

## INTERVIEW

■ Sivasundaram Umapathy\*

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**The DTH market has grown from a niche delivery mechanism into a mainstream business. What's your take on the current market scenario of the DTH market?**

The DTH market is a little crowded now with six players each offering similar solutions, thereby leaving the customers perplexed. At the same time, DTH penetration is still less than 10% of the existing 85 million Cable and Satellite (C&S) homes. The rural market is untapped and has a greater potential for growth. The industry as such is still at an early stage of the life cycle, and it will take a year or two to move into the growth (read profitable) stage. This also means that the players need to have a deep pocket to sustain the losses till then.

**With the ever-increasing number of players, especially from telecom, entering the DTH space, what are the survival strategies adopted by the players to sustain themselves in the business?**

Being a highly competitive market, price seems to be the key differentiator. There is not much of content differentiation except for the limited VOD (Video-on-Demand) or interactive services. So in the near-term, the prices will drop as players want to increase their market share. Post purchase, I think customer service will be the key driver for customer retention. Widespread service network and ease of recharge (availability of payment counters, top-up coupons) will determine the winner in the rural market, whereas niche content would be the driver in urban market.

So the basic survival strategy would be to gain market share by focusing on both rural and urban populace, sustain losses in the meantime and then earn profits by way of premium content with multiple price points.

**How do you see the competition to DTH business from other alternatives such as cable TV, CAS and IPTV?**

I do not think that the Cable TV/CAS vendors are doing anything substantial to increase their competitive superiority. As the switching cost to DTH reduces further and word-of-mouth marketing increases, more households would migrate to DTH platform. Definitely, there would be some organized lobbying and protests from the operators, but if the DTH operators are able to utilize these operators as their distribution/service partners, then a mutually profitable ecosystem can evolve.

On the other hand, IPTV poses a serious threat to DTH. The promise of Voice, Broadband and Video offers

a compelling reason to switch to the IPTV platform. Airtel seems to have recognized this as it has ventured into DTH and IPTV simultaneously. It can utilize its existing broadband user base of three million and push the IPTV solutions. The potential for cross-selling is very high. The damage would be more if BSNL/MTNL rolls out their IPTV plans on a large scale.

IPTV is technically superior as glitches such as 'rain fade' do not affect the transmission, and advanced features such as 'time shifting' (that are only available in a premium segment DVR STB like TataSky+) are available without a premium.

**What are the challenges confronting the DTH market?**

Profitability is the main challenge. In an attempt to increase the market share, a rampant price cut is happening. On the other hand, the content cost, licensing fee, and selling and distribution are increasing. The weak economic scenario also prevents people from switching to DTH. Differentiation is the next challenge. Price alone cannot be a differentiator for a long time. DTH players have to innovate both in terms of cost reduction (utilize Indian STBs, rely on local partners for servicing, and so on) and content differentiation through partnerships with content producers.

**How do you see the future of the DTH market in the short and long run?**

In the short run, competition would drive down the price in an attempt to increase the market share. Profitability would be a big question as ARPU would drop and subscriber acquisition cost would increase sharply. The marketing expenditures are already increasing with star brand ambassadors. Set-top boxes also cost more due to a weaker rupee. A wiser approach would be to focus more on differentiating in terms of content, equipment and service, rather than price cuts. The potential market is larger and everyone can coexist without killing each other.

In the long run, I see an industry consolidation leading to the emergence of two or three convergent players—the ones who offer a complete solution over the entire spectrum of video, broadband, telephony and mobile. There would be a few regional DTH players with smaller footprints, but the bigger portion of the pie would go to the convergent national player.

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