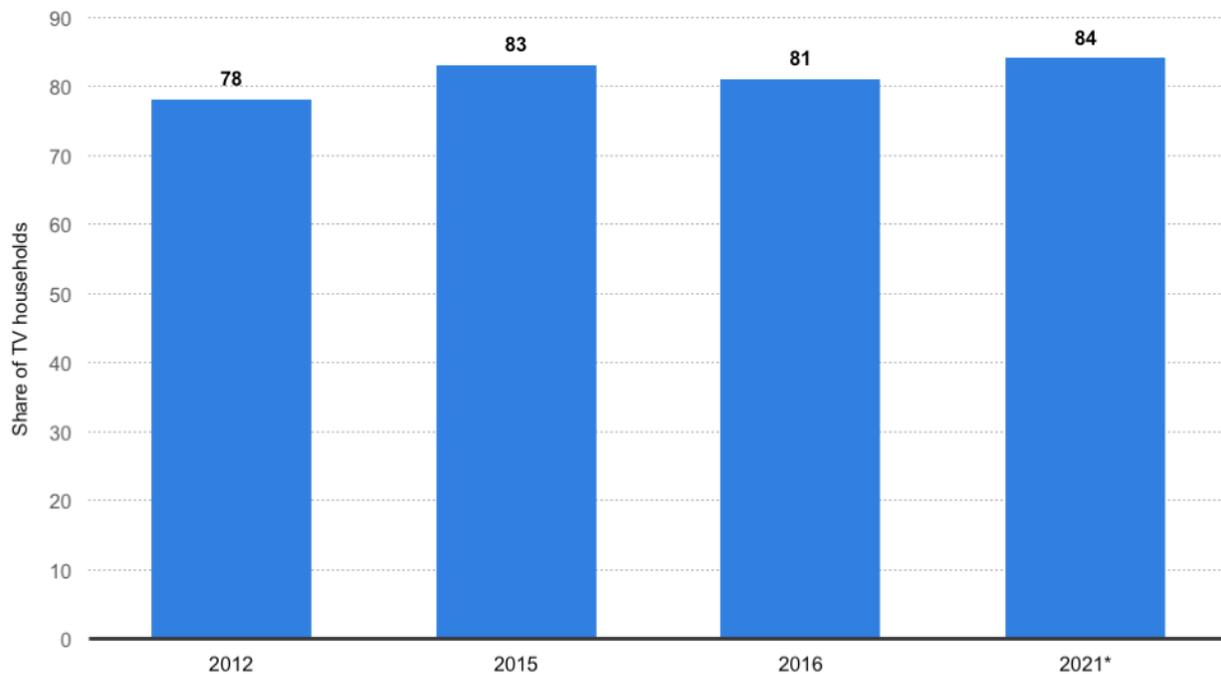
There are six major modes of television transmission in India.

- ▶ Broadcast television (aka terrestrial TV);
- ▶ Free-to-air TV (FTA, aka unencrypted satellite);
- ▶ Cable television;
- ▶ Direct broadcast satellite (DBS, aka satellite TV);

- ▶ IPTV (Internet TV);
- ▶ Direct-to-Home (DTH).

In 2017, India's television penetration rate sits at about 70%. The country has over 850 channels, of which about 20% are pay TV services¹⁵. India's pay channel penetration rate has remained more or less constant at about 80% over the past 5 years and is expected to rise modestly to 84% by 2021.

Paid cable and satellite TV penetration rate in India from 2012 to 2021



Note: India; 2012 and 2016; excludes DD Free Dish Subscribers

Source: KPMG; FICCI

*Forecast

statista

MAJOR BROADCASTERS AND MODES OF TRANSMISSION

India has six media conglomerates, each operating a variety of networks and/or channels:

- ▶ Viacom18;
- ▶ India Central Government Group;
- ▶ 21st Century Fox;
- ▶ Sony Pictures Network India;
- ▶ The Sun Group;
- ▶ Zee Entertainment Enterprises.

One of the issues that is unique to India's media landscape is the marked difference between the media consumption habits of urban and rural viewers. The World Bank estimates that about two thirds of India's population of 1.3 billion live in rural areas¹⁶.

Among the key differences between Indian viewers in rural and urban areas:

- ▶ Rural populations tend to go to bed earlier, owing to the often agricultural nature of their work. Broadcasters therefore recently began to shift prime time programming to the earlier hour of 6:30 p.m., as is the case with Zee TV's fictional series *Bin Kuch Kahe* and the Star Plus series *Meri Durga*¹⁷;
- ▶ Rural viewers have a preference for local/regional content, often in regional dialects or less commonly spoken languages such as Marathi and Telugu. Broadcasters such as Zee Entertainment and Sun TV have developed partnerships and programming to address these preferences¹⁸;
- ▶ With television penetration rates stabilizing in urban areas, a significant new growth area is drama, unscripted and entertainment programming aimed at rural viewers¹⁹.

INSIDER TIPS

On differences in audience segmentation

“You don't understand this until you travel to India, but for children's and family programming, which is our area, it's largely thought of as one big audience. It's not segmented into pre-school, animation, and live action kids' shows, as it is in other markets, and that's because so many homes have just one TV set and the family gathers around it and watches together.”

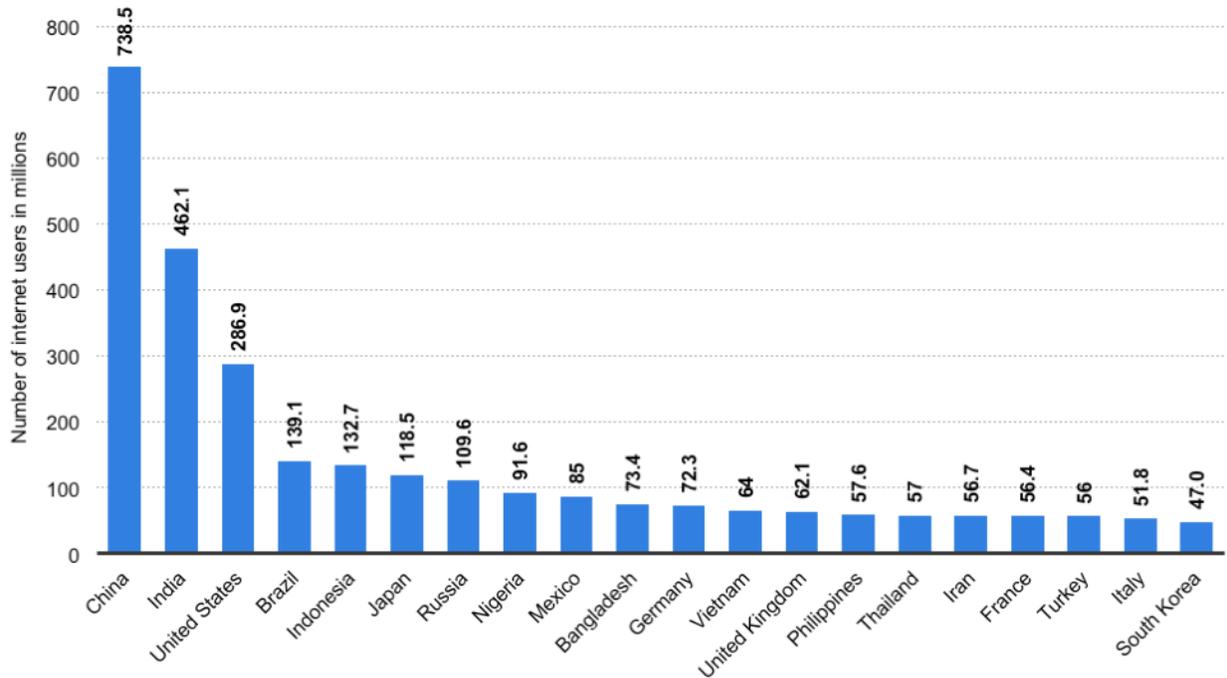
– Josh Scherba, EVP, Distribution & Content, DHX Media²⁰

OTHER DELIVERY PLATFORMS

Though the country's split between rural and urban population is dramatic, India's digital divide is not anchored in geography as much as it is in gender. With only minor regional variations, 70% to 75% of Indian males have Internet access, while only 20% to 25% of Indian females can make the same claim²¹. Overall, Internet penetration hovers around 35% in India, which may sound scant; however, five years ago, less than 10% of the country had online access²².

Nevertheless, in absolute numbers, the volume of Internet users in India—estimated at 462 million as of spring 2017—is striking.

Countries with the highest number of internet users as of June 2017



Note: Worldwide; June 2017

Source: Internet World Stats; ITU

statista

OTT

Online video delivery is the new medium of choice in India, with consumption times up nine-fold since 2014²³. Global OTT providers Amazon Prime Video and Netflix recently entered the market, but uptake has been limited, with fewer than 1 million Netflix subscribers in the country in 2017²⁴. There are a few reasons that explain Netflix's limited success in India. One is the aggressive stance taken by Amazon, which is able to package streaming video as a perk within its larger suite of offerings. Another is the deeper insights possessed by India's own OTT providers into key factors such as the significance of the country's rural/urban divide and viewers' preferences for local over western programming²⁵.

There are numerous local streaming providers, from native OTT companies to media conglomerates and wireless telecommunications firms.

The country has four main dedicated OTT providers:

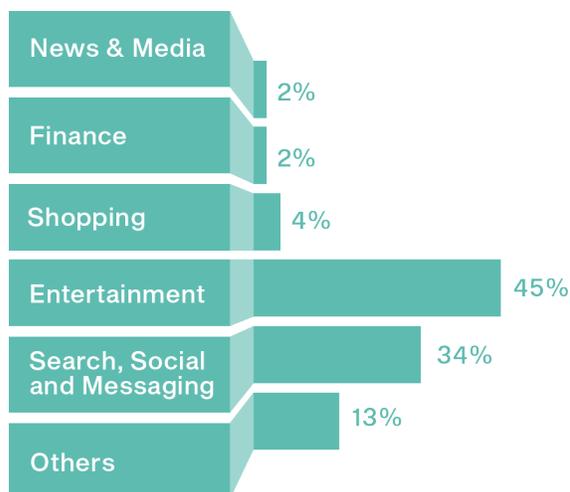
- ▶ BIFFlix;
- ▶ Spuul;
- ▶ BOXTV;
- ▶ ErosNow.

The past year has also seen broadcast networks enter the OTT arena, with platforms such as Viacom18's VOOT, Zee TV's OZee and Star TV India's Hotstar. OTT content and services are also being offered by telcos, with Airtel Wynk and Jiu Apps having recently entered the market. At present, OTT services in India are largely advertising-supported, though analysts suggest that this is unlikely to be a sustainable business model over the long term and a shift to OTT by subscription, such as the model proposed by Netflix, would be required²⁶.

Mobile

With well over 700 million mobile phones in circulation, of which close to half are currently Internet-enabled, India is undoubtedly a mobile first market. The ongoing arrival of advanced handsets at affordable prices has led analysts to forecast that the number of Internet-enabled phones in India will reach 700 million by 2021²⁷. Access to what will likely be one billion consumers a few years later is therefore in the hands of the wireless communications industry rather than the broadcasters. As it currently stands, about 45% of mobile user time in India is spent on entertainment content²⁸.

Time Spent on Mobile in India by Category, 2016



Source: MMA Kantar, India Mobile Usage Report, 2016

Statistics such as these are precisely why, in 2016, Facebook offered free mobile Internet access to its users in India, although the offer concerned a limited version of the Internet called 'Free Basics' that was anchored on Facebook. The proposal was ultimately rejected by the Telecom Regulatory Authority of India (TRAI) as it would favour one provider's content over another's—which violated the country's ban on 'zero rating', the practice of charging for some online services but not others²⁹.

TRADE AGREEMENTS WITH CANADA

In July 2014, Canada and India signed an international audiovisual coproduction treaty to officially facilitate cooperation and coproduction of film, television and video projects between the two countries. On the heels of the ratification of the treaty came trade missions to India by delegations from British Columbia³⁰ and Toronto³¹, home to media industries with annual values of approximately \$2 billion each.

In the case of the B.C. mission, a partnership was forged between the Canadian Consulate in Mumbai, the Province of B.C., and industry association Creative BC, i.e., the provincial-level organization that oversees the administration of film, digital media, gaming, and music programming. In addition to travel support to Mumbai's annual media entertainment expo FICCI Frames in March 2017, other assistance provided included market research and business consultancy services as well the arranging of customized meetings³².

INSIDER TIPS

On things learned by the B.C. delegation at Mumbai's FICCI Frames 2017

“Vancouver is arguably the largest VFX/animation cluster in the world, and what we’re increasingly seeing is Indian companies expressing an interest in setting up here. Indian companies are looking to move up the value chain and conduct more creative VFX/animation work using locally hired talent. Being in Vancouver puts them a short flight from and in the same time zone as Los Angeles, provides them in the best North American time zone for doing business with India, and provides access to world-class talent, as well as a very competitive tax credit.”

– Robert Wong, Vice-President, Creative BC³³

Following the 2014 ratification of the Canada-India co-production treaty, Ontario's [OMDC](#) (Ontario Media Development Corporation) partnered with the Canadian Consulate in New Delhi, Telefilm Canada, and the CMPA (Canadian Media Producers Association) to attend such trade-promoting events as the Canada-India Business Council in Mumbai and the annual Film Bazaar in Goa³⁴.

Other provinces and regions may have similar programs to assist project development, production, and marketing, and producers are encouraged to explore the range of programs and incentives available.

REGULATORY ENVIRONMENT

One of the biggest barriers for media companies doing business in India is pirated content. Across the media and entertainment industries, piracy is estimated to be responsible for annual financial losses of 180 billion rupees (approximately US\$2.8 billion) and about 60,000 jobs³⁵. As is the case in most areas of the world, piracy in India has shifted from physical formats such as CDs and DVDs to digital files made available online, revenues being generated from advertising displayed alongside the pirated files.

To date, attempts made by government and industry associations to stem piracy have had limited success owing to the sheer volume of pirated content available in the country. Some legal recourse has been obtained through the use of “John Doe orders”, i.e., legal avenues ordered by the Indian High Court asking ISPs to block websites hosting pirated content³⁶.

MAJOR INDUSTRY ASSOCIATIONS AND INITIATIVES

- ▶ [Broadcast Society of India](#)
- ▶ [Cable Quest](#)

SELECT MARKETPLACES/TRADE EVENTS

- ▶ [Digital Convergence India](#), New Delhi
- ▶ [Indian Games Expo](#), Mumbai
- ▶ [Broadcast India](#), Mumbai
- ▶ [FICCI Frames](#), Mumbai
- ▶ [Indywood Film Carnival](#), Hyderabad

OFFICES/PERSONNEL IN CANADA

- ▶ [Canada India Business Council](#)
- ▶ [Indo-Canadian Business Chamber](#)

FOOTNOTES

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