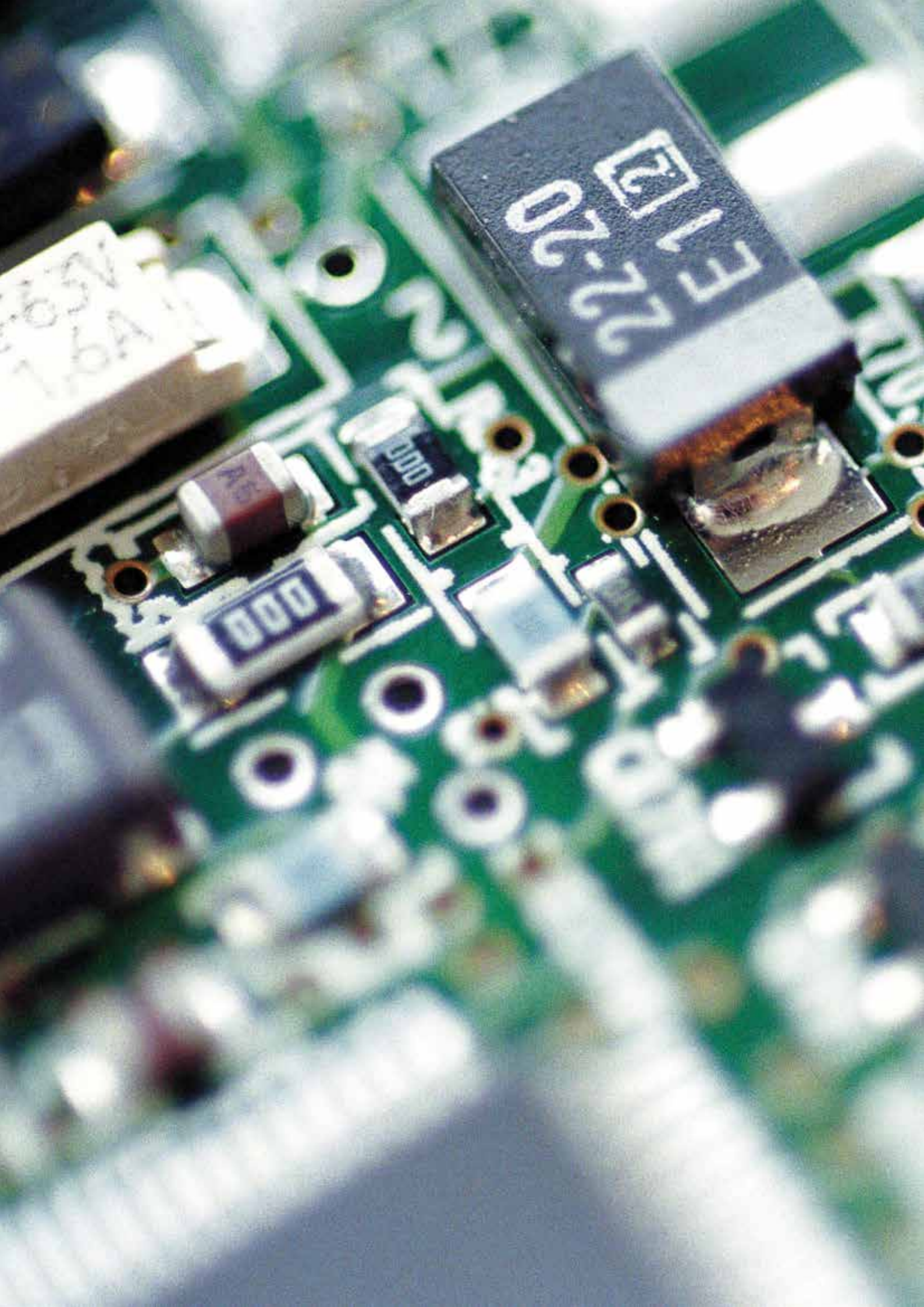


Digital Media Growth Opportunities in India

for South East Asian
Countries

August 2015





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Introduction

Supported by a foundation of solid macroeconomic performance over the last decade, the media and entertainment (M&E) industry in Southeast Asia¹ is poised for strong growth. These markets provide a unique opportunity with digital, as mobile penetration is in excess of 100% while penetration of traditional internet and subscription TV services in the region remains below world average. The region is also witnessing a strong growth in smart device penetration, broadband penetration & the uptake of high speed networks of 4G.

National governments in Southeast Asia are also taking further steps to foster greater access to broadband internet, further buoying the media and entertainment industries. Although the headwind of intellectual property concerns remains, content creation is flourishing as large corporations embrace a multi-platform world and as citizens consume social media in significant quantities.

The Indian economy continues to surge becoming the second fastest growing global economy and the fourth largest economy. India's increasing per capita income, growing middle class and working population are generating huge domestic demand for leisure and entertainment services.

With more than 600 television channels, 100 million pay-TV households, 70,000 newspapers and 1,000 films produced annually, India's vibrant M&E Industry provides attractive growth opportunities for global corporations. The Indian M&E sector is poised to grow from INR 1,026 billion in 2014 to reach INR 1,964 billion by 2019, at a CAGR of 13.9%, a growth rate that is almost twice as compared to the global M&E industry.

As India grows, the Media & Entertainment industry has flourished with the demand for both traditional and digital content surging. The Indian Digital sector is on the cusp of a strong phase of growth, backed by rising consumers and related revenues across all sectors. The industry has been largely driven by increasing digitisation and higher internet usage over the last decade. By 2018, Internet advertising will emerge as the third-largest segment, with a share of about 16 per cent in the total M&E advertising pie, with a compounded growth rate of around 27.7% p.a.

1. Southeast Asia market is built on the basis of 6 major geographies of Singapore, Vietnam, Malaysia, Thailand, Philippines and Indonesia, which form >90% of southeast Asia's GDP



Source: : World population prospects, IAMAI Report, EY Future of TV Report, TRAI

Executive summary

Emerging opportunities in digital media:

- ▶ **The next stage of digital consumption after travel and ecommerce is expected to come from digital media, especially video**

Trends in online searches in India suggest that entertainment is becoming the largest sought after category contributing to 31% of all searches. Videos and music currently represent the highest proportion of the consumer preferences within the entertainment category, collectively aggregating to over 90%. The video viewing audience in India is expected to grow significantly in the near future at a compounded annual growth rate (CAGR) of over 50%. With the increasing growth in video audience and consumption, the Indian market provides an opportunity for international studios and content owners to showcase their content and garner additional revenues.

- ▶ **'Snackable' content consumption would drive the growth in consumption in the Indian market**

Driven by the younger audiences (between 18 - 35 years age bracket), constituting to around 80% of the users, consumer preferences and content consumption patterns will drive and determine the focus areas for the growth in the OTT market in India. Consumers have shown increased preference towards short form of content; with the average length of video viewed in India being around 20 minutes. In addition, 62% of the content consumed on YouTube is short-form content. This trend has led content producers like Eros International & Star to focus on exclusive and snackable content.

- ▶ **Various platforms like OTT, MCN and music streaming are driving digital media consumption**

Various players in the M&E industry including broadcasters, Telcos, studios, DTH operators etc. are building various platforms to capture the growth in video and music streaming services. These players are trying to leverage their individual strengths to capture market share. Top MCNs in India catering to kids, entertainment & food categories have over 3 mn subscribers and close to 100 mn views. This space has seen investor interest recently and international players are seeking entry into India through partnerships or investing in Indian platforms.

- ▶ **The changing face of digital user is expected to lead to an increased focus on regional and vernacular content**

The next wave of growth in India's internet population, enabling India to breach the 300 million internet user base in the near future, is expected to be from tier II and III cities, thus enabling the growth of vernacular and regional content. Currently 45% of the users consume regional language content and this percentage is expected to increase with the growth of internet users. Digital media players should thus consider aggregating / producing vernacular content to capture the next set of users.

- ▶ **With the evolving internet audience, there is an opportunity for digital media content producers to create 'target group centric' content**

With rapid digitalisation, the face of new digital India is expected to be far more diverse in the times to come and moving away from the old, familiar figure of an urban, mid-aged, upper-middle class male. By 2018, India is expected to have 1.9 males for every female among the 18-24 year age bracket along with 54% of the audience over the age of 25 years. As the audience is shifting from the familiar persona, there will be a need to develop content for a specific target audience. Many content creators are trying to cater to this changing demography & psychography of the audience and are producing content directed towards a specific target group.

Enabling opportunities for the growth of digital media players:

- ▶ **With increase in digital consumption, India and such other Asian markets are expected to help media conglomerates in driving consumer aggregation**

The rapid up-take of connected devices, especially smartphones and tablets is instrumental in media consumption shifting beyond traditional media formats such as broadcast and cable TV towards digital mediums. The number of smartphones in India grew a staggering 54% during 2014, reaching 140 million and is expected to continue growing at a fast pace. Today, India is on its way to become the second largest user base in the world behind China. India has become the second largest market for social networking giants like Facebook (with over 108 mn users) & LinkedIn (with over 30 mn users) across the world and is expected to surpass the USA to lead the global tally of the largest Facebook user base on mobile devices by 2017.

- ▶ **Increased penetration of 4G and high speed broadband services are expected to provide an opportunity for additional media services with increased consumption**

Even though a major proportion of wireless internet subscribers are 2G users, the adoption of 3G is gradually increasing and now constitutes about 36% of the overall wireless internet user base. 4G (LTE) is also beginning to set its foot in the market with Airtel being the first operator to launch its services in 296 towns across the country. 4G is expected to contribute around 37% of the mobile data traffic in India by 2018. With this growth, there exists an opportunity for increased consumption of high bandwidth services including video and other interactive media services

- ▶ **Payment wallets & operator billing models are expected to enable monetization and reduce the challenge of under penetration of credit card payments**

Subscription revenue is constrained by low credit card penetration, payment gateway failures and other factors that hamper online payments. Currently, only 1-2% of the consumers pay for media content online. Mobile payments are expected to grow from USD 0.1 bn in 2012 to USD 1.4 bn in 2015 at a CAGR of 14%. However, different entities in the mobile / online ecosystem are building mobile centric wallets to overcome payment issues and have seen uptake in various digital

services. Daily packs and transaction based models are also gaining market traction.

- ▶ **The OTT Market in the future is expected to evolve into one which has more partnerships which bring more complementary proposition suiting their strengths**

With the evolution of the digital market, partnerships within the digital supply chain are evolving in order to create complementary value propositions. The space has also seen interest from international media players, especially players in the South East Asia. Many global players are entering into the Indian market are looking at local partnerships in order to provide 'Glocal' Offerings. These partnerships are especially seen the OTT space, where there is increasing competition and challenges around monetization. The market is expected to witness more vertical and horizontal partnerships and acquisitions to drive synergies.

In nutshell

Key trends	Opportunities
High consumption on digital media especially video	Opportunity for international studios and content owners to showcase their content and garner additional revenues
'Snackable' content consumption is driving the growth	Opportunity for content producers by focusing on shortform or exclusive content
OTT and MCN platforms capturing growth in video and music streaming consumption	Interests from international players entering into India through partnerships or investments
Growth of regional and vernacular content	Aggregating and producing vernacular content may help capture larger share of users in India
Diverse and specific content needs of digital audience	Creating TG centric content
Rapid increase in Digital consumption through connected devices	Indian markets would help media conglomerates to drive consumer aggregation
High speed broadband and increased internet penetration	Opportunity for increased consumption of high bandwidth services including video and interactive media services
Increased usage of payment wallet and operator billing model	Building mobile centric wallets may overcome payment issues enabling monetization and uptake of digital services
Partnerships shall drive and help the OTT market to evolve	Drive synergies from partnerships, acquisitions, global players entering the market, etc.

Section I:

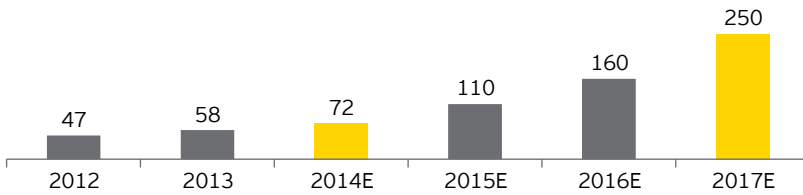
Emerging opportunities in digital media



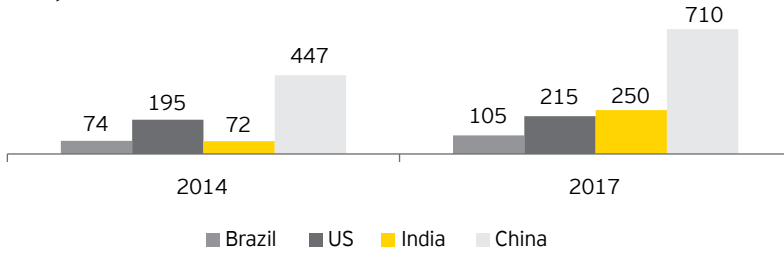
1. Digital video

The video viewing audience in India is expected to grow significantly in the near future at a CAGR of over 50%. By 2017, India is expected to surpass the US to become the 2nd largest video viewing audience globally.

Online Video Audience in India (in mn)



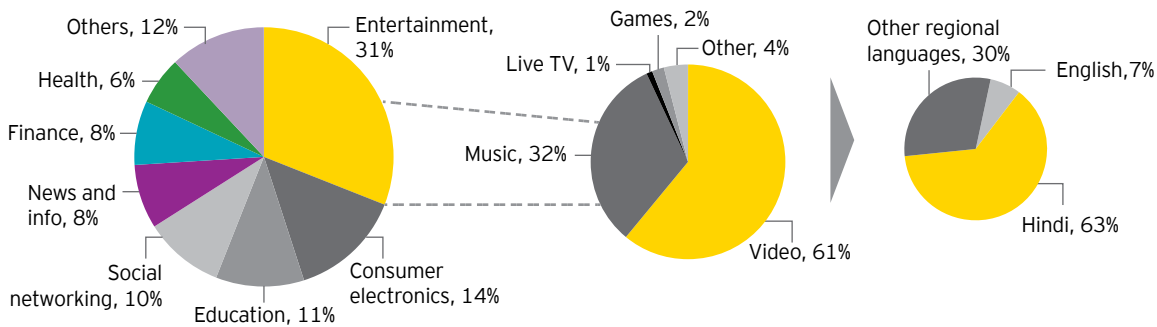
Comparison of Online Video Audience (in mn)



Source: EY Future of TV Report, Statista

Trends in the online searches in India also reflect that entertainment is the largest sought after category. Videos and music currently represent the highest proportion of the consumer preferences in the entertainment category. In addition, the study also shows the preference of the Indian consumers towards vernacular and regional language content with 93% of the time spent on videos in Hindi and other regional languages.

Trends for online searches in India

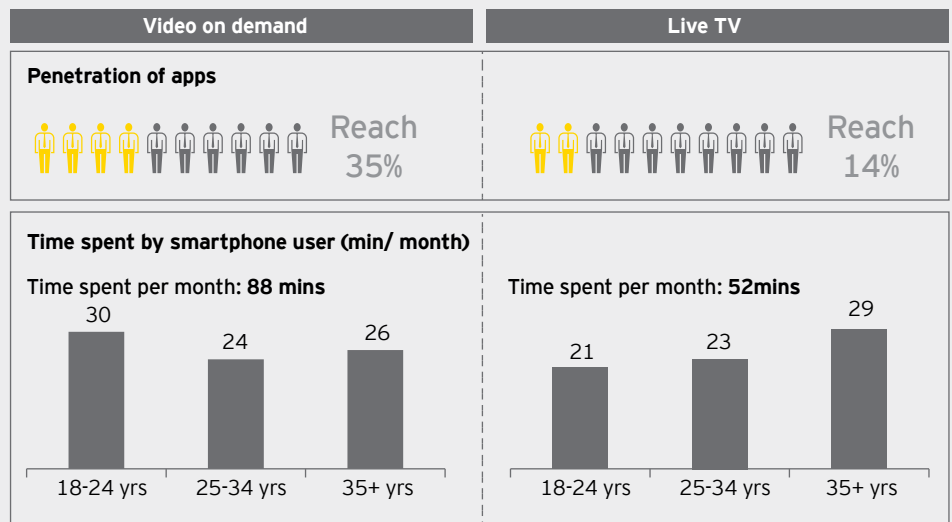


Source: Google Report: Online opportunities in Telecom

With the increasing growth in video audience and consumption, the Indian market provides an opportunity for international studios and content owners to showcase their content and garner additional revenues.

Varied players like Telecom Operators, Content Aggregators, Media Entities, DTH Players, etc. have ventured in the OTT space within the India Market. They are leveraging their strengths in order to establish a foothold in the market.

Live TV streaming, however, is still at a nascent stage in India and is primarily driven by sports and events. Comparatively, Video-on-Demand (VoD) services have a higher penetration among the Indian audience. Young adult, entertainment & celebrity driven clips are popular formats in short form content.



Source: Nielsen Informate Mobile Insights

2. Changing consumer preference towards short form & original content

Consumer preferences and content consumption patterns over the internet have evolved over a period of time. This evolution is expected to drive and determine the focus areas for the growth in the OTT market in India. Shortform and snackable content is primarily driving the growth in consumption of digital media, and is primarily driven by younger audience.

Consumer preferences

Short form content <ul style="list-style-type: none"> ▶ The average length of video viewed in India is 20 minutes ▶ 62% of content consumed on YouTube is Short Form Content 	Mobile driven <ul style="list-style-type: none"> ▶ YouTube is accessed by 35% of smartphone users 	Low willingness to pay for content <ul style="list-style-type: none"> ▶ Of ~100 million digital users, only about 0.5 - 1 million pay for content
Driven by youth <ul style="list-style-type: none"> ▶ The 15-24 and 25-34 age categories constitute the 80% of the users 	Live TV driven by sports <ul style="list-style-type: none"> ▶ 25 million digital views of the India vs Pak World Cup match 2015 ▶ 40 million digital unique viewers for IPL 2013 	Curated content/playlists <ul style="list-style-type: none"> ▶ "Expert curated playlists are more popular than the albums with about 33% more clicks" : Airtel Wynk

Source: EY Analysis

Digital video consumption in India is primarily in the form of short form content. This is mainly because of slow and fluctuating internet speeds which hinder the video viewing experience. Low levels of 3G penetration, elongated time to download movies, buffering time and bandwidth issues have caused Indians to prefer shorter and snackable content as compared to other countries.



Original snackable content

Most Indian OTT players currently have similar content libraries of GEC TV shows, movies or regional content. Currently, they do not offer much differentiation in content. However, with increasing competition and new entrants in the market the focus is shifting towards content differentiation by providing original snackable content.

Focus on differentiation through original content

Eros international (leading production house) has announced its plans to invest \$25 mn in FY 16 into building original content for its OTT platform Eros Now.

Spuul, a Singapore based independent OTT platform targeted at Indian audience and diaspora is also planning to invest in original content for India.

Focus on differentiation through short form content:

With the inclination of the Indian audience towards short format content, OTT players also need to focus on 'snackable' content for OTT platforms. Video networks like AIB and TVF (runs popular YouTube channels which offer short snackable clips in the comedy genre) have been able to garner considerable market traction.

In this regard, OTT players like Hotstar are inking deals with popular content producers like AIB.

Network	Total Subscribers (MN)	Total Views (MN)
AIB	1.2	97
TVF	1.2	114

Source: EY Analysis

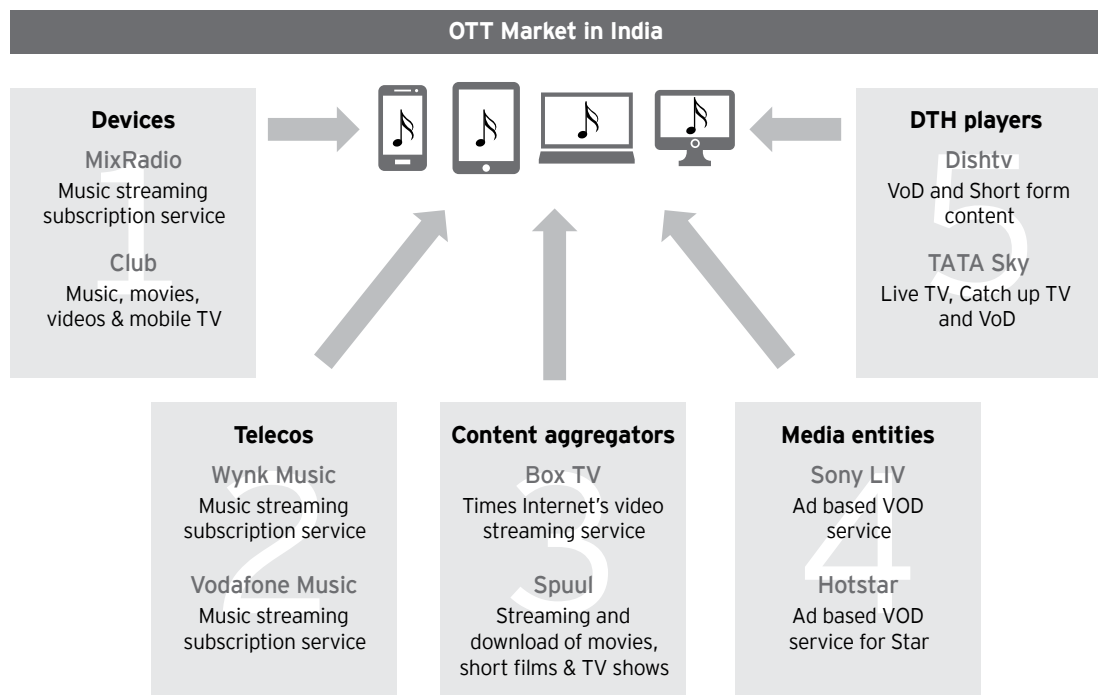
This evolving trend has led content producers like Eros International & Star to focus on exclusive and snackable content



3. Platforms driving digital media consumption

OTT platforms & players

Varied players like Telecom Operators, Content Aggregators, Media Entities, DTH Players, etc. have ventured in the OTT space within the India Market. They are leveraging their strengths in order to establish a foothold in the market.



The different players in this space have leveraged their unique strengths and hence faced unique challenges.

- ▶ **Device** based players have preloaded apps on handsets and targeted existing users. However, they face very high content costs leading to small and limited content libraries
- ▶ **Telcos** provide built in payments options through network billing and incentives for data usage. However, they also face issues around differentiating content libraries
- ▶ **Media Entities** are leveraging their existing content libraries and providing an ad-based product. Driving traffic and engagement is a major issue for them along with monetization
- ▶ **DTH Players** are targeting their existing users with white-labelled solutions. However, they lack popular content and have found fewer takers
- ▶ **Content Aggregators/Start Ups** have opted for a freemium model providing long-form content and targeting NRI audiences. However, their reach is limited because of limited app discovery. Increasing content costs are also a challenge for these aggregators

Content aggregators like Spuul and Box TV were early starters in this space and have a relatively established user base and diverse content libraries.



Spuul

- ▶ Spuul, headquartered in Singapore, is an OTT service provider offering video streaming and download services
- ▶ It has content offerings across Hindi, Tamil, Telugu and other regional languages which is available across web, mobile and Chromecast platforms
- ▶ Currently, it has a content library of over 1000 TV shows and films from Yash Raj Films, Balaji Telefilms, Shemaroo Entertainment, Viacom 18, Phantom Films and UTV motion pictures
- ▶ It largely targets the Indian market and the Indian diaspora in Singapore, UAE, US and UK and is looking at telco partnerships to drive consumer acquisition
- ▶ They operate on a freemium revenue model and focus on transaction revenue arising daily, weekly packs

BoxTV

- ▶ BoxTV, a Times Internet initiative, providing OTT service offering on-demand video streaming, has also been setup in Singapore for operational efficiencies
- ▶ It caters to the Indian diaspora in India, Singapore, UAE and the UK and USA
- ▶ Content library includes titles from Celestial Entertainment, Disney UTV and Sony Pictures Television to provide Hollywood content; and Everymedia Technologies, Shemaroo Entertainment, Rajshri Productions and UTV Motion Pictures to provide India-focused programming
- ▶ In addition, BoxTV offered live streaming of the 2013 Indian Premier League

Growing traction of multi-channel networks (MCNs)

Multi-Channel Networks are entities that affiliate with multiple YouTube channels to offer content creators assistance in areas such as programming, funding, cross-promotion, partner management, digital rights management, monetization/sales, and/or audience development.

Most MCNs are focused around a vertical or demographic with large, targeted audiences for programming, distribution, and sales.

MCNs in India are currently witnessing a lot of traction, which has led to major global MCNs considering an entry in this space. In addition, a lot of M&A interest by strategic players and the investor community has been observed recently.

This space has seen investor interest in the recent past and international players looking at an India entry could consider partnering or investing in Indian platforms.

Top MCNs in India include the following:

MCN	Genre	Total Subscribers (MN)	Total Views (MN)
YoBoHo	Kids, Entertainment, Food	3.1	97
One Digital Entertainment	Entertainment, Sport, Music	3.0	70
Whackedout Media	Entertainment	2.1	51
Nirvana Digital	Entertainment, Kids, Music	1.0	47
Appu Series	Kids	0.4	12
Pocket Films	Kids	0.07	4

Recent Funding Deals & Acquisitions in the MCN Space in India:

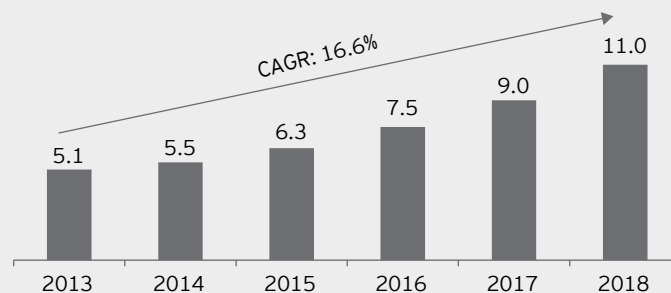
- ▶ Culture Machine raised USD 18 mn. of funding from Tiger Global, Zodiuss Capital & Times Internet
- ▶ #fame (earlier Famebox Networks) raised USD 10 mn. of funding from TTN Ventures
- ▶ Ping Digital raised funds from various angel investors
- ▶ Fullscreen makes strategic alliance with Indian MCN Qyuki
- ▶ Maker Studios is entering Indian market and has started signing up popular video networks like AIB

Mobile internet driving digital music consumption

Digital Music is still at a nascent stage with very low levels of penetration as compared to other developing markets. However, with the growth in mobile internet, digital music streaming apps are likely to gain a lot of traction.

Revenues from digital music services are expected to grow at a compounded rate of 16.6% to INR 11 billion by 2018 with streaming music accounting for around 10% of the market, i.e. approximately 0.6 billion.

Digital music revenues

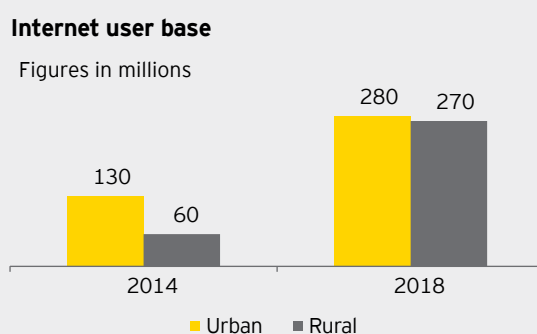


Source: FICCI Report

Digital music segment in India is quite crowded with most of the major streaming players offering similar services. They have similar content libraries and revenues models. On the other hand, internet radio has a limited niche audience and is primarily driven by genre based content like Carnatic music, classis rock, etc. It mainly caters to special interest based groups and to enthusiasts.

4. Increasing demand for regional / vernacular content

The next wave of growth in Indian internet is expected from non-metro and rural areas, where wireless mobile internet shall play a pivotal role. Vernacular and regional language traffic is set to grow, exhibiting 59% user growth and 56% site traffic growth in 2013.



Source: IAMAI

Unlocking the potential

The growth has been fuelled by availability of low-cost smart phones, falling rates of data plans, increased adoption and awareness in rural India. A few key elements that can further help unlock the true potential would be:

- ▶ Providing affordable data packs and access through the network reach with data enabled devices
- ▶ Facilitating digital transactions and ease of payments, potentially through new instruments
- ▶ Developing a regulatory framework which would encourage content development, protect artists against piracy, etc.
- ▶ Enabling entrepreneurial ventures through ease of financing and mentorship programs
- ▶ Creation of regional language content to tap the potential of non-urban areas

Shift of consumer base

The shift is already being witnessed by various players across the entire digital eco-system from e-commerce players to payment wallets and portals with more than 40 per cent of PayTM users are from tier-II and tier-III towns.

Regional news

Regional news consumption is on the rise, with significant traffic coming from rural and semi-urban regions. This has given birth to several digital players focused on key regional and vernacular markets.. This has given birth to several digital players focused on key regional and vernacular markets.

Digital players growing in key regional markets

Newshunt	Oneindia	Vikatan
▶ 16 bn page view every month	▶ Half of its user base from Tier 2 and 3 cities like Pilani, Haridwar, Mathura etc.	▶ 1.5 lakh UBs every day & 200 million page views every month

Source: EY analysis

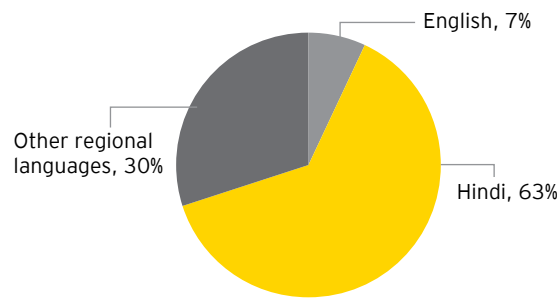


Digital content producers can thus look at aggregating / producing vernacular content to capture the next set of users.

Vernacular video content

The preference of the Indian consumers towards vernacular and regional language content is constantly on the upswing, with 93% of the time spent on videos in Hindi and other regional languages.

Content consumption (time spent)



Source: Google Report: Online opportunities in Telecom

5. Specific content for focused TG

The face of new digital India will be far more diverse in the times to come and is expected to rapidly move away from the old, familiar figure of an urban, mid-aged, upper-middle class male. There is a predominant shift towards using mobile phone as a primary and often only access point to the internet. The preferred services will match day-to-day demands of a diverse income household, regional language based and more often outside a tier I city and from tier II & III cities.

	2003	2018
Older	▶ 60% under the age of 25	▶ 54% over the age of 25
Rural	▶ 29% rural audience	▶ 40% - 50% rural, semi-urban audience
Gender balanced	▶ 2.6 men for every woman	▶ 1.9 men for every woman among 18-24 year olds
Mobile	▶ 60% - 70% of the user base	▶ 70% - 80% of the user base
Vernacular	▶ 45% of the users consume regional language based content	▶ 70% - 90% Indian do not speak English, less than 1% as a primary language

Source: IAMAI



As the digital audience is shifting from the familiar persona, there will emerge an opportunity to create TG specific content for the new audience. There exist emerging content producers for genre centric content. Children & women centric content has gained interest in the recent past and many players are currently looking to create content in this genre

Women centric content: MissMalini.com produces Bollywood, fashion & lifestyle centric content specifically for women. Ping digital, an upcoming MCN, runs multiple women centric channels.

Children centric content: Multiple MCNs including YoBoHo, Appu series & Chu Chu TV have emerged in this space. The segment has also seen investor interest: RTL Group owned Canadian media company BroadbandTV acquired YoBoHo.

With the changing demography & psychography of the digital audience, there is an opportunity to build TG centric content

Case study: popular kids centric players

YOBOHO	CHUCHU TV	APPU SERIES
YoBoHo's Ecosystem around Kids Content	ChuChu TV's Ecosystem around Kids Content	Appu Series Ecosystem around Kids Content
YouTube Channels <ul style="list-style-type: none"> ▶ YoBoHo owns and operates 27 kids centric channels ▶ The prominent one is : HooplaKidz 	YouTube Channels <ul style="list-style-type: none"> ▶ Chu Chu TV owns and operates 5 kids centric channels ▶ The prominent one is : Super Simple Songs 	YouTube Channels <ul style="list-style-type: none"> ▶ Appu Series owns and operates 17 kids centric channels
Library of Content <ul style="list-style-type: none"> ▶ 8000+ videos of Kids centric content ▶ Content featuring original programming is produced in house 	Library of Content <ul style="list-style-type: none"> ▶ 1122 + videos of Kids centric content 	Library of Content <ul style="list-style-type: none"> ▶ ~7800+ videos of Kids centric content ▶ Content featuring original programming is produced in house
Online views <ul style="list-style-type: none"> ▶ YoBoHo generates 3 billion views per year ▶ One of the largest pre school & educational networks on YouTube 	Online views <ul style="list-style-type: none"> ▶ ChuChu TV generates 2 billion views per year ▶ ~ 2 million subscribers on YouTube 	Online views <ul style="list-style-type: none"> ▶ Appu Series generates 541 million views per year

Source: EY analysis

A close-up photograph of a hand holding a white tablet. A stylus is held in the hand, pointing towards the screen. The background is blurred, showing what appears to be a desk and a laptop. The text is overlaid on the top left of the image.

Section II:

**Enabling opportunities for the growth
of digital media players**

1. Consumer aggregation

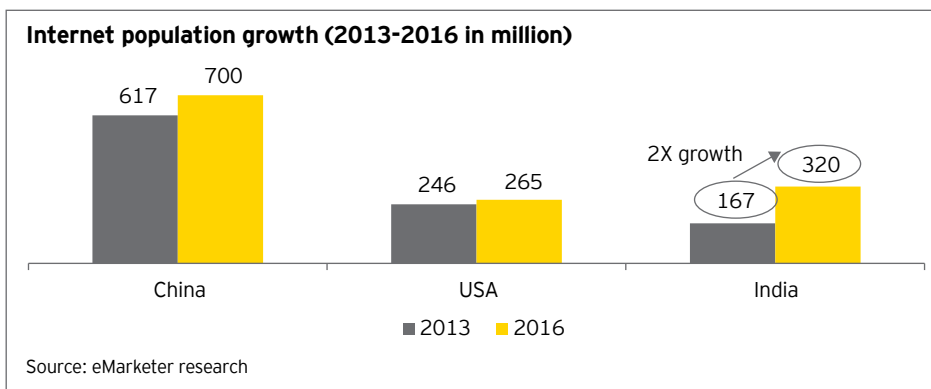
With increase in digital consumption, India and other Asian markets are expected to help media conglomerates to drive consumer aggregation.

Around 80% of digital consumers in Southeast Asia own a smartphone and half of digitally-engaged households in the region own a tablet. This penetration of connected devices, especially smartphones and tablets, is instrumental in media consumption shifting beyond traditional media formats such as broadcast and cable TV towards digital mediums.

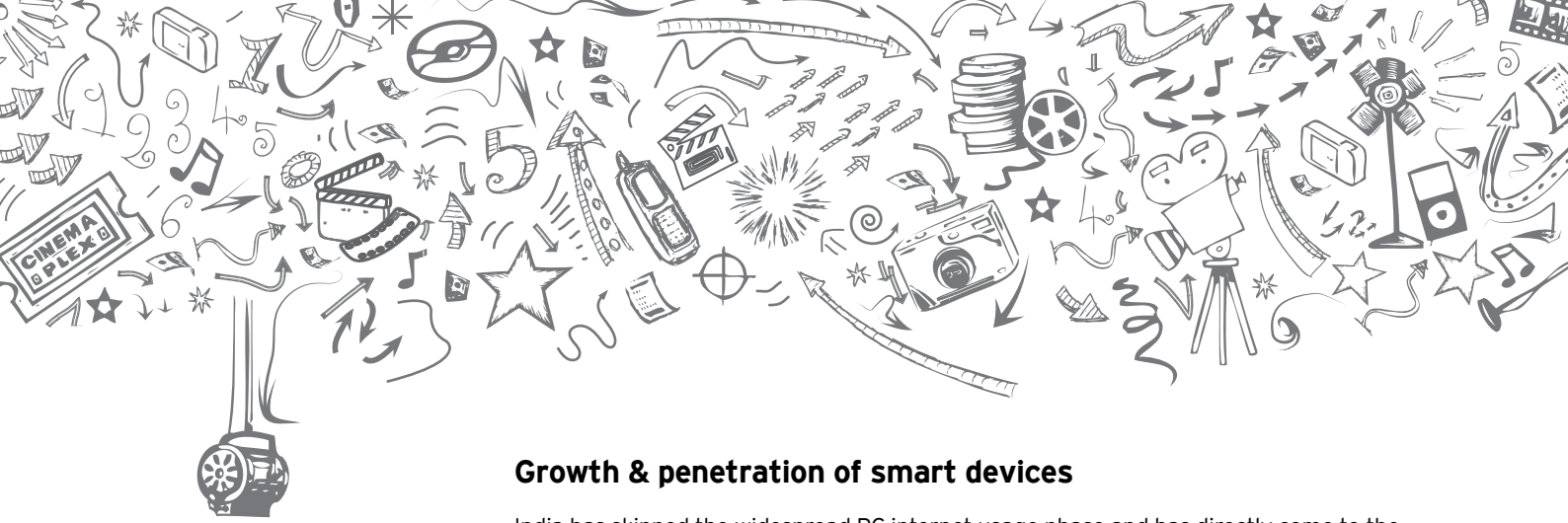
Southeast Asian netizens spend, on an average, over 22 hours online per week, up from approximately 19 hours per week in 2011. Along with increasing connected device ownership and time spent online, consumers' media consumption habits are shifting

Growing base of Indian internet users

While in 2001, India had approximately 7 million internet users only, over the last 14 years, this number has grown over 30 times at a compounded rate of over 40% Y-o-Y. Today, India is on its way to breach the 300 million internet user mark, making it the second largest user base in the world behind China.



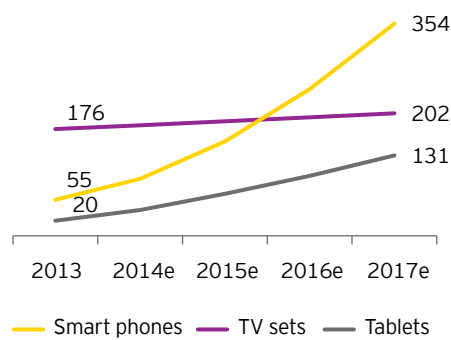
While it took over 20 years since the introduction of internet in India to reach 100 million users, the second 100 million users were added in approximately 3 years only. Going forward, the third 100 million internet users are likely to be reached in less than a year.



Growth & penetration of smart devices

India has skipped the widespread PC internet usage phase and has directly come to the mobile phase. The number of smartphones in India grew 54% during 2014, reaching 140 million and is expected to continue to grow at a fast pace. The number of tablets also grew 1.7 times during 2014, reaching 2 million and is expected to continue to grow at a faster rate even compared to smartphones. India is expected to have over 18 million tablet users by 2019.

Device penetration in India (mn)



Source: EY Future of TV report

Smartphone Penetration in India

Year	Smartphone penetration
2013	14%
2014e	21%
2015e	33%
2016e	48%
2017e	66%

India has become the second largest market for social networking giants like Facebook & LinkedIn across the world and is expected to surpass the USA to lead the global tally of the largest Facebook user base on Mobile by 2017.

Close to the inflection point

Both in terms of consumer and advertiser interest, the Indian Internet ecosystem is close to the point of inflection that was observed in the US market in 2007-08 period when the smart phones and 4G/LTE gained traction.

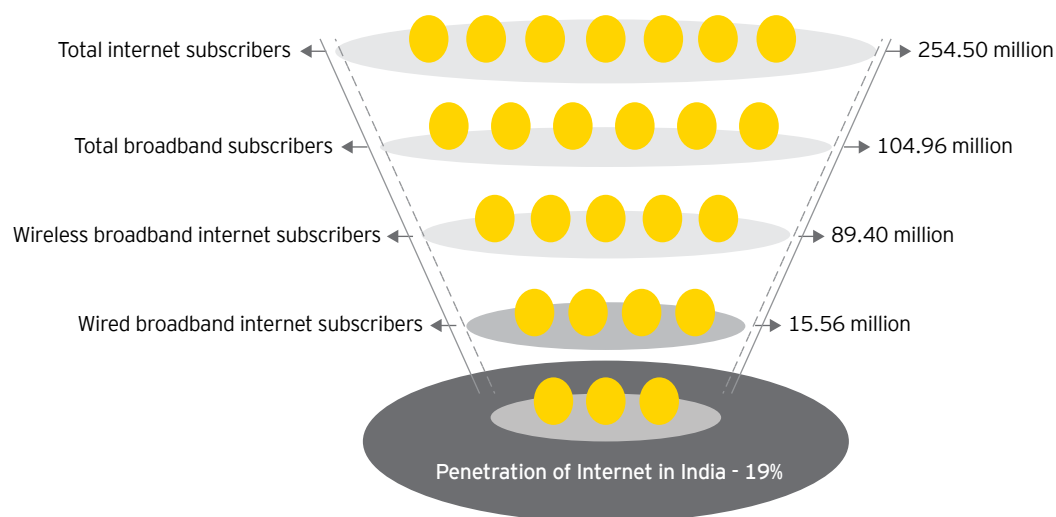


2. Introduction of 4G and increased penetration of high-speed broadband services

The next wave of growth in Indian internet is expected from non-metro and rural areas, where wireless mobile internet shall play a pivotal role.

2G continues to be dominant in non-urban regions, telecom operators are investing heavily on high speed technologies like 3G and 4G (LTE) to cater to the demand of urban India.

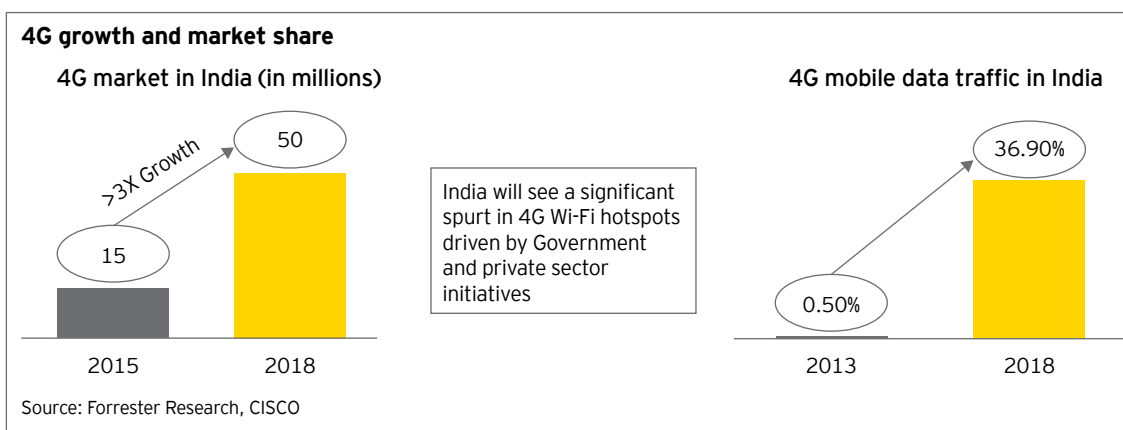
Internet subscriber base in India (as of May 2015)



Source: TRAI

With this growth, there is opportunity for increased consumption of high bandwidth services including video and other interactive services

Even though the major proportion of wireless internet subscribers are 2G users, the adoption of 3G is gradually increasing and now constitutes about 36% of the overall wireless internet user base. 4G (LTE) is also beginning to set its foot in the market with Airtel being the first operator to launch its services. Digital India Initiatives by the government are expected to be instrumental in driving the demand for 4G. The Government has indicated investment to the tune of INR 70 bn for the rollout of 4G across India over the next 3 years. In addition to the public sectors, Reliance Jio has also invested INR 700 bn crores for allocation of 4G spectrum where their network would encompass 600,000 villages in India.



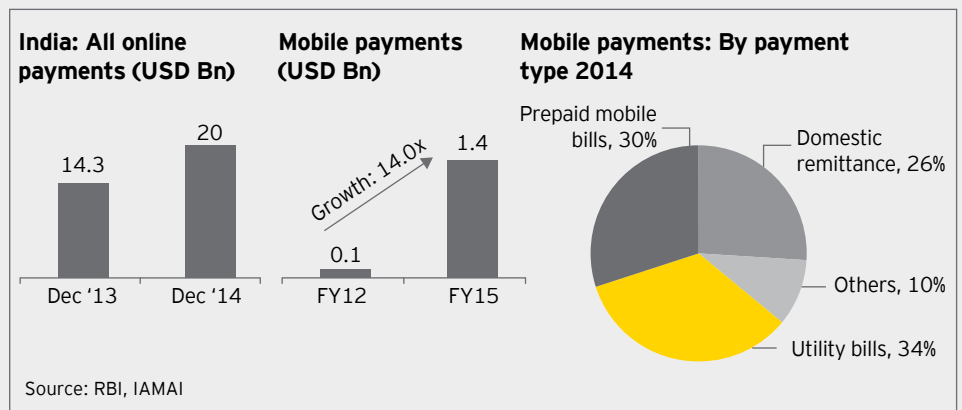
3. Growth of payment wallets

Most of the payments in India are still cash based with approximately 95% of the total debit card usage focused on ATM based transactions. However, this is expected to change with rapid developments in the mobile payment infrastructure.

The growth of e-commerce sales has been a catalyst for growth in mobile payment in India. Approximately 41% of sales from Indian e-commerce are expected to accrue from mobile payments in the future.

The pre-paid recharge payment market is expected to be the fastest area of growth (~40%) for mobile payments, followed by domestic remittances. A majority of the mobile recharge market is driven by mobile wallet companies.

Different entities in the mobile / online ecosystem are building different mobile centric wallets to overcome payment issues due to low credit card penetration and other factors.



The e-commerce and payments ecosystems are moving closer together with recent strategic activity in the space - Investors see strong similarities and are expected to adopt complementary strategies in the two spaces.

Current market landscape

Overall, the major Indian payment wallet players have raised capital for investments in technology / data analytics, brand building and growing the network of users and merchants. PayTM grew at 17x over the last year to reach 50 mn users, whereas MobiKwik has around 17 mn users.

The biggest players - PayTM and MobiKwik are looking to get into the brick-and-mortar retailing merchants to expand their user base and payment volumes.

Semi-Urban and rural regions are expected to fuel the growth of mobile wallet payment players, where more than 40% of PayTM users are from Tier II and Tier III towns and is expected to cross over 100 mn users by 2016.

4. Partnerships

The Digital Market in the future will evolve to have more digital supply chain partnerships to bring in complementary propositions suiting their strengths in the market. With this evolution, international media players, especially players in the South East Asia, have shown interest in the Indian market through investments and partnerships in the market. Various investors have shown interest in the market and are building portfolios to leverage the market strength.

OTT market partnerships:

The OTT space in India currently has players from across the media ecosystem including broadcasters, studios, DTH operators, telcos, and content aggregators. These players can be broadly split in 3 types: Content owners (broadcasters & studios), Pipe / payment channel owners (DTH/ Telcos) and Start-ups (content aggregators).

The players are currently focused on establishing a foothold in the market based on their individual strength. For e.g. Content owners, specifically, in recent times have shown increasing interest in this space - Viacom has announced the launch of a digital video service; Star has launched their OTT service, Hotstar, early in 2015 which has seen significant market traction.

Content owners are leveraging their strength and are providing it exclusively on their platform (Star has removed all of its content from all other platforms including YouTube to maintain exclusivity of its content on Hotstar, Sony and EROS are offering exclusive premiers of movies on their OTT portals).

However, the OTT players are facing monetization challenges as advertisement revenues do not provide enough to cover for content & customer acquisition costs. In the long term these players will have to garner significant revenues from the subscription services. The low penetration in credit and debit cards in the country acts as a constraint for the adoption of subscription services, thus making it essential to provide operator billing/payment wallet options for internet services. Telcos currently charge 30%-45% of revenue earned through operator billing as transaction fees, which acts as a deterring factor for OTT providers to integrate operating billing.

Partnerships across the value chain of media services could result in mutually beneficial relationships bring down both the content & the transaction costs (i.e. broadcasters & studios partnering with Telcos & DTH providers):

Case study: HOOQ - the first of many studio, telco partnerships

HOOQ

Sony Pictures

Sony Pictures Television will bring forward its extensive library of movies and TV programmes

Singtel Group

The Singtel Group provides market access with its customer base of over half a billion mobile customers and its billing capabilities

Warner Brothers

Warner Bros. will bring forward its world class content library of movies and TV programmes

Strategy implemented

Pan- Asian planned service to cater to the Asian audience to counter Netflix's entry in the South-east Asian Market

Offer localized content with a selection of Indian, Chinese, Thai, Filipino, Indonesian, Korean and Japanese movies and TV series

Capitalizing on synergies attained through the tie-up to gain exclusive content deals on a subscription only model

Hooq would also offer exclusive content and other features such as offline play, multiple device access

Current presence

Philippines India Thailand

Expansion plans

China Korea Japan

Content deals

- ▶ YashRaj Films
- ▶ Disney UTV
- ▶ Reliance Pictures
- ▶ Shemaroo
- ▶ Rajshri
- ▶ Whacked Out Media

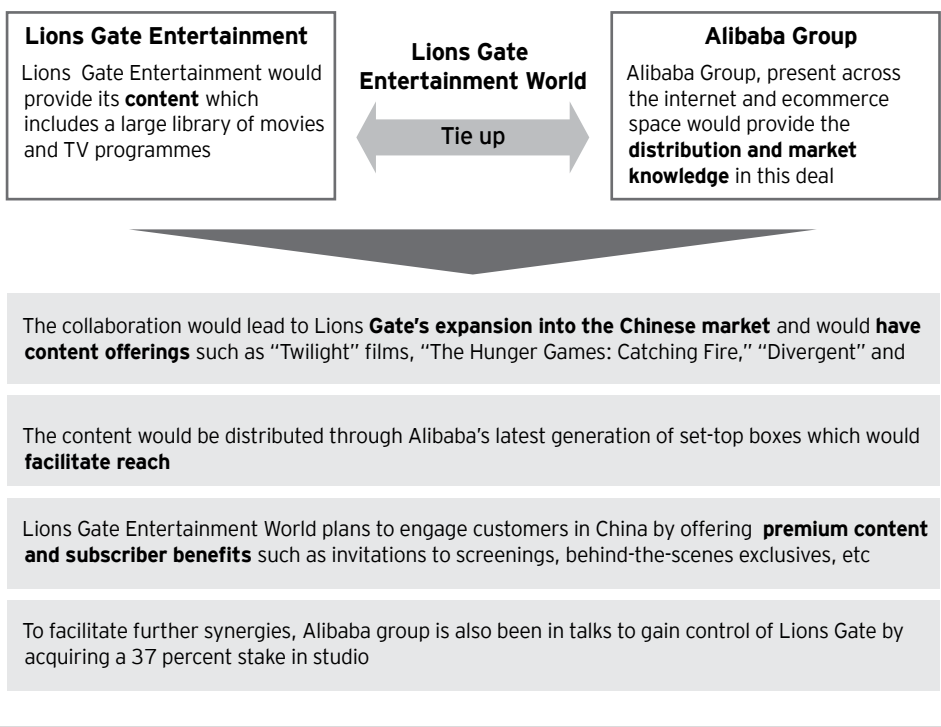


Partnerships with global players

Many global and Southeast Asian players have shown interest in having Indian offerings to capture the next phase of digital growth in the country. These players are looking at offerings through regional partners and want to provide 'Glocal' offerings.

With increasing competition and challenges around monetization, digital players are increasingly looking at partnerships in order to mitigate market constraints. Many global players who are entering into the Asian/ Indian market are looking at local partnerships in order to provide 'Glocal' Offerings. The market is expected to witness more vertical and horizontal partnerships, acquisitions to drive synergies.

Case study: Lionsgate & Alibaba: global media player partnering with a local major



Case study: Times Global Partners

Times Global Partners (TGP) is an innovative initiative focused on Times Internet partnering with established and emerging global digital companies for growing their presence and business in India through growth of their brand, audience, adoption, distribution and monetization.

Current partnerships				
UBER	Lifehacker	Gizmodo	Business Insider	Dorkly
Askmen	Pursuitist	Techradar	The Huffington Post	College Humor



Case study: Malaysian media house - Astro

Astro, a major Malaysian media house has demonstrated significant interest in media entities and has recently made significant investments in digital media.

Astro Digital Investments in India

Company	Overview	Investment/Deal Value
Getit Infomedia Pvt. Ltd.	Getit is a directional media company and has services across marketplace, classifieds and media	Acquired 50% stake in GETIT Infoservices for \$22 million
Mogae Digital Private Limited	Mogae is engaged in internet media business and is an operator of social networking portal	Acquired 50% stake in Mogae Digital Private Limited for \$5 million
TTN Ventures	TTN Ventures has four business units - Ignitee Digital, a Mumbai-based digital marketing services firm; IntelliGrape Software, a Delhi-based web and mobile app developer; Tangerine Digital, a content management firm; and Techsailor, a digital marketing agency in Singapore and China	Astro is a major investor in TTN. TTN Ventures has further invested in American Swan (fashion and lifestyle e-commerce brand), #fame (talent management platform) Blogmint (platform connecting bloggers with brands) and ThoughtBuzz (social media analytics brand)

Askme, a product of Getit infomedia (backed by Astro), provides local listing and search services within India. It has recently launched its local search listing platform 'find it' in Malaysia. Through this it is also trying to leverage Astro's strength in Malaysia and establish a foothold in the market.



Conclusion

The role of digital media in India's growth story

As developments in technology continue to enable content and entertainment to reach all of India's large population, the role of digital media in India's growth story cannot be underplayed. India's growing middle class, rising disposable incomes, high volume of content consumption and favourable regulatory environment are driving the Digital Media Industry and helping it flourish in India.

With the increasing footprint of digital users and content adoption, a major boost shall be experienced by the digital media sector, attracting foreign investments and capital, thus contributing to the overall growth of the Indian Economy.

Government initiatives for Digital India

Various initiatives and announcements by the Government of India have enabled the sector to flourish. In recent years, the Government has relaxed entry regulations and restrictions governing foreign companies in India, providing a conducive environment and encouraging global media companies to setup its footprint in India.

The ambitious 'Digital India' project has a total overlay of over INR 1 trillion in the next 3 years and aims to transform the country into a knowledge economy. Among the multiple projects that come under the Digital India initiative, the national broadband plan will cost the most with a plan to connect 250,000 village councils at a cost of INR 27,000 crores, to be completed by December 2016.

4G and increased penetration

Digital adoption, at a tipping point due to wireless broadband availability, will create additional opportunities for global companies to cater to a new generation of digital consumers.

India is currently witnessing a massive surge in wireless broadband adoption leapfrogging wireline broadband technologies, which was pivotal to the mass adoption of the internet in other countries. The increasing adoption



of 3G users, constituting to about 36% of the overall wireless internet user base, allows Indian mobile phone subscribers to access broadband at substantially less cost and investment than fixed-line broadband. Moreover, the rollout of mass-market 4G services will further increase and bolster the availability of wireless broadband services.

The Government has indicated investment to the tune of INR 7,000 crores for the rollout of 4G across India over the next 3 years. In addition to the public sectors, Reliance Jio has also invested around INR 70,000 crores for allocation of 4G spectrum.

Partnership opportunities for global & Southeast Asian players

As global media companies start to compete for growth opportunities worldwide, there is an increasing sense of urgency to capture the opportunities offered by the Indian market. In order to succeed in India, it is necessary for companies to understand and adapt to economic and cultural nuances and invest in content and services tailored for the local market. Global companies need to thoroughly assess the market and distribution channels to price content appropriately and adopt different strategies to serve the several internal markets that exist in the country.

Increasing interest from the investment community

The Digital Media Industry in India has been, and shall continue to be, one of the biggest beneficiaries of India's favourable demographics. Being one of the youngest nations in the world, with high volumes of content consumption, a vibrant indigenous content creation industry and a favourable regulatory framework, makes India an attractive investment destination for global and Southeast Asian media companies.

India witnessed a phenomenal number of over 1,500 deals valued at approximately USD 14.5 billion, primarily driven by PE/VC investments in the digital space.

Glossary of key terms

Term	Definition
AIB	All India Bakchod
CAGR	Compound Annual Growth Rate
DTH	Direct-To-Home
FICCI	Federation of Indian Chambers of Commerce and Industry
GEC	General Entertainment Channel
IAMAI	Internet & Mobile Association of India
INR	Indian Rupee
LTE	Long-Term Evolution
M&A	Mergers & Acquisitions
M&E	Media & Entertainment
MCN	Multi Channel Network
OTT	Over-The-Top
p.a.	Per Annum
PVs	Page Views
Southeast Asia	Singapore, Vietnam, Malaysia, Thailand, Philippines and Indonesia
Telcos	Telecom Operators
TRAI	Telecom Regulatory Authority of India
TVF	The Viral Fever
UVs	Unique Visitors
VoD	Video-on-Demand
Y-o-Y	Year-on-Year

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LA India Film Council

Established in November of 2010 by a Joint Declaration between the City of Los Angeles and the Indian Film Industry, the LA India Film Council was formed to facilitate and strengthen motion picture production, distribution, technology, content protection, and commercial cooperation between the above two communities.

The Governing Council is an amalgamation of a prestigious panel of members from India and the U.S. This body collectively strives towards creating a support system that facilitates motion picture production, distribution, technology, content production, content protection and commercial cooperation between Hollywood and Bollywood. The current Governing council members are: Film Federation Of India, Film and Television Producers Guild of India, National Film Development Corporation, Federation of Indian Chambers of Commerce and Industry, AP Film Chambers, California Film Commission, LA Mayor's Office, MovieLabs, Technicolor India, DQ Entertainment, Reliance MediaWorks, Prime Focus, Peter Law Group, Whistling Woods International, Film and Television Institute of India, University of Southern California- School of Cinematic Arts and Motion Picture Dist. Association (India) Pvt. Ltd., UCLA School of Theater, Film and Television. www.mpaa-india.org (<http://www.mpaa-india.org>)

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