



**DRAFTFCB+ULKA  
COMSTRAT 2008**

**TATA SKY**

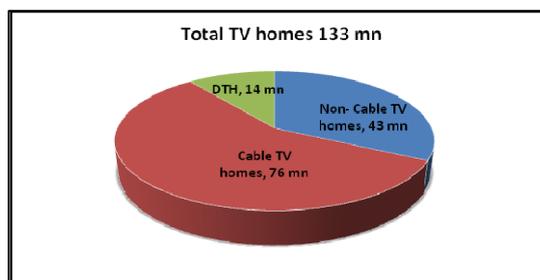
**ISKO LAGA DAALA TOH LIFE JINGALALA**

*Note: All information in the case has been garnered from sources in the public domain. This case has been developed for purely academic purposes, and is not in any way the intended or actual plan of Tata Sky Ltd.*

## **An overview of the Indian television market**

India has about 133 million TV homes of which, Cable & Satellite (C&S) services are present in 76 million (57%) of the homes.

- Non-cable TV homes which have DD and free-to-air channels form 32%.
- DTH (Direct to home) services comprise 11% of the total market with 14 million homes in all.



## **History of TV broadcasting in India**

DD was launched way back in 1959 and was India's only TV channel for long. In the early 90's, post liberalization the government allowed private and foreign broadcasters to engage in limited operations in India. It was then that Cable & Satellite operators became popular, thereby changing the way the average Indian watched TV.

The cable TV industry remains largely unorganized with only about 30,000 C&S operators registered with the TRAI (Telecom Regulatory Authority of India). Lack of regulation gave the *Cablewallas* an opportunity to report lower number of connections than what they actually served to save on the fee payable to the broadcasters. Hence the much needed CAS (Conditional Access System) was introduced by the Government of India in Chennai in 2003 to control the growth of this unorganized sector that led to loss in revenues. Soon CAS was introduced in the other metros - Delhi, Mumbai and Kolkata following the guidelines of TRAI.

## **2005- Advent of DTH in Indian Homes**

In December 2004, DD was the first player to launch DTH services that had -

1. Digital clarity of sound and picture which was missing in C&S.
2. No hassles related to swapping of channels by cable operators or missing channels.
3. Availability of Value Added Services (VAS) that cable operators did not offer.

DTH services soon had takers across small towns and cities, who were clearly unhappy with the poor transmission and lack of service of the local cable operators.

## **Future of DTH**

DTH homes are estimated to increase to 30 million by 2012, from 14 million in 2008 according to Price Waterhouse Cooper.

Due to India's varied geography and population distribution, C&S penetration in remote and hilly areas is a problem. This creates a need-gap which the DTH operators could easily tap.

Media industry experts feel that DTH is yet to see its full potential in terms of growth and is poised to go the way of the mobile phone services and acquire scale.

To begin, DTH operators have started cutting prices to become more affordable. Following the trend of mobiles which saw a boom when call rates dropped, incoming calls became free and handsets became available at all-time-low price points.

The cost of acquiring a DTH connection has become half of what it used to be when the service first began in India. Dish TV is now offering a set-top box for Rs 2,190. Sun Direct's set-top box costs Rs 2,000. "In the South we have also priced our connection at Rs 2,000 to compete with Sun," says Big TV's Arun Kapoor

Some factors that will fuel the growth of DTH are:

- Government has made CAS (Conditional Access System) mandatory in parts of four metros from Jan 2007.
- Digital technology used in DTH services makes viewing experience better to the customer compared to old analog technology.
- DTH provide many value added services like Movies On Demand, quizzes for kids, games, live telecast of rituals in famous temples etc. for the first time in India. This could be the secret of success of the DTH players, showing high growth rates.
- Predictions of a DTH boom are also based on the fact that more and more people are buying television sets. India sells 12 to 14 million colour TVs in a year. Of these, 4-5 million are in the 29 inch-plus category, which could be a clear target for DTH services.

## **Key Issues faced by DTH in India**

### **1. Low ARPUs (Average revenue Per User)**

Heavy taxation (>50%) has lead to lower ARPUs (as low as Rs. 140/month) in the industry. As competition increases, falling prices will put further pressure on ARPUs.

Sources of incremental revenue like *movies on demand* is minimal and hasn't picked up yet. Indians still prefer to watch a pirated movie on cable or wait for its premier on TV channels.

## **2. High cost of acquiring subscribers**

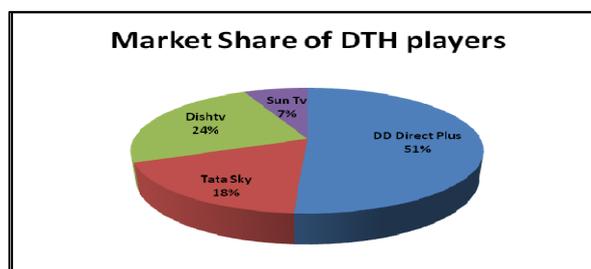
While superior technology of DTH leads to a superior viewing experience, the high price is a prohibiting factor. Therefore, to get the consumer hooked, companies subsidize the cost of the set-top boxes (STBs) needed to access DTH telecasts, which according to industry estimates is approx Rs. 4000 (including expenses for the cable, STBs and others per connection)

The industry is at an early stage of growth and the primary focus of DTH operators is acquiring customers. It is estimated that the major growth could be witnessed in semi-urban areas and smaller towns and villages where cable services is not as advanced as in the metros and large cities

Due to huge infrastructural costs, DTH players are currently undergoing losses. According to industry estimates, only on achieving a subscriber base of 7-8 mn, will the private operators break-even. However, with the advent of new competition, current operators are reducing their prices to capture the market by offering huge discounts thus increasing the pressure on ARPUs.

### **Key DTH players**

The largest private player in the DTH industry is Dish TV with a market share of 24% and a subscriber base of 3.75 million followed by Tata Sky with a subscriber base of 2.5 million customers and a market share of 18%.



- **DD Direct Plus**

DD Direct Plus was launched in December 2004 by Doordarshan. It was India's first DTH service offering about 50 TV channels and 12 radio stations. DD DTH is a free service and has already acquired a subscriber base of 7 million connections (Jan 2008).

- **Dish TV**

Dish TV is a venture by the Essel Group and was launched in March 2005. Dish TV is India's first private player in DTH industry with a presence in 19 states. It has a gross subscriber base of 3.75 million (Aug 2008). It has a bouquet of over 185 channels to choose from. Recently Dish TV has launched an entry-level subscription at Rs. 100 per month with the largest offering of 125 channels

Dish TV communication is directed towards creating dissonance about the cable operators with their "Don't be *santush*" campaign featuring brand ambassador Shah Rukh Khan.

- **Sun Direct**

Sun Direct, a niche player in southern India as of now, is in the process of launching its operations in north India as well. Launched in September 2007, it currently caters to four states, viz. Tamil Nadu, Karnataka, Andhra Pradesh, and Kerala with 110 channels. Sun Direct has a subscriber base of 1 million (July 2008). Sun Direct has a basic pack of Rs 75 monthly subscription which is the lowest price-point compared to the other service providers. While Sun Direct is banking on competitive pricing, it plans to leverage its 'consumer experience' in the future.

- **Reliance Communication's Big TV**

Reliance Communication a more recent entrant in the DTH space has the brand name 'Big TV'. It has aggressively priced packages as low as Rs. 1490 with an offering of 64 channels and a three month free subscription in addition to 20 video-on-demand movie channels. To garner subscriber base, the company plans to tap employees of Reliance ADAG, customers of Reliance Energy and Reliance PCO owners with initial cost of Rs.1000. Plans are to acquire a market share of 40 % in its first year of operations. As a promotional offer, BIG TV offers subscription free for first 3 months

Big TV currently offers 202 channels – the maximum to be offered currently by any service provider. BIG TV focuses on VAS and claims to have a next generation user guide which is indexed. Also, has a facility of watching 12 PinP of the same genre for consumer's convenience.

To cash in on the growing awareness of the service, DTH companies are spreading distribution networks far and wide. Big TV who already has a mobile service hopes to leverage its distribution network, apart from putting its own distribution footprint in place. e.g. Big TV is available at 88,000 outlets, including 240 Reliance World and 2,000 Reliance Mobile stores across 5,800 towns

- **Bharti-Airtel**

The recent and much talked about player in the market is Bharti- Airtel. The leading telecom operator, which already has infrastructure for telecom and internet in place, is set to launch its DTH services under the brand name 'Airtel'. A teaser campaign 'See you at home' WAS followed up by a multi-starrer campaign with celebrities like Saif Ali Khan and Kareena, Vidya Balan and Madhavan and Indian cricketers Gautam Gambhir etc.

Airtel is expected to be an aggressive spender given their objective to establish 'Airtel' as a dominant brand in the DTH category and we will take all the steps necessary to ensure that the product and the brand get adequate visibility and exposure in the market

## **Other new entrants**

The coming months are set to see more new players making their foray into DTH. Of them is Videocon's 'D2H' who claims to launch their services by end of 2008.

- **Videocon 'D2H'**

Videocon – the big Indian consumer durable player plans to enter the DTH market by mid September 2008 through its media arm Bharat Business Channel (BBCL). Advantage over other players is that Videocon already makes analog set top box hence they are likely to manufacture Set Top Box for their DTH service as well.

*This ends the broad overview of the category and its key players. We now move on to Tata Sky and the key deliverables on the case*

## **Tata Sky**

Tata Sky was incorporated in 2004. Tata Sky is a JV between the Tata Group and STAR. TATA is one of India's largest and most respected business conglomerates and the SKY brand, owned by the UK-based British Sky Broadcasting Group has over 20 years of experience in satellite broadcasting. It launched its services pan-India in August 2006. Within a short span of time it garnered a subscriber base of nearly 2.5 million (Aug 2008). It has over 147 channels to choose from. Tata Sky has launched an entry-level subscription plan called 'Super Hit Pack' at Rs. 99 per month with a bouquet of 53 channels.

Tata Sky recently launched Tata Sky Plus which uses the personal video recording (PVR) technology that allow consumers to record live. It is available at a price of Rs. 8999/-

Tata Sky though a late entrant created an aura of first mover in the minds of the customers, as it was the first DTH service to be advertised in India. In the year 2007, Hrithik Roshan promoted Tata Sky with the tag line "*Isko laga dala toh life jinga la la*". Recently the company has launched an ad with Aamir Khan who stands for exclusivity and perfection. The campaign was created to establish the pedigree of Tata Sky.

### **A closer look at Tata Sky**

- Strongly innovative product offerings – Tata Sky has taken the onus on itself to invest in more interactive services to differentiate itself from others. It was the first DTH company in the world to offer its subscribers interactive VAS under the umbrella – *Active*.
- Kick started the category advertising - Although it was the 3<sup>rd</sup> player to enter the market it sought to create consumer education about the category with

focused advertising. Initial campaigns featured Hrithik Roshan who promoted multi-angle viewing of the World Cup.

- Focus on heritage – Tata Sky latest campaign features superstar Aamir Khan. The focus of the campaign was to establish the pedigree of Tata Sky and inform potential customers about Sky-the leading British Broadcasting
- Low cost packages to increase penetration - Tata Sky has recently introduced a Rs 99-a-month low-value pack for 53 channels to increase penetration of Tata Sky in smaller towns of the country.

Tata Sky has also gone a step further and introduced an electronic programme guide (EPG) in Hindi especially for people in small towns who are more comfortable with Hindi.

**Key deliverables:**

1) Tata Sky hopes to have about eight million connections by 2012. How should Tata Sky increase its customer base faster given that DTH is a virtually homogenous product with very little content differentiation possible. The only differentiation is the picture quality. Tata Sky is similar to cable however they charge a premium because of taxes and also because the cable operators under declare subscribers. (Over coming barriers for growth and becoming a leader)

2) The 3 anchors for growth that can be explored are

a. Superior Picture quality

Unlike analog cable, Tata Sky subscribers can view TV through superior digital DVD quality picture and CD quality sound

b. Wide array of interactive applications

In order to empower the Indian viewer with choice, control and convenience Tata Sky has a wide array of programming choices and interactive services like Active Cooking, Active Wizkids, Active Learning, Active Stories, Active Sports, Active Games, Active Newsroom, Active STAR News, Active Astrology, Active Darshan and Active Doordarshan that can be ordered with any of the basic packages. The customer is not going to stay forever with the package he subscribed to initially, he should be encouraged to subscribe to other packages and value added services quickly to increase revenues. These applications are expected to do well given that in India TV viewing in India is done as a family.

c. Unparalleled customer service

Tata Sky has established an extensive customer service network across the country. It has engaged a field force of approximately 3000 service engineers who are complemented by high-end 24x7 call centres, manned by multi-lingual customer service associates, trained to solve all customer problems.

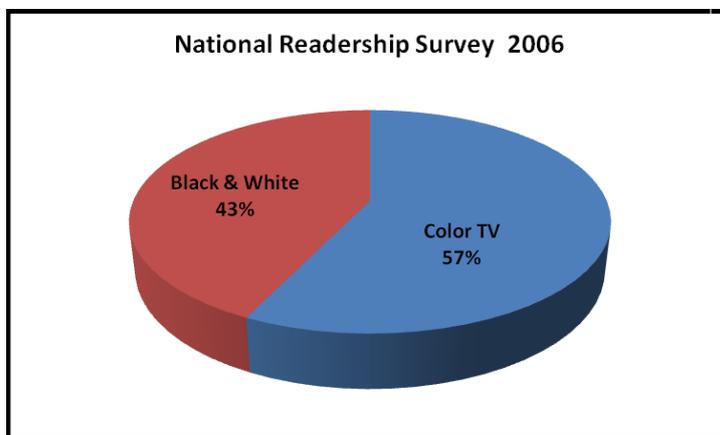
Tata Sky takes direct responsibility for installing and servicing the hardware for periodic problems that exist at every subscriber's home, thereby ensuring the highest levels of customer service.

Tata Sky retails its hardware and prepaid recharge vouchers through popular consumer electronic stores to enhance customer convenience

Given the market dynamics and competitive scenario, how should Tata Sky drive communication. What is the single minded proposition that they should adopt to meet their business objective of accelerating subscriber acquisition?

**Annexure**

1.



**2. Pricing**

The prices of the key brands in the category are as follows:

	<b>DD Direct Plus</b>	<b>Dish TV</b>	<b>Tata Sky (South Jumbo Pack)</b>
<b>Price per month (Rs)</b>	Nil	325	310
<b>No. of channels</b>	33	119	128
<b>Channels available</b>	21 DD channels, 12 private channels including Hindi news channels, music channels and Hindi GEC	Hindi GEC, English GEC, News- Hindi, English and business, infotainment channels, lifestyle channels, music channels, Hindi and English movie channels, sports channels, kids channels, regional channel, DD channels	Regional channels, Hindi movie channels, Hindi GEC, News channels Hindi and Business, kids channel, English GEC, music channels, lifestyle channels, infotainment channels, English movie channels, DD channels

Tata Sky: Installation charges Rs.1000 and set top box Rs. 1499 extra

Dish TV is giving away set top box free along with its starter packs(\*6)

There is a onetime installation fees of Rs. 3000 for subscription of DD Direct Plus

**3. Tata Sky**

	<b>Super Hit Pack</b>	<b>South Starter Pack</b>	<b>Family Pack</b>	<b>South Value pack</b>	<b>Super Saver Pack</b>	<b>South Jumbo Pack</b>
Price per month (Rs)	99	125	200	260	260	310
No. of channels	53	70	92	104	113	128
Channels available	Regional channels. Kids channels, DD channels, lifestyle channels, Hindi news channels, Hindi GEC, Marathi news channel	Regional channels	Hindi GEC, music channels, Hindi news channels, business news channel, infotainment channel and regional channels	STARTER PACK + English GEC, music channels, kids channels, lifestyle channels, infotainment channels, news channels Hindi and English, English movie channels	FAMILY PACK + English GEC, music channels, kids channels, lifestyle channels, infotainment channels, All news channels, English movie channels	VALUE PACK + Hindi movie channels, Hindi GEC, News channels Hindi and Business and kids channel

Installation charges Rs.1000 and set top box Rs. 1499 extra

**4. Dish TV**

<b>Packs</b>	<b>Dish Maxi Plus</b>	<b>Dish Maxi offer</b>	<b>Dish Freedom plus</b>	<b>DishWelcome</b>	<b>Dish Freedom</b>
Price per month (Rs.)	325	300	160	262	100
No. of channels	119	115	68	87	62
Channels available	Hindi GEC, English GEC, News- Hindi, English and business, infotainment channels, lifestyle channels, music channels, Hindi and English movie channels, sports channels, kids channels, regional channel, DD channels	Hindi GEC, English GEC, News- Hindi, English and business, infotainment channels, lifestyle channels, music channels, Hindi and English movie channels, sports channels, kids channels, regional channel, DD Channels	Hindi GEC, Hindi news channels, lifestyle channels, music channel, religious channel, regional channels, Hindi movie channel and sport channels	Hindi GEC, English GEC, all the types of news channels, lifestyle channel, music channel, regional channel, sports channel, infotainment channel, and kids	Hindi news channels, Hindi GEC, lifestyle channel, regional channel, religious channels

**5. Starter packs(Dish TV):**

Payment on installation (Rs.)	Dish Maxi offer	Dish Freedom plus
2490*	6 months + 45 movies worth 2490	-
4290	-	12 months + 72movies worth 4290

\*Rs.200 installation and activation extra

**6. DD Direct Plus**

One time Fees*(Rs.)	3000
No. of channels	33
No. of radio channels	12

**\*STB and installation**

**7. Sun Direct:**

Rs.999 for 10months subscription for North and 12 month subscription for south (\* installation & activation charges extra)

Package	North Basic Pack	South Pack(Tamil Basic pack)
Monthly Fees	99	83.25
No. of channels	108	112
No. of radio channels	23	23
Channels Available	Hindi GEC, English & Hindi News channels, English GECs, English movie channels, Music channels, religious channels, regional channels, DD channels	Regional channels, English movie channels, music channels, Hindi GECs, all news channels, DD channels

\*Installation charges Rs.1000

**All data and prices have been taken from public sources and updated as of October 2008, unless indicated otherwise**

**Rules and Regulations**

1. Participating teams should contain three members.
2. A synopsis on the case should be submitted either through email to [comstrat@draftcbulka.com](mailto:comstrat@draftcbulka.com) or by post to Draftfcb Ulka Advertising, 4<sup>th</sup> floor, Nirmal, Nariman Point, Mumbai 400021. The last date for receipt of the synopsis is 24<sup>th</sup> November, 2008
3. The synopsis should not exceed 15 pages with a minimum font size of 10 and single line spacing.
4. A shortlist of six teams shall be arrived at on the basis of synopsis received. The shortlist shall be declared on 1<sup>st</sup> December and posted on the website [www.draftcbulkacomstrat.com](http://www.draftcbulkacomstrat.com) and communicated to K. J. Somaiya Institute of Management Studies and Research.
5. These six teams have to make a presentation to a panel of judges on 13<sup>th</sup> December 2008 in Mumbai.