The Newsreel: News Broadcast in India

- News broadcast in India: Key trends
- In conversation with: Arnab Goswami
News broadcast in India: Key trends

The story so far
After a major spike year in 2014-15 on the back of the general elections, these past two years have been about consolidation for the news broadcast sector. For most of the large multi-channel broadcasters in this space, the focus has been on:

- Launch of new regional channels to build bouquets which appeal to national, regional and state-level advertisers
- Increasing interactivity with viewers through a more structured and focused social media and digital strategy
- Innovation towards revenue maximization, particularly in the non-FCT space, and
- Improving operational efficiencies across the value chain.

A phase of muted growth
As per BARC data, news contributed about 7% of the total viewership on average across all genres for parts of 2015-16.1 Considering that over 400 of the 832 licenses issued by the Ministry of Information and Broadcasting (MIB) in India are for channels operating in the news and current affairs space, and with the MIB continuing to issue new licenses, competition in the sector continues to be acute. With not much differentiation when it comes to content or presentation formats across most channels, fragmentation of audiences and reduced viewership loyalty have become deep-rooted concerns for a large set of operators in the sector.

The increase in foreign investment limit in news broadcast companies from the earlier 26 percent to 49 percent has not really led to many investments in the sector. This has to do with past trends of poor profitability, high requirement of regulatory compliances and unclear future plans in light of the proposed new tariff order. Investors find it easier and potentially more rewarding to associate with digital technologies in the news and current affairs space rather than the TV news broadcasters.

Ad revenues remain a challenge
The news broadcast sector has seen muted increase in advertising revenues over the past year. Financial services, telecom, e-commerce ventures and mobile handset manufacturers continue to support news channels as part of their media plans.
Pending a verdict in the high court petition regarding an hourly advertising cap, most news broadcasters continue to carry more than 12 minutes of advertisements across their national, regional and business news channels, in an effort to increase revenues. Increasing the effective rate has continued to remain a challenge and as per industry estimates, effective rates per 10 seconds have continued to be in the range of INR 300 to INR 3500, barring a few high profile exceptions.

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1 BARC India, TG: All 4+, Market: All India, Period: Wk 41, 2015 to Wk 7, 2016
Subscription income remains elusive for many

Most news broadcasters are free to air, and are available on Doordarshan's (DD's) FreeDish / Direct satellite service as well. Subscription continues to remain a distant second as a source of revenue for pay news broadcasters, with the net subscription revenue (subscription less carriage) having not shown great positive movement for most of the news broadcasters\(^4\). The fight for channel positioning has continued thereby leading to increased carriage spends. In fact, net subscription revenue remains negative for most large news channels.

Cost management

Control over news gathering costs, production costs and optimization of resources continues to remain a key priority for most news broadcasters. Utilization of assets such as DSNG vans, cameras and taxis, cost of on-air talent, utilization of reporters and cameramen, editors and studios is still not always captured. KPIs relating to efficiency need to be defined and monitored, to ensure costs remain in control. Many news broadcasters are considering implementing common newsrooms to manage both their digital, social and linear news offerings, which can save time to audience, costs and assist in marketing efficiencies.

Digital news platforms drive growth in audiences

Globally, evolution of digital news mediums has led to an overall increase in consumption of news and India is no different. With the projected growth in smartphone users, increased connectivity, lower broadband costs and young population, digital news consumption will increase more than 10 fold over the next 5 years, driven by vernacular, rural, women and mobile users.

Vernacular driving digital India

![Consumption of Vernacular Content Online (million users)](#)

<table>
<thead>
<tr>
<th>Mobile Internet Users (million)</th>
<th>Rural Internet Users (million)</th>
<th>Woman Internet Users (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2013</td>
<td>2013</td>
</tr>
<tr>
<td>59</td>
<td>121</td>
<td>127</td>
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<td>65%</td>
<td>29%</td>
<td>25%</td>
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<tr>
<td>110</td>
<td>533</td>
<td>357</td>
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<tr>
<td>82%</td>
<td>52%</td>
<td>45%</td>
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As per the Digital News Report 2016, a study conducted across 26 countries, a paradigm shift was indicated in the source of news consumption between various age groups. Lower age demographics are transitioning out of TV and Print as primary sources of news and are adopting social media and other online sources at a much faster pace than the older demographics.

**News sources split by age**

![Image of bar chart showing news sources split by age]

In line with global trends, news consumption on digital platforms and specifically within lower age demographics, is on the increase in India. As per industry estimates, the current estimated INR 62.5 billion digital advertising market has the potential to grow by 20–30% a year in the immediate future as compared to the overall advertising growth pegged at 11.7%\(^5\). The current 180 million smartphones in India are also expected to touch close to 700 million by 2020\(^6\). Launch of faster and cheaper internet plans and access to free wi-fi zones across public utility areas is expected to increase data consumption across both urban and rural markets. In light of these projections, digital journalism start-ups and also traditional media organizations are looking at exploiting this opportunity over the next few years.

**News company of the future**

88% of Indians prefer to consume news in their local language\(^7\) and as such, news broadcast sector will continue to be driven by the enormous growth potential of tier II and tier III towns, alongwith the rural markets that will get digitized as part of Phase IV. The news company of the future would therefore evolve into one which provides news across various media, following its core target base's consumption patterns. Research shows that news consumption, while on the rise, is being fragmented across devices and day-parts, as shown in the diagram.

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\(^5\) Reuters report on Digital Journalism Start-Ups in India, May 2016
\(^6\) http://www.livemint.com/Politics/eMr4D5XFQWTMboKz0QgQLL/Rural-India-to-power-internet-users-to-730-million-by-2020.html
News broadcasters in India are aware of the digital opportunity and are innovating considerably to build and deliver features such as customizable formats, real-time alerts, clutter-free interfaces, geo targeted advertising and increased interactivity. In the past year, English news broadcasters have increased interactivity across their social media platforms substantially to connect with younger Indian audiences. It is now almost imperative for news broadcast companies to complement their channels with digital mediums to serve their loyal audiences.

Low barrier to entry and increased backing by private equity investors has already led to the launch of a foray of applications focussing on providing access to customers to news across various languages. DailyHunt is a case in point and provides its users news, books and other information sources across various local Indian languages. The Company claims over 90 million users, 2.3 billion monthly page views and access to over 100,000 articles daily across more than 200 publications in 12 languages[^8].

Competition is also leading to higher focus on complimentary avenues of revenue increase such as Advertiser Funded Programs and creation of IP and on-ground events. In order to differentiate, most broadcasters have conceptualized newer programming show formats featuring their key talent and are aggressively monetizing the same.

[^8]: [http://www.dailyhunt.in/](http://www.dailyhunt.in/)
Players across markets are working on improving efficiencies by way of implementation of systems for improved MIS reporting for business decision making, usage of data analytics, automation of manual activities and putting in place effective monitoring controls. Heavy investments are being made in upgrading the newsroom infrastructure with an aim of achieving competitive advantage and multi-platform synergies in the medium to long term.

Consumption growth in tier II and tier III towns is already increasing the advertiser interest in these markets and this will support the growth of multi-channel news broadcasters. Further efforts towards increasing measurement sample sizes in the next couple of years should also see stronger viewership numbers for Hindi and regional news broadcasters. Completion of implementation of DAS Phase III and Phase IV is expected to have an impact on subscription revenues in the near future, in light of the provisions of the proposed Tariff order.

In the near to medium term, TV and digital news platforms will continue to co-exist and brand association coupled with ease of access, will drive traffic towards these mediums. While innovation remains key, content will always remain king. Players that invest and focus more on consumer research, innovation in content and formats, localisation and upgrade of technology enablers, are likely to emerge successful in the long run.

Ashutosh Singh
Director, Media & Entertainment advisory services
EY India
Will Digital news overtake TV news and if so how soon do you estimate that to happen?

The scope and potential of digital news is undeniable in a country like India wherein we are posed to become the second largest smartphone market in the world by next year. As electrification maxes to 100% in India, the penetration and power of television pan India is likely to maintain its tempo. With this understanding, my vision is that TV and Digital will work together to become complementary mediums—they aren’t competitors as mediums, they are complementary to one another. Of course, I do believe that as we go on, traditional in-hand newspapers will become obsolete because the screen—both traditional TV sets and digital gadgets on the fingertips of our times—will be the future. They will walk and work with fluidity hand in hand.

Do you see the common newsroom architecture working for news in India?

If you mean by “common newsroom” the traditional architecture—then I will say that we are on the brink of breaking out of traditional molds, even in terms of structure of a newsroom. The Indian news industry has spent the last five years or so digitizing every asset and trying to make its space in the fast-paced digital-friendly ecosystem of news. While we keep ourselves rooted in the newsroom, my vision is flexibility, seamless flow and diversity in terms of content within a newsroom and the digitized space. I want to break the tradition of this architecture in boxes.

Free-to-Air or subscription - Where do you see the industry five years from now?

In the next five years, my hope as a news industry is that we can be subscription based. This helps allow content to be king, and my vision is that content will be the driving force over the next decade.
Our M&E Practice

EY India has a dedicated M&E practice of more than 16 professionals across 15 key segments of the industry. We provide services to many of the country’s leading M&E companies as well as to global media giants operating in the country. We have developed a wide range of services, such as entry strategy, private equity placement, due diligence, IT security review, organization structure, performance improvement and tax structuring, to name a few. This has enabled us to establish a strong presence in each segment of the industry. As your advisors, we can help respond quickly and effectively to the challenges the entertainment industry faces today.

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