LIGHTS, CAMERA, ACTION…
…THE SHOW GOES ON

December 2020

ABOUT BCG

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage, and driving bottom-line impact.

To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.

ABOUT CII

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government and civil society, through advisory and consultative processes.

For 125 years, CII has been working on shaping India's development journey and, this year, more than ever before, it will continue to proactively transform Indian industry's engagement in national development.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, with about 9100 members from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from 288 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, livelihoods, diversity management, skill development, empowerment of women, and sustainable development, to name a few.

With the Theme for 2020-21 as Building India for a New World: Lives, Livelihood, Growth, CII will work with Government and industry to bring back growth to the economy and mitigate the enormous human cost of the pandemic by protecting jobs and livelihoods.

With 68 offices, including 10 Centres of Excellence, in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

AUTHORS

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Foreword

Welcome to the 2020 edition of CII Big Picture Summit's Knowledge Report, in partnership with BCG, on the future of the Indian Media & Entertainment industry. In line with the broader theme of this year's event, **"Big to Bigger"**, the report discusses how, despite the Covid-19 pandemic and the resultant stresses, the Indian **M&E** industry is continuing its trajectory of strong historical growth into the foreseeable future.

During the toughest weeks of the year, our industry provided much need succor to the country's citizens, as seen by the massive surge in viewership during the weeks of lockdown and beyond. From a demand point of view, it is heartening that **M&E** consumption remained resilient. However, as was the case with other industries, this past year has been a challenging one for the **M&E** industry as well. There have been many operational challenges, with hurdles in content creation and distribution through conventional platforms. These challenges were made worse by the accompanying financial blow of declining ad spends across different media (digital being the notable exception). Looking back now though, we can confidently say that the most difficult times are behind us. Operations are returning to normal with best-in-class safeguards and SOPs being established, and a recovery in ad campaigns has taken place.

Covid-19 has had a major impact on how we consume content both in-home and outside and some of these will have long term implications for the industry. Going forward we expect the digital trend to intensify, OTT adoption to continue rising, and the emergence of new business models better suited to the new reality.

The Indian **M&E** industry, at **USD ~24 bn** in **2020**, already has a sizeable impact on the Indian economy. However, given India's diverse local audience base, international appeal of content, large diaspora and existing cultural influences in many parts of the world there is significant headroom for growth.

The industry faces key imperatives for the near future to ensure that it can reach its full potential. We need to build new revenue sources, deliver a better value proposition to our stakeholders (consumers and advertisers alike), focus on our human capital base to develop the requisite talent base and invest in technology to improve our productivity. Adversity is a great unifier, and this is the time for the industry to come together and deliver.

CII and BCG thank our stakeholders for their valued perspectives and support towards enriching the content of this Knowledge Report. We look forward to your continued feedback in enhancing the usefulness of this publication.

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EXECUTIVE SUMMARY

India continues its unique multimodal growth story, with digital video being the fastest growing media platform over the last 2 years. Not surprisingly, this trend is expected to continue for the foreseeable future led by the ever-increasing smartphone and data penetration on the demand side and improving consumer experience with high quality and wide variety of content, and innovative pricing models on the supply side.

During lockdown, both TV and smartphone video consumption surged as people spent more time at home. OTT continued its onward march, increasing its presence in Tier 2-4 cities. SVOD subscriptions continued to see strong growth rates on the back of high quality original and local content being created and marketed using free trial periods. Covid-19 accelerated the subscription trend as a result of out-of-home spending moving to in-home, and this is expected to be sticky due to the proliferation of platforms and content that is now available to consumers. Further, innovations in the form of India specific pricing have also helped make the proposition stronger and encouraged consumers to subscribe.

Advertising revenues saw a sharp decline as a result of the pandemic and are expected to be ~16% lower than in 2019, with ads on all media except digital expected to experience double-digit rates of decline in 2020. The recovery has been differential across sectors, compounded by a need to show higher ROI and control over advertising campaigns. This has led to higher allocations to digital media, which is expected to reach a share of ~15% in 2020, ahead of most pre-Covid projections. Though a cautious recovery seems to be underway and marquee events such as IPL have been able to grow over their 2019 levels, smaller events may continue to face pressure for some more time.

While the Indian **M&E** industry already has a significant impact on India's economy, benchmarking with other countries indicates plenty of untapped potential. Most segments still have headroom for growth, while segments like **OTT** are growing at a steep rate and making a significant contribution. However, to achieve the industry's true potential, there are a few areas where concerted effort needs to be made. These areas include creating more original and local language content to cater to diverse audiences, provide better data and flexibility to advertisers, create content to tap the global market, focus on up-skilling of existing talent and development of new-age talent, and investment in technology. Progress along these dimensions will ensure that, the effects of the pandemic notwithstanding, the 2020s will be extremely fruitful for the Indian **M&E** industry.

Overview of the report

SECTION 1

Indian M&E in 2020: The year that has been

- Consumption and advertising trends
- Impact of Covid-19
- Outlook for the near future

SECTION 2

Economic impact and growth potential of M&E

- M&E industry's impact on GDP and employment
- Potential for further growth

SECTION 3

Key imperatives to realize potential

- Create value for consumers and advertisers
- Identify new sources of revenue
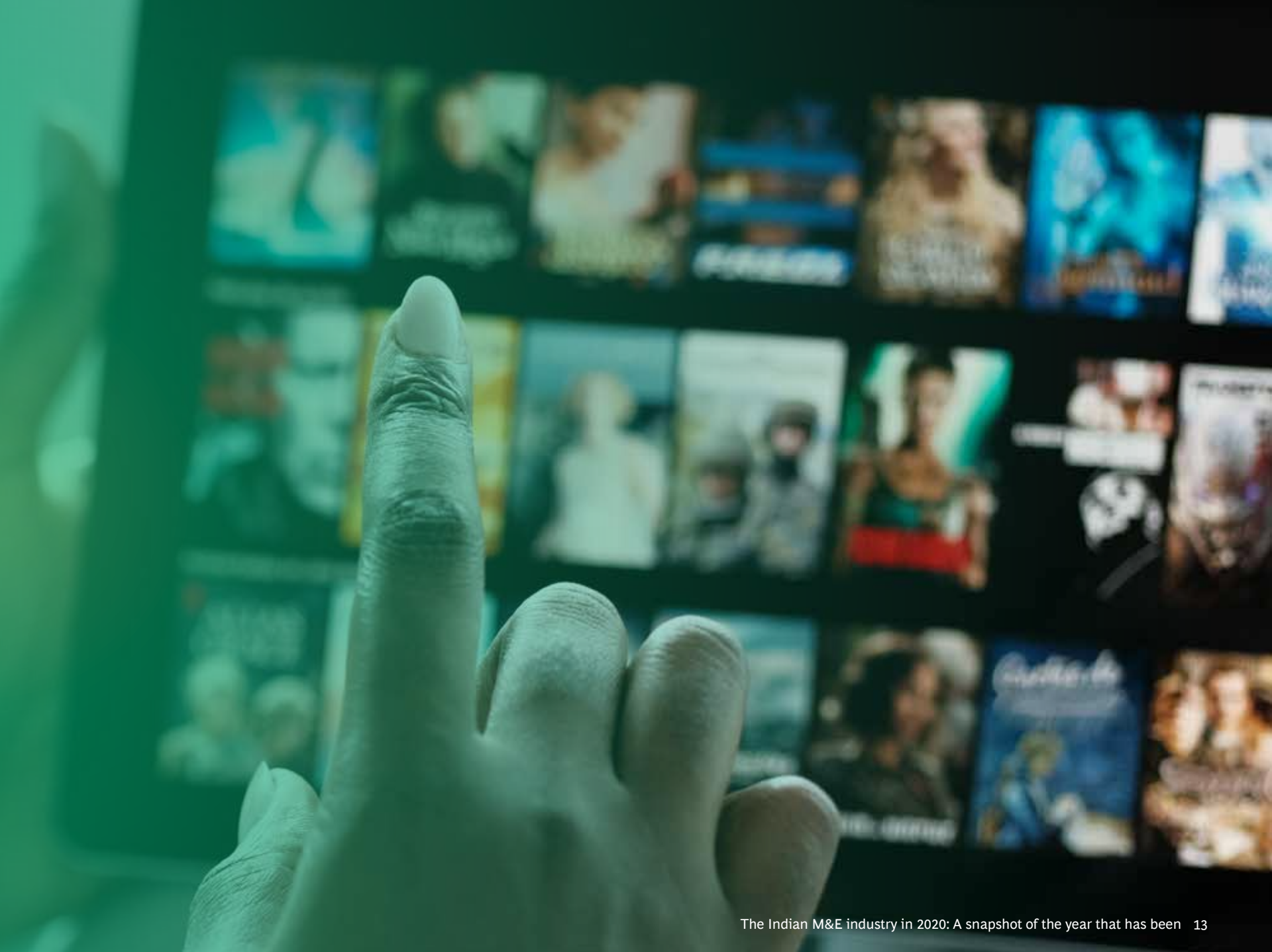- Invest in skilling and technology

The Indian M&E industry in 2020: A snapshot of the year that has been

Consumption of M&E resilient during pandemic; Covid-19 accelerated trends towards subscriptions

KEY MESSAGES

1 **Growth in India continues to be multi-modal**

- Digital continues to be the fastest growing medium

2 **Covid-19 led to a surge in consumption of both TV and OTT**

- TV consumption saw initial spike, now stabilized to pre-Covid levels
- Non Prime Time viewership a major driver of growth
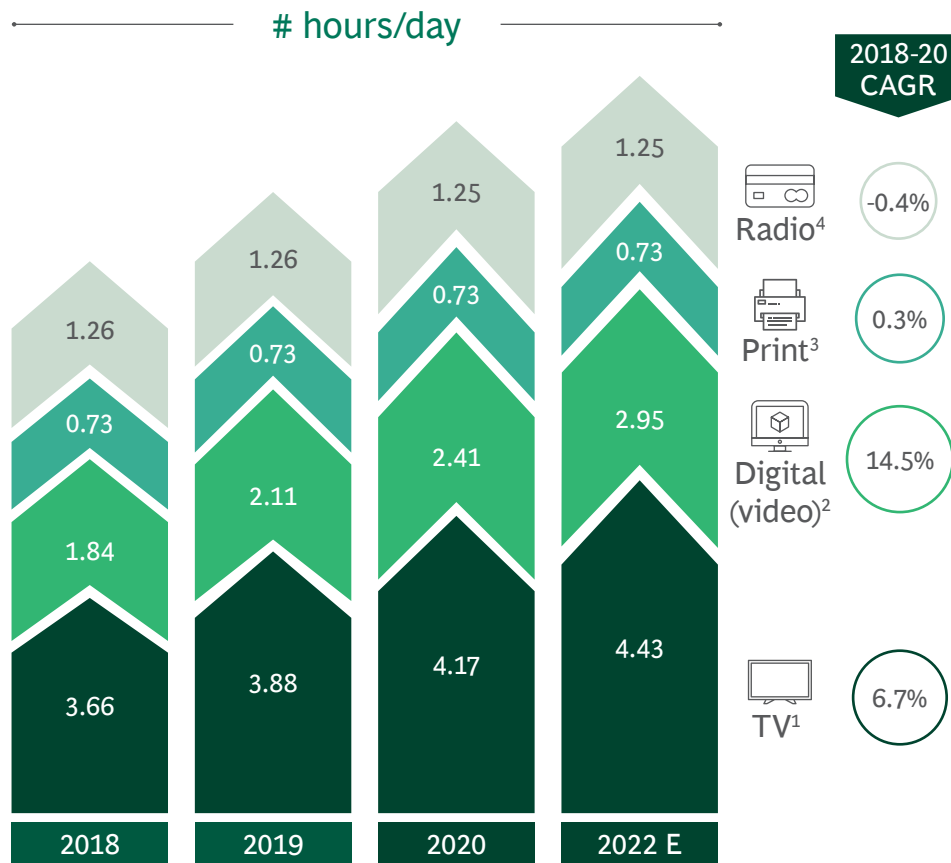- OTT saw strong growth across both rural and urban areas

3 **Covid has further accelerated the trend towards OTT subscriptions; expected to be sticky**

- Subscriptions grew 55-60% for the top OTT platforms

India's growth story continues to be multi-modal

 # hours/day

2018-20 CAGR

	2018	2019	2020	2022 E		CAGR
Radio[4]	1.26	1.26	1.25	1.25	Radio[4]	-0.4%
Print[3]	0.73	0.73	0.73	0.73	Print[3]	0.3%
Digital (video)[2]	1.84	2.11	2.41	2.95	Digital (video)[2]	14.5%
TV[1]	3.66	3.88	4.17	4.43	TV[1]	6.7%

Per capita media consumption continues to grow simultaneously across all forms

- Multi-modal growth story expected to continue for the next few years

Digital video continues to be the fastest growing medium clocking 14.5% CAGR

Print and Radio expected to remain flat[5]

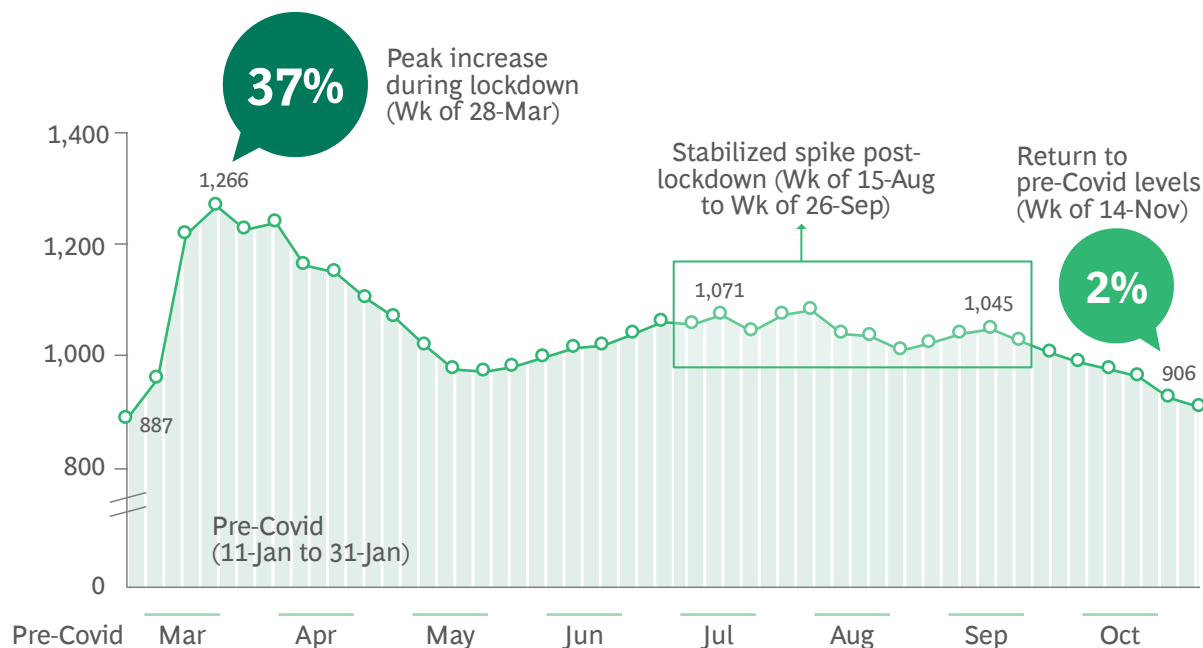- Growth in regional newspaper readership has compensated for decrease in national dailies

1. TV: ages 18+ who use at least once per month; includes live, DVR, and other prerecorded video (such as video downloaded from the internet but saved locally); includes all time spent watching TV, regardless of multitasking. If all population with age 18+ is considered, average hours per day is 3.2 hours **2.** Digital: ages 18+ who use at least once per month; includes all time spent with online video activities, regardless of multitasking; includes viewing via desktop/laptop computers, mobile (smartphones and tablets) and other connected devices (game consoles, connected TVs or OTT devices) **3.** Print: ages 18+ who use at least once per month; includes magazines and newspapers; includes all time spent with print mediums, regardless of multitasking; offline reading only **4.** Radio: ages 18+ who use at least once per month; includes all time spent listening to radio, regardless of multitasking; excludes digital radio **5.** Circulation went down to 20-25% in Apr and May, back to 80-90% levels now
Source: eMarketer database. Estimate differs from previous versions of the report due to changes in population definition, we have only considered the population who uses the platform in question

Consumption for TV & digital surged as India stayed indoors

TV consumption ~20% higher than pre-Covid till Sep; has been reverting to pre-Covid levels Oct onwards

Weekly viewing minutes (in billion)

NPT viewership drove spike in Wk of 15-Aug vs. pre-Covid

37%
Peak increase during lockdown (Wk of 28-Mar)

Stabilized spike post-lockdown (Wk of 15-Aug to Wk of 26-Sep)

Return to pre-Covid levels (Wk of 14-Nov)

2%

1,266

1,071

1,045

906

887

Pre-Covid (11-Jan to 31-Jan)

Pre-Covid · Mar · Apr · May · Jun · Jul · Aug · Sep · Oct

44% Non-Prime Time inc. in viewership

3% Prime Time inc. in viewership
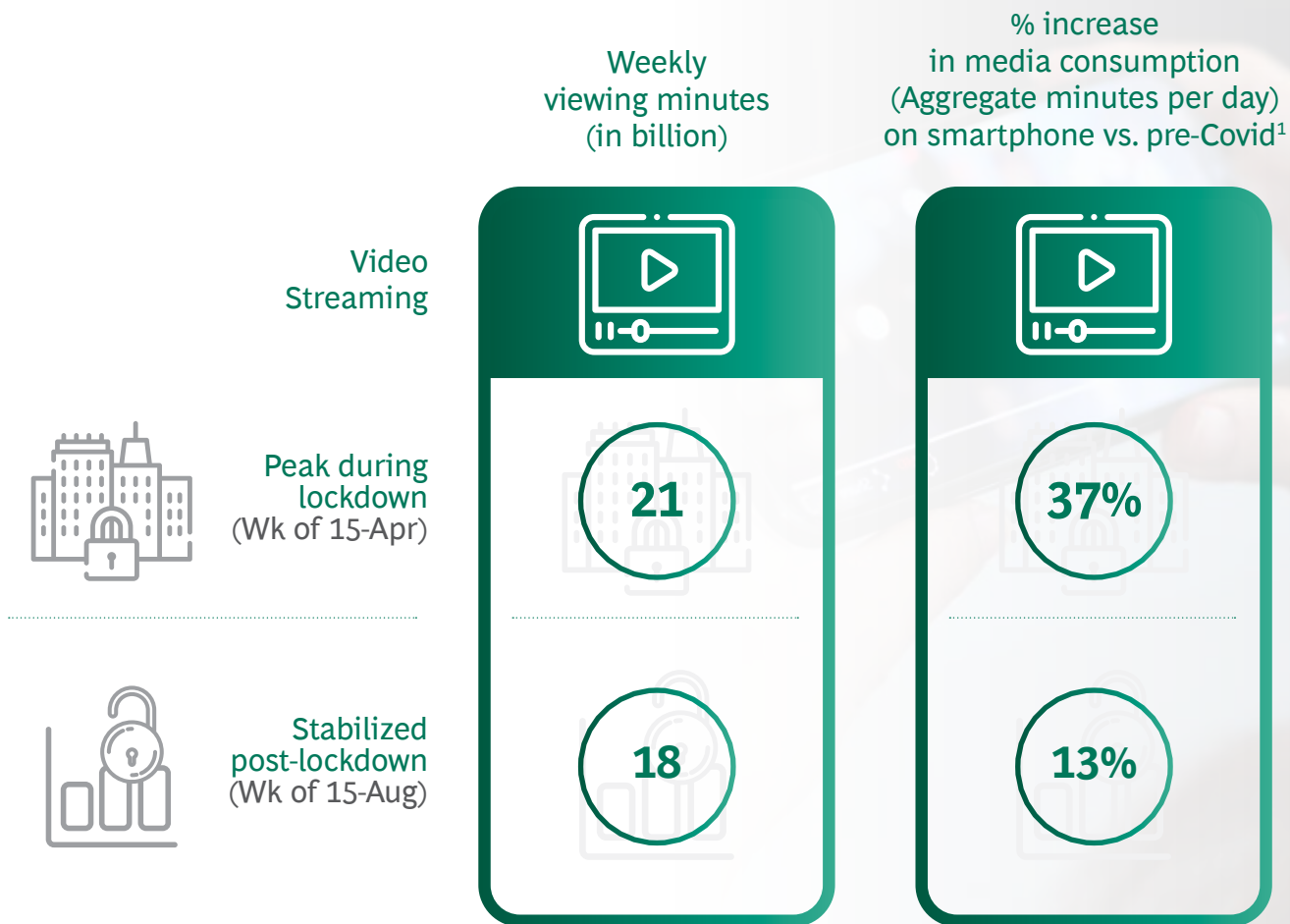
- Viewership spiked at 37%; steadily reverted to pre-Covid levels
- Post-lockdown spike primarily driven by NPT (44% increase)

Smartphone media consumption supported by increase in time spent on video streaming

	Weekly viewing minutes (in billion)	**% increase in media consumption (Aggregate minutes per day) on smartphone vs. pre-Covid[1]**
Video Streaming		
Peak during lockdown (Wk of 15-Apr)	21	37%
Stabilized post-lockdown (Wk of 15-Aug)	18	13%

TV and OTT subscriptions continue to grow
OTT growing at a faster rate than TV

TV subscriptions expected to continue growing at ~3%

TV Households (in million)

+3%   +3%

2018	2019	2020
194	200	207
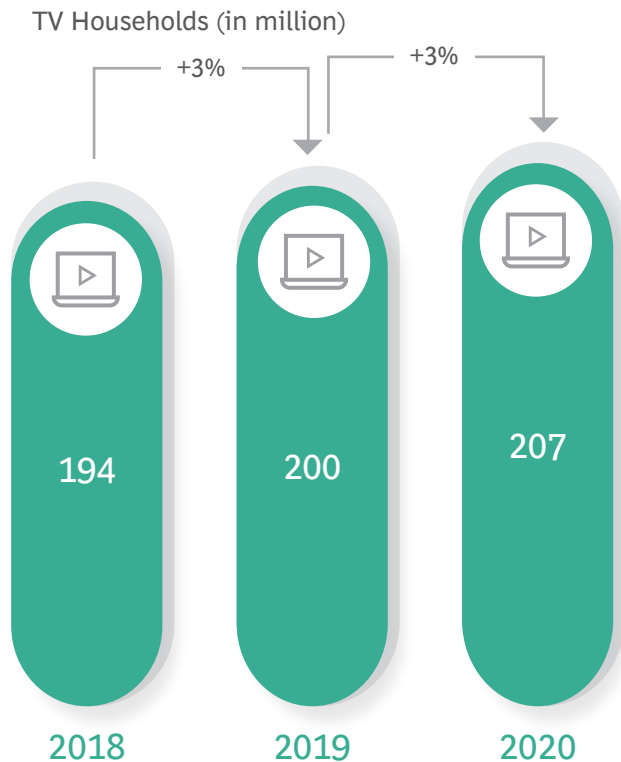
SVOD adoption has spiked on account of trials; consumer survey shows 50%+ new users likely to stick post-Covid...

55-60%
Growth in SVOD subscribers in 2020 over previous year

50%+
New users likely to continue subscribing to the SVOD service[2]

...and that the growth rate of new users in tier-2/3/4 regions was 1.5x that of the growth rate in Metro & Tier 1 during Covid

Metro & Tier 1

Tier 2 - Tier 4

Overall growth rate in new users (AVOD and SVOD)[3,4]

x

1.5x

Customer speak

1
Male,
22 years old
College student

I was encouraged to use OTT after the new lower priced plans were introduced! I was able to get a flavor of the content on different platforms and chose the one best for me. I cannot do without my OTT subscription now!

2
Female,
40 years old
IT professional

I was against the idea of paying for OTT as I already had a cable TV connection at home. However, during Covid, with the entire family at home and just one TV, it was often difficult to watch my favourite shows on TV. OTT platforms came to the rescue, offering the convenience of watching at any time on any device. In fact, I now spend more time watching OTT on my phone than TV!

3
Male,
30 years old
Chartered Accountant

Nothing can beat the variety of content on OTT platforms. I have been subscribing to a platform for some time now, but only recently started delving into international language offerings since I could not find fresh interesting content. Korean cinema has blown my mind! I cannot wait to explore more languages.

Industry speak: Viewer first approach key to drive explosive growth

Punit Misra
President - Content and International Markets,
Zee Entertainment Enterprises Ltd

"In today's day and age, a healthy obsession on understanding consumers intimately, and then creating and serving content that delights them wherever and whenever they consume the content is what will differentiate winners from also ran's. So moving away from a content or platform first thinking, and doing viewer first thinking is the key skill to develop for explosive growth. Quality supply rather than demand is the key for growth. The viewer is ready - are we is the question."

Gaurav Gandhi
Director and Country GM – Amazon Prime Video India

"Video streaming is increasingly playing a pivotal role in the growth of the Media & Entertainment Industry in India. With a huge base of connected customers with an insatiable appetite for entertainment; a rich pool of creative talent creating diverse and differentiated world class content; increasing disposable incomes and a discerning customer base seeking more personalised and best-in-class experiences; and a steadily improving telecom, broadband and payments infrastructure are all contributing to make India one of the most exciting streaming markets in the world"

However, advertising has seen a decline in 2020 driven by the pandemic

Ad spend took hit given Covid; digital still expected to grow in 2020

Advertising Revenues (in USD billion)
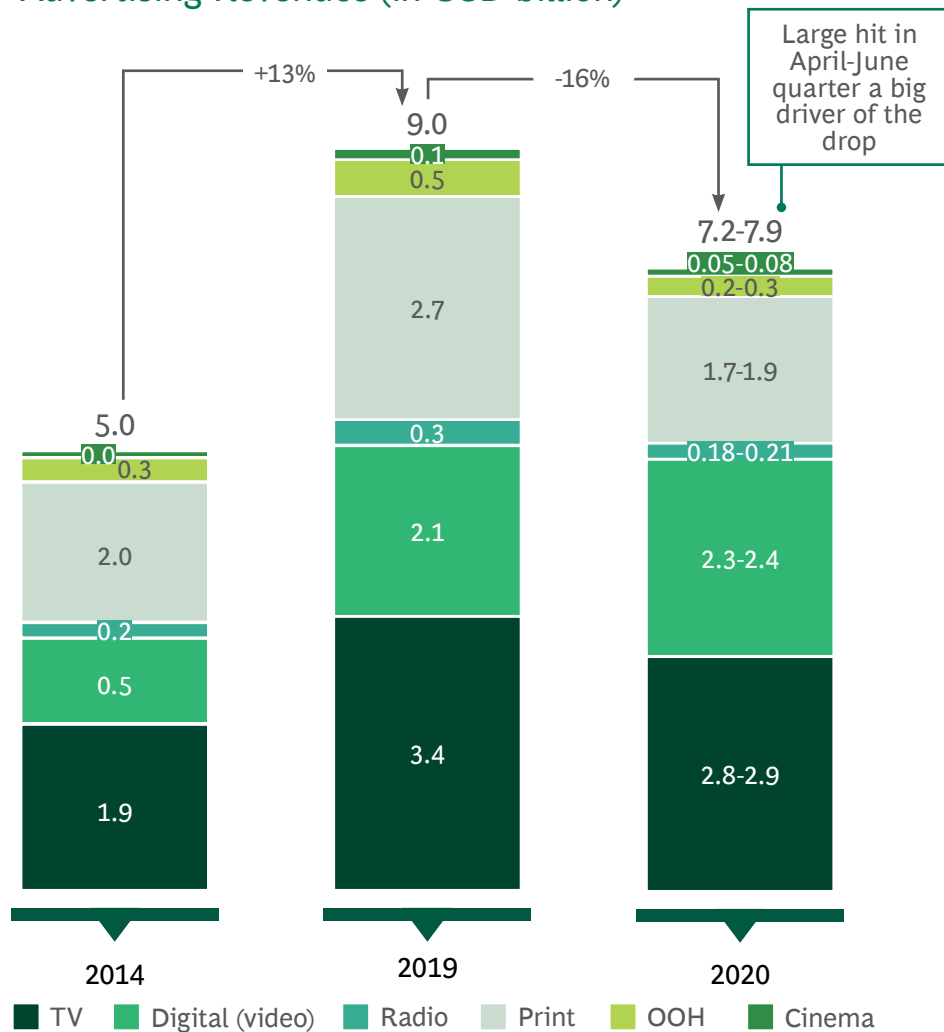
+13%   -16%

Large hit in April-June quarter a big driver of the drop

2014 — 5.0
- Cinema: 0.0
- OOH: 0.3
- Print: 2.0
- Radio: 0.2
- Digital (video): 0.5
- TV: 1.9

2019 — 9.0
- Cinema: 0.1
- OOH: 0.5
- Print: 2.7
- Radio: 0.3
- Digital (video): 2.1
- TV: 3.4

2020 — 7.2-7.9
- Cinema: 0.05-0.08
- OOH: 0.2-0.3
- Print: 1.7-1.9
- Radio: 0.18-0.21
- Digital (video): 2.3-2.4
- TV: 2.8-2.9

Legend: ■ TV ■ Digital (video) ■ Radio ■ Print ■ OOH ■ Cinema

	2014-19 Growth in	2019-20 Growth in
Cinema	41%	-40 to -60%
OOH	9%	-35 to -50%
Print	6%	-31 to -36%
Radio	12%	-30 to -40%
Digital	31%	12 to 18%
TV	12%	-12 to -17%
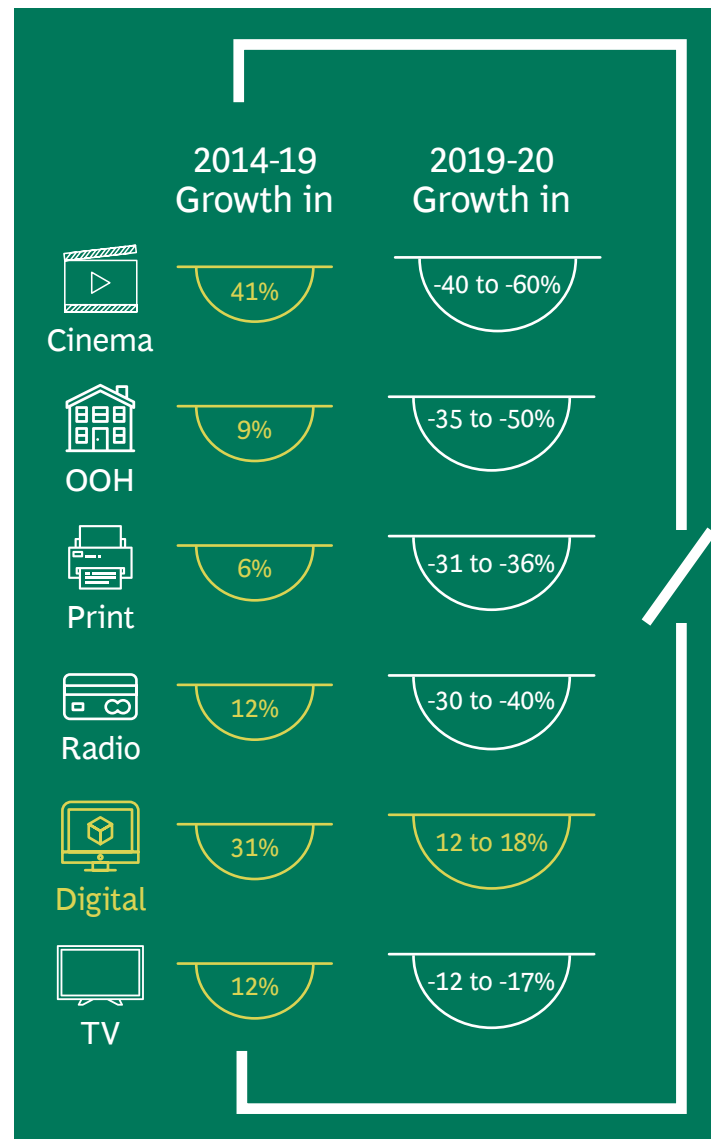
Green shoots visible and a strong bounce back expected, given the high co-relation to GDP growth

India view only

% change
Total Ad Spend
in India

% Change
India Real GDP

Financial Crisis

Indian economic slowdown

Demonetization

— YoY % Change in Total Ad Spend   — YoY% Change in Real GDP   --- Accelerating GDP and Ad spend growth   --- Decelerating GDP and Ad spend growth
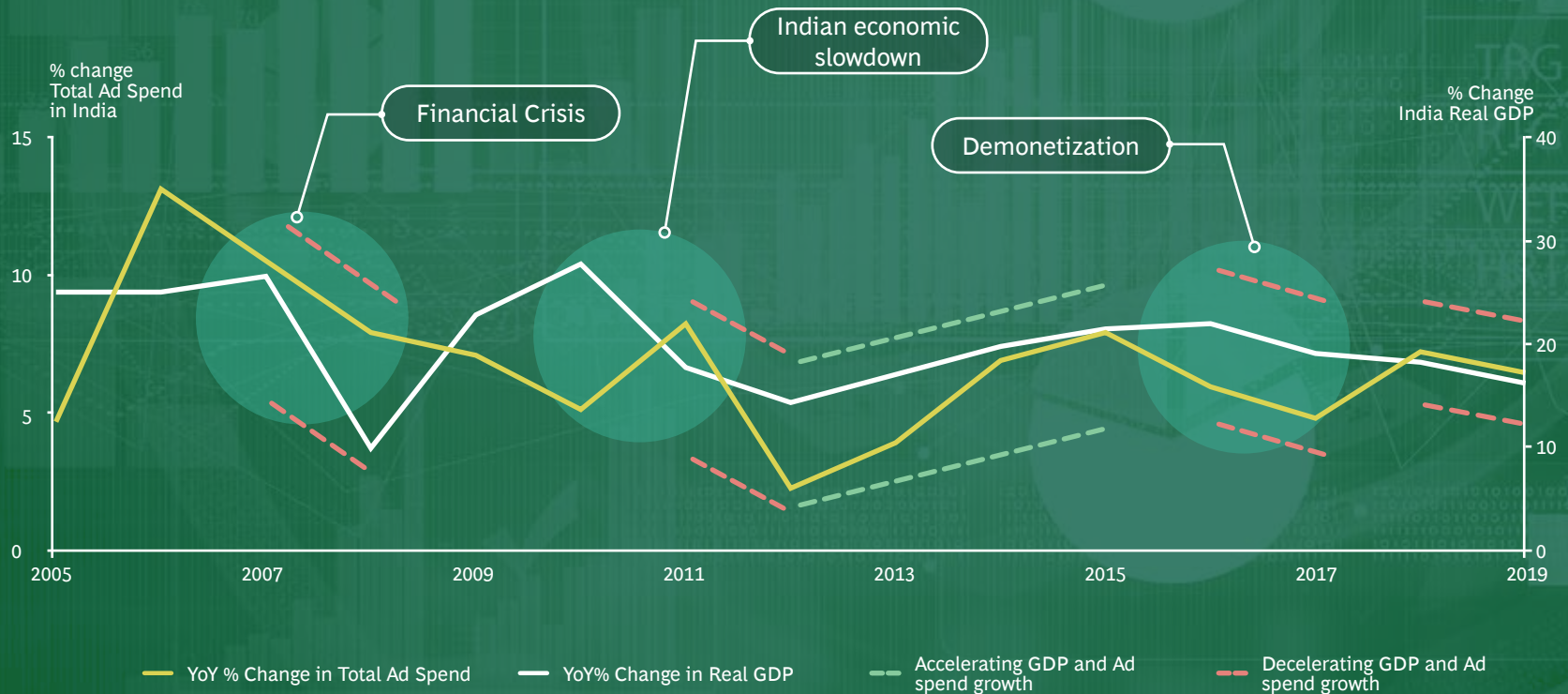
Source: MAGNA India Media Forecasts, BCG analysis

Most sectors are already increasing ad volumes on TV

Signs of recovery emerge as ad volumes on TV rise steadily post lockdown

Total Ad Volumes on
Television 2020 (in million seconds)

-24%

+46%

+23%

119

91

133

164

January   April   July   October
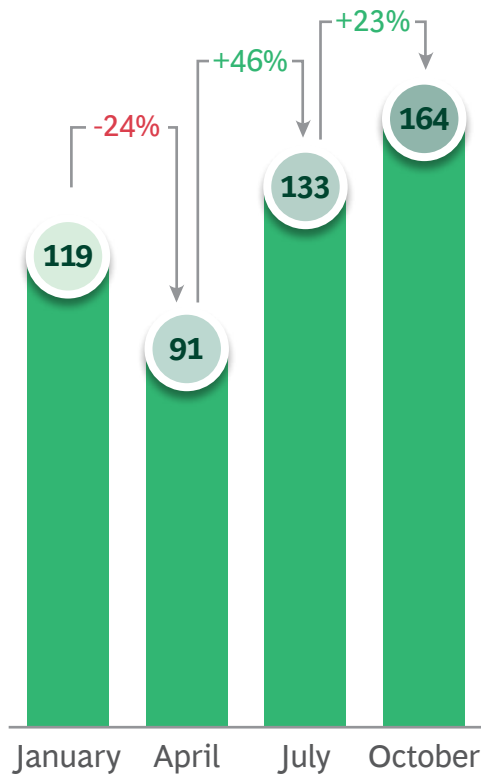
Latest monthly ad volumes for most sectors have exceeded pre-Covid levels

% growth Oct'20 vs. Jan'20

V-Shaped Recovery

Durables   Agriculture

Personal Accessories

Fuel

Apparel

Auto   Retail

Telecom   Real Estate   Food & Beverages

Hair Care

Cosmetics   BFSI

Personal Healthcare

Media

Resilient

Education

U-shaped Recovery

% growth Apr'20 vs. Jan'20

200

100

0

-100

-200

-300

-125   -100   -75   -50   -25   0   25   50
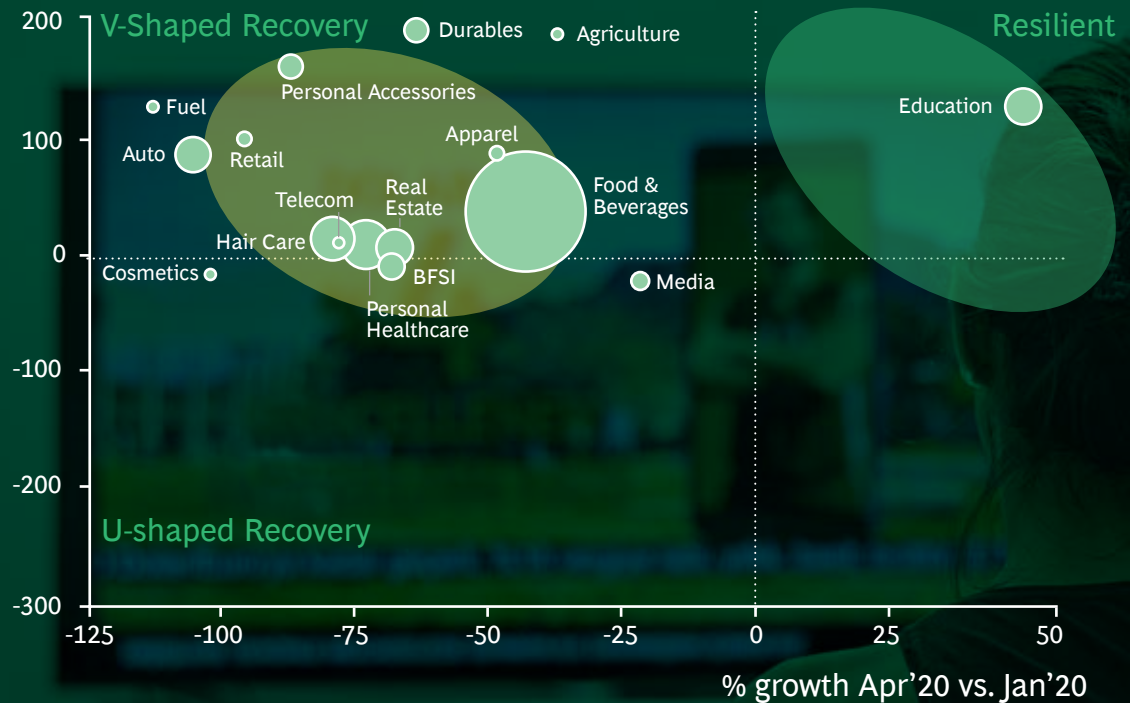
Total Ad Volume (in million) in January, April, October

Increase in number of advertisers across sectors post October

Many sectors have more # of advertisers in Oct'20 as compared to pre-Covid

Change in # of advertisers post lockdown (Oct'20 and Jan'20)

Change in # of advertisers during lockdown (Apr'20 and Jan'20)
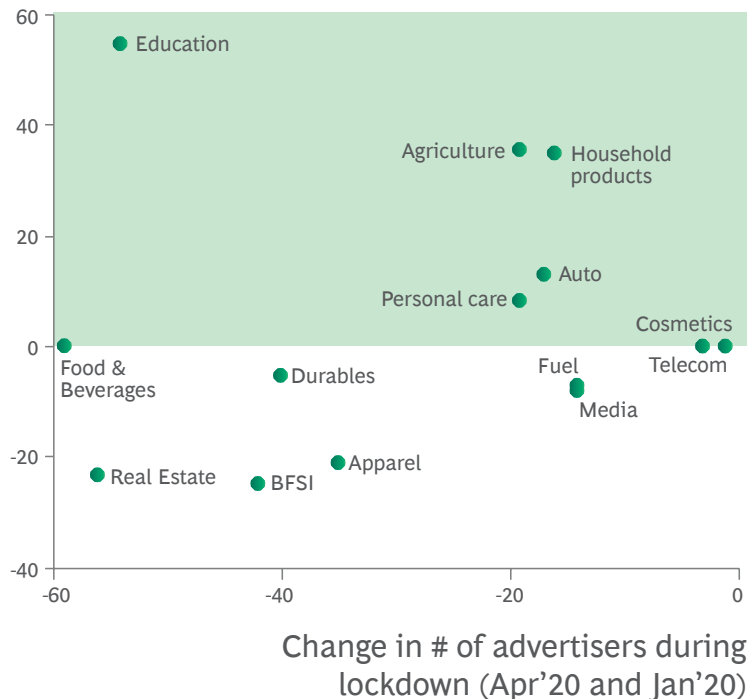
Recovery led by increase in number of advertisers and entry of new-to-TV advertisers

7 out of top 10 new advertisers from education & healthcare
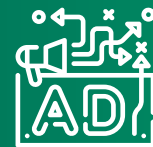
~1300 new advertisers

In Oct'20 vs. Sep'20

Eg: White Hat Jr Technologies
- Using TV as a medium to target the 65% user base that lies outside top 10 cities
- 30% of total budget on TV and 70% on digital

Eg: Practo Technologies
- Campaigns on TV - #HelloDoctor, #BeingADoctor
- 500% increase in online consultations during lockdown period; 44% from non-metro cities

Marquee events surpassed 2019 levels, merits cautious optimism

Big-ticket marquee events have bounced back but smaller events may face continued pressure; there is cautious optimism that ad spending on TV is expected to recover in H2 2020

7%
Increase in # of advertisers for IPL 2020 vs. 2019

Share of digital in ad spend increasing, however still lags consumption growth

2019

2020

India

	2019 Consumption	2019 Advertising	2020 Consumption	2020 Advertising
TV	18%	13%	20%	15%
Digital	82%	87%	80%	85%

Change from 2019 levels: +2pp (Consumption), +2pp (Advertising)

China

	2019 Consumption	2019 Advertising	2020 Consumption	2020 Advertising
TV	25%	31%	27%	35%
Digital	75%	69%	73%	65%

Change from 2019 levels: +2pp (Consumption), +4pp (Advertising)

US

	2019 Consumption	2019 Advertising	2020 Consumption	2020 Advertising
TV	31%	18%	34%	22%
Digital	69%	82%	66%	78%

Change from 2019 levels: +3pp (Consumption), +4pp (Advertising)

Legend: Digital | TV

Source: PQ Media, MAGNA Global, TAM AdEx, Expert interviews

Advertising continues to lag consumption on digital

However, gap is narrowing on account of improved ROI and targeting
- Improved ROI and targeting

Covid has accelerated shift to digital: Share of digital expected to grow to 15% almost 2 years ahead of earlier projections

With increasing budget constraints during Covid, advertisers looking for high returns, low wastage

Improved targeting

"We are rapidly increasing our allocation to digital because digital makes it easy to target customers most likely to purchase our product"

Real time tweaking

"Real time visibility can help us dynamically optimize our campaign parameters and help us get more bang for our buck"

Better return metrics

"Brand managers are scrutinizing every rupee spent on advertising campaigns, measurement of ROI from each campaign is a must given the constrained budgets"

Lower outlays

"We would never consider advertising on TV with our scale; digital helps us reach the right audience in a cost-efficient manner"

Digital video to reach 2022 forecasted share of total TV & digital video ad spend in 2020

Share of digital revenues in advertising (%)

15% share forecasted for 2022, to be achieved in 2020

Post-Covid forecasts

19%

16%

15%

Pre-Covid forecasts

15%

14%

13%

2020
2021
2022
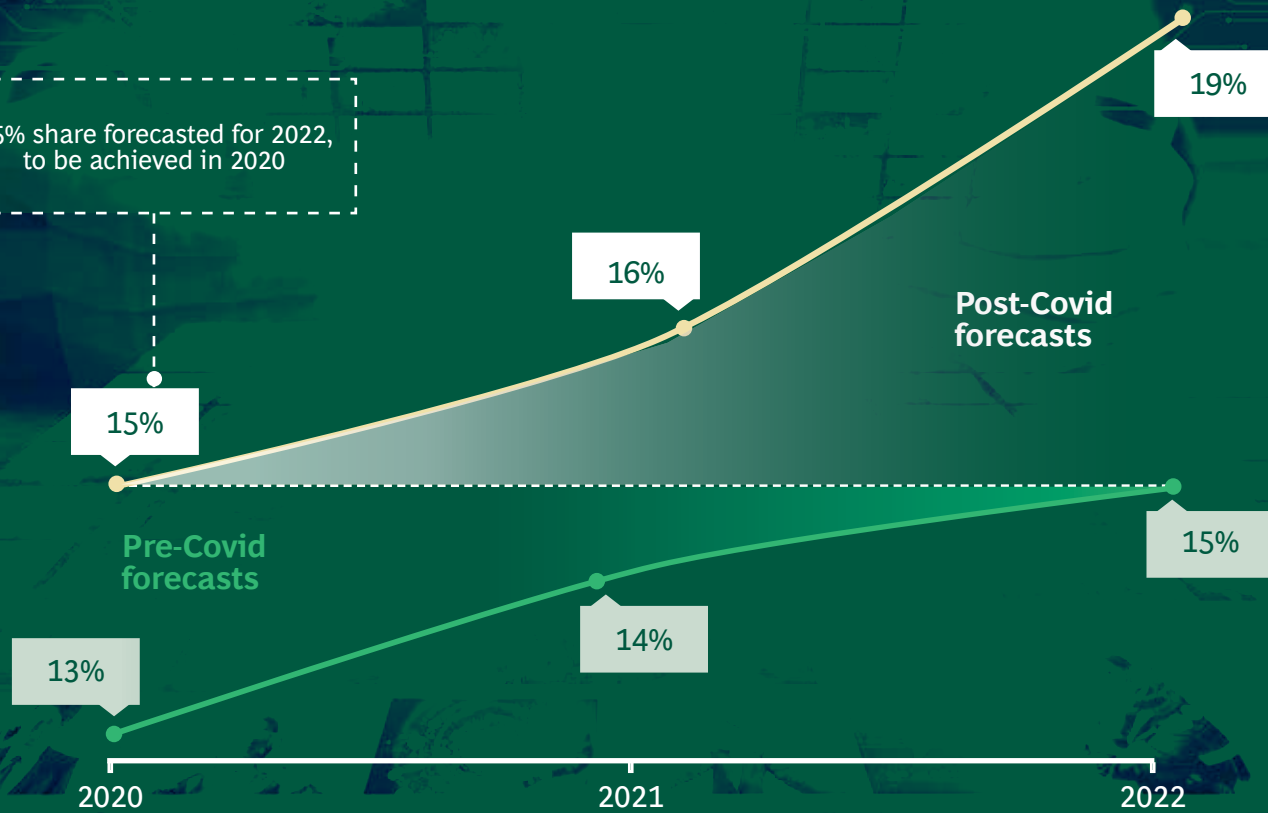
Subscription models gaining traction

Strong growth in SVOD revenues as number of subscriptions rise; TV subscription revenues remains flat

Subscription revenues growing on account of growth in SVOD

Revenues (USD million)

+9%

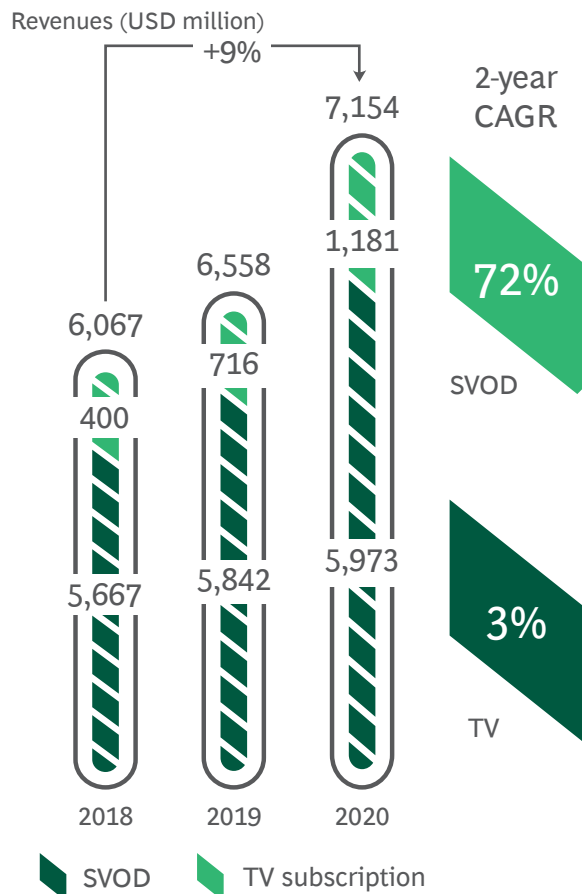|	2018	2019	2020
Total	6,067	6,558	7,154
TV subscription	400	716	1,181
SVOD	5,667	5,842	5,973

2-year CAGR

72% SVOD

3% TV

Legend:
- ◢ SVOD
- ◢ TV subscription

1. Includes subscriptions that are purchased through the 100% cash back route

Source: Ampere analysis, SNL, Expert interviews, BCG Analysis

SVOD growth driven by significant increase in # of subscriptions

50-60%

Number of subscriptions (in million)

	2018	2019	2020
Subscriptions	49	78	100-125
ARPU (USD per month)	$0.68	$0.76	$0.78

Marginal increase in TV subscriptions; however ARPU has remained flat

Also impacted by regulation changes e.g. NTO

+3%

Number of subscribers (in million)

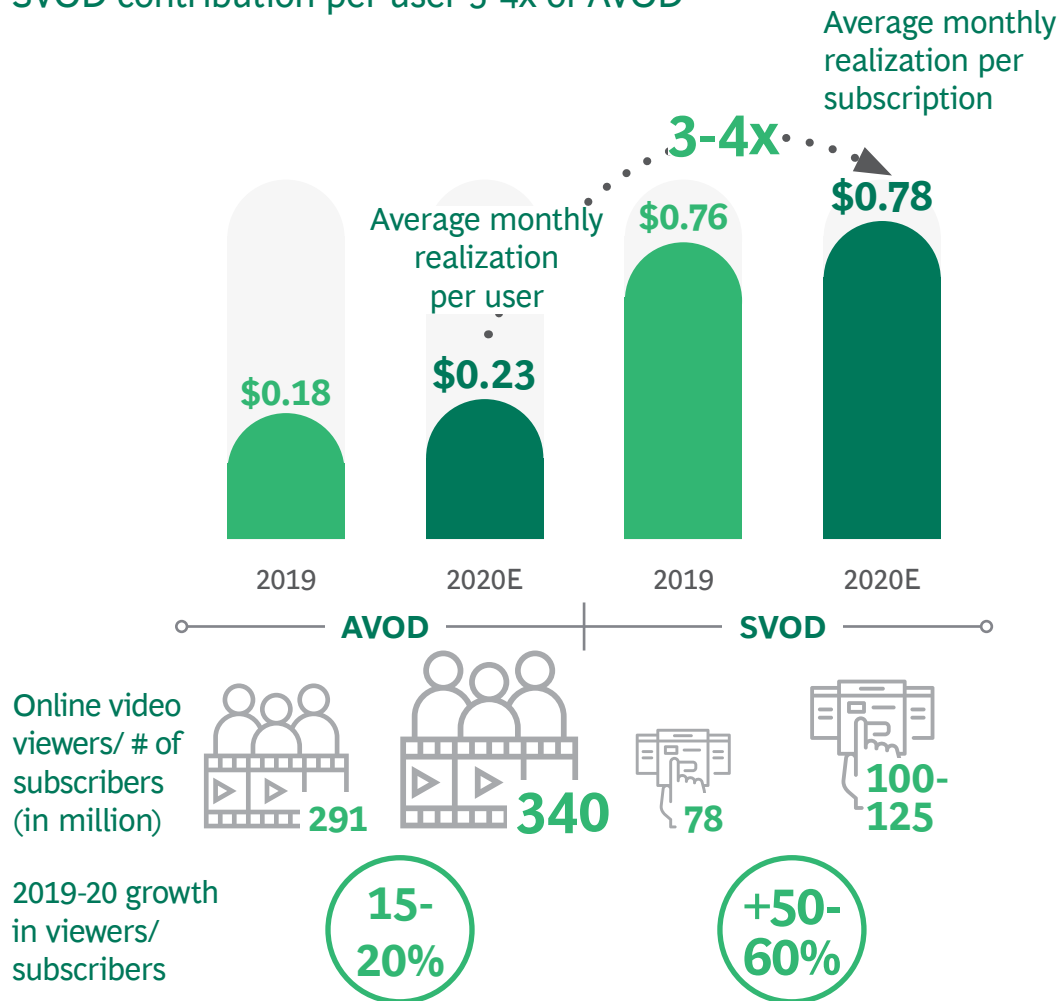|	2018	2019	2020
Subscribers	194	200	207
ARPU (USD per month)	$2.9	$2.9	$2.9

Growth of SVOD to give fillip to overall OTT growth
AVOD sustainable only at very large scale

SVOD contribution per user 3-4x of AVOD

3-4x

Average monthly realization per subscription

Average monthly realization per user

$0.18 (2019 AVOD)
$0.23 (2020E AVOD)
$0.76 (2019 SVOD)
$0.78 (2020E SVOD)

2019 — 2020E : **AVOD**
2019 — 2020E : **SVOD**

Online video viewers/ # of subscribers (in million)

AVOD: 291, 340
SVOD: 78, 100-125

2019-20 growth in viewers/ subscribers

AVOD: 15-20%
SVOD: +50-60%

Given lower realizations, AVOD successful only at large scale

AVOD sustainable only at very large scale
- Requires 3-5x the subscriber base of SVOD to break even

Achieving advertisement driven scale made challenging given the competition for digital ad spend with the likes of YouTube and Facebook

However, both AVOD and SVOD models need to co-exist
- AVOD critical to increase OTT penetration and drive awareness for SVOD

Source: Ampere analysis, Expert interviews, BCG Analysis

SVOD subscriptions growing as out-of-home spending moves to in-home, coupled with introduction of low-ticket size plans & enhanced ease of payment

Decline in footfall in retail & recreation places in Nov'20 vs. Jan'20[1]
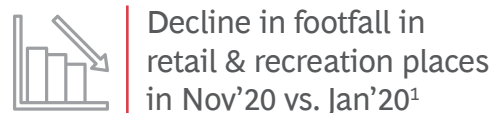
-27%

Increase in subscriptions to SVOD platforms

50-60%

% of subscribers likely to spend same or more on SVOD platforms[2]

~90%

1 | Different subscription tiers introduced to increase propensity to pay

NETFLIX
Mobile only plan at Rs. 199 per month

Disney+ Hotstar
VIP pack at Rs. 399 per year

ZEE5
Zee5 Club pack at Rs. 365 per year
Regional packs at Rs. 49 per month

Limitations on offerings like access to limited content, cap on number of screens, or low video quality

2 | Pay per view model gaining traction

59% Online users would not pay average price charged for video subscription[3]

ZEE5 Shemaroo Me YouTube Apple TV

Testing one-time pass model for movies with price ranging from Rs. 79 – Rs. 299

3 | Ease of payment through integration of UPI

10.8 Billion transactions in 2019 done through UPI[4]

3x Year-on-year growth in value of UPI transactions in 2019[4]

ZEE5 ALT Balaji Sony LIV Disney+ Hotstar

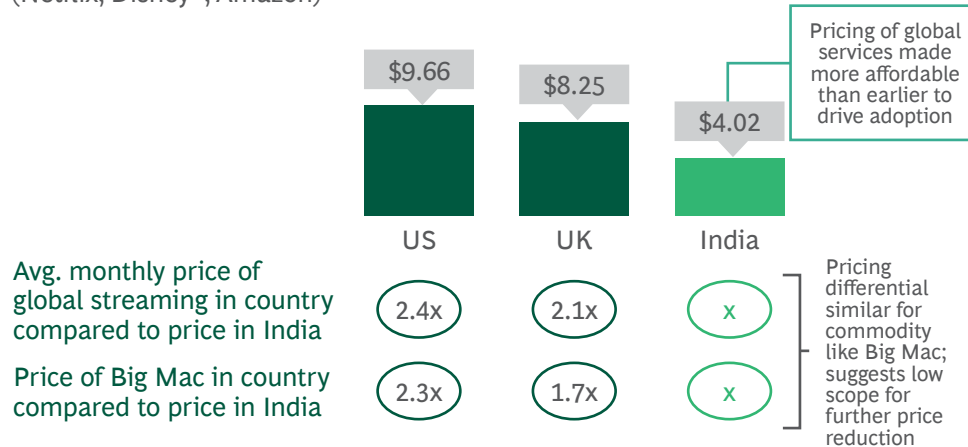Players starting to offer UPI payment option

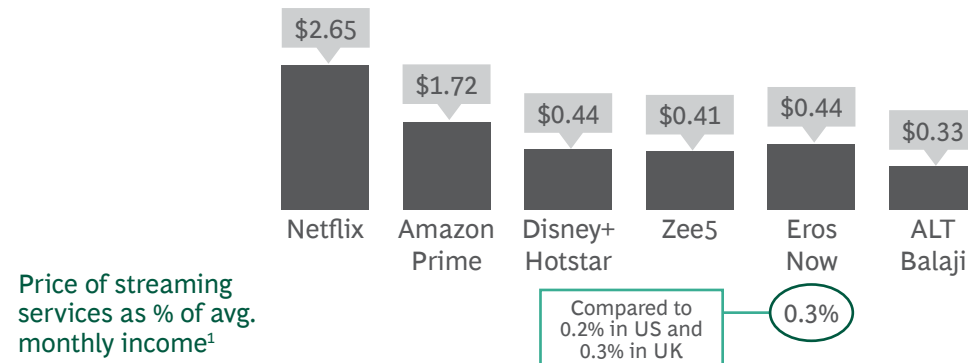# Pricing innovations have helped make proposition stronger Realization of ARPU though slightly lower given bundling

Global players are now offering India specific price points

Average monthly price of global streaming services
(Netflix, Disney+, Amazon)[1]

$9.66 — US
$8.25 — UK
$4.02 — India

Pricing of global services made more affordable than earlier to drive adoption

Avg. monthly price of global streaming in country compared to price in India
- US: 2.4x
- UK: 2.1x
- India: x

Price of Big Mac in country compared to price in India
- US: 2.3x
- UK: 1.7x
- India: x

Pricing differential similar for commodity like Big Mac; suggests low scope for further price reduction

Pricing of local OTT platforms in line with global spending

Monthly price for lowest available plans for top 6 OTT players in India

- Netflix: $2.65
- Amazon Prime: $1.72
- Disney+ Hotstar: $0.44
- Zee5: $0.41
- Eros Now: $0.44
- ALT Balaji: $0.33

Price of streaming services as % of avg. monthly income[1]

0.3% — Compared to 0.2% in US and 0.3% in UK

Actual realization of ARPU further driven down by bundling of services

~30% — % of OTT video subscriptions coming from telco-bundled partnerships

Most Telco players have OTT partners like Amazon, Netflix, Zee5, Disney+Hotstar, etc. which helps drive their subscriber base. For example:

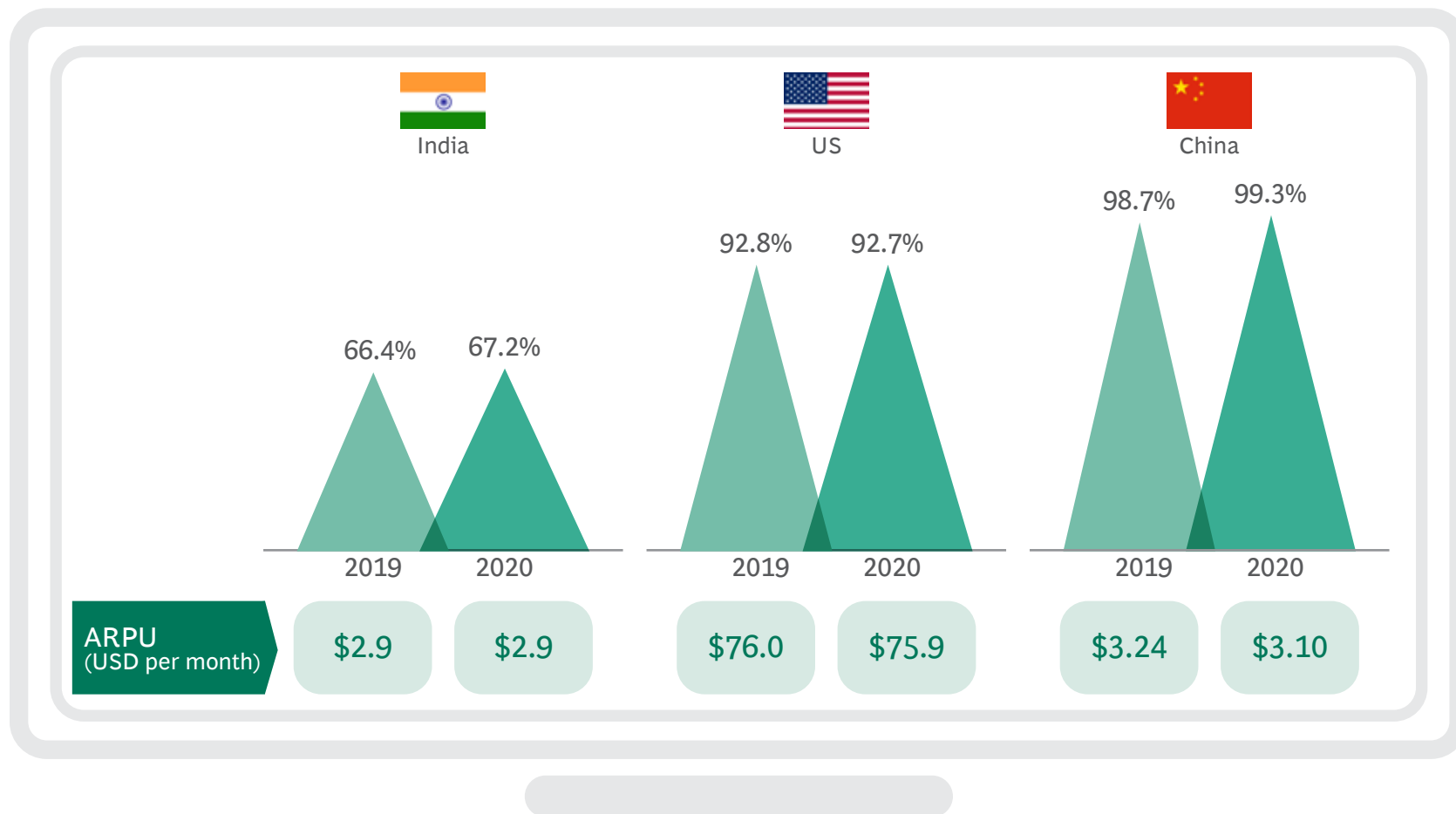| Telco	OTT partner[2]		
Jio	Netflix, Prime video	Disney+ Hotstar	Zee5
Airtel	Disney+ Hotstar	Prime video	Zee5

1. [Ovum 2019; Amdocs commissioned survey, 2,102 respondents in India]. **2.** Zee 5 bundled with Jio Fibre
Note: 1 USD = 75 INR
Source: Press Search, BCG Analysis, Economist Big Mac Index, 1. [Finder, streaming services considered – Disney+, Amazon & Netflix]

Marginal increase in TV subscription driven by increase in penetration of TV across Households; however significant headroom for growth remains

% Households with TV cable connection in each country

	India	US	China
	2019: 66.4% / 2020: 67.2%	2019: 92.8% / 2020: 92.7%	2019: 98.7% / 2020: 99.3%
ARPU (USD per month)	2019: $2.9 / 2020: $2.9	2019: $76.0 / 2020: $75.9	2019: $3.24 / 2020: $3.10

TV subscription base growing as penetration of DTH increases, ARPU holds steady

TV Households (in million)

	194 Mn	201 Mn	207 Mn	
Free Dish	14%	13%	13%	
Cable	53%	52%	51%	
DTH	34%	35%	36%	
	2018	2019	2020	

ARPU (in USD)

Cable TV
- 2018: $2.7
- 2019: $2.7
- 2020: $2.7

DTH
- 2018: $3.1
- 2019: $3.1
- 2020: $3.1
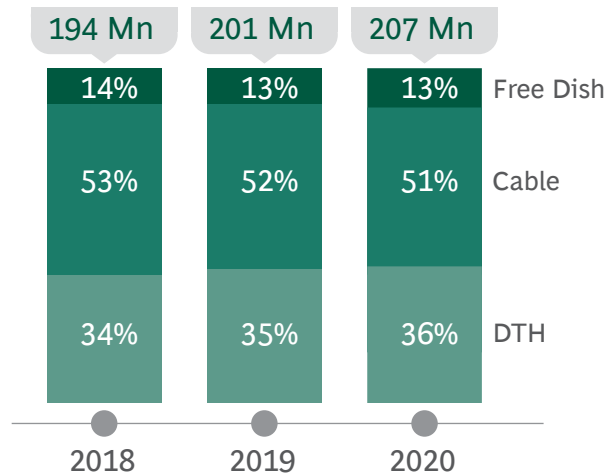
### DTH subscribers increased during the pandemic as people stayed indoors; ARPU remained flat

- DTH subscribers surged initially in lockdown but over time consumers started optimizing channel subscriptions due to limited fresh content
  - Subscribers expected to increase by 6-7% as fresh content has returned to TV and cable TV subscribers move to DTH
- DTH ARPU to remain flat as players launched incentives such as discounted bundles and free VAS to retain subscribers
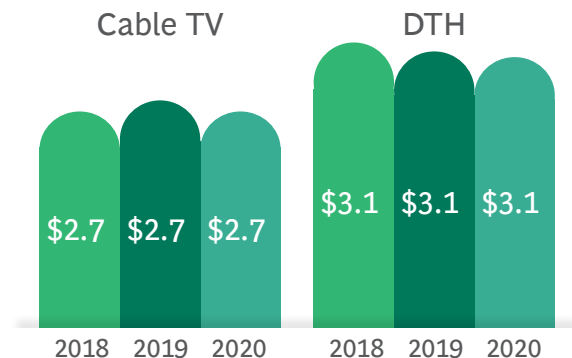
Cable TV revenues impacted due to Covid as a set of subscribers downgraded subscription packs

- Cable subscriptions suffered due to migration of workforce outside metros and downgrading of subscription packs (FTA channels preferred)
- Muted growth in subscribers as competition from DTH intensifies

Impact of the M&E industry on India

Indian M&E industry creates three levels of impact through both tangible and intangible means

DIRECT

TANGIBLE IMPACT THROUGH
Employment generation | Contribution to GDP

INTANGIBLE IMPACT CREATED THROUGH:
Taking Indian culture to the world | Connecting the Indian diaspora to the country

INDIRECT

TANGIBLE IMPACT ON UPSTREAM INDUSTRIES SUCH AS ADVERTISING, EQUIPMENT MANUFACTURERS ETC.
Employment generation | Contribution to GDP

TANGIBLE IMPACT ON INDIAN TOURISM AND OTHER ALLIED INDUSTRIES
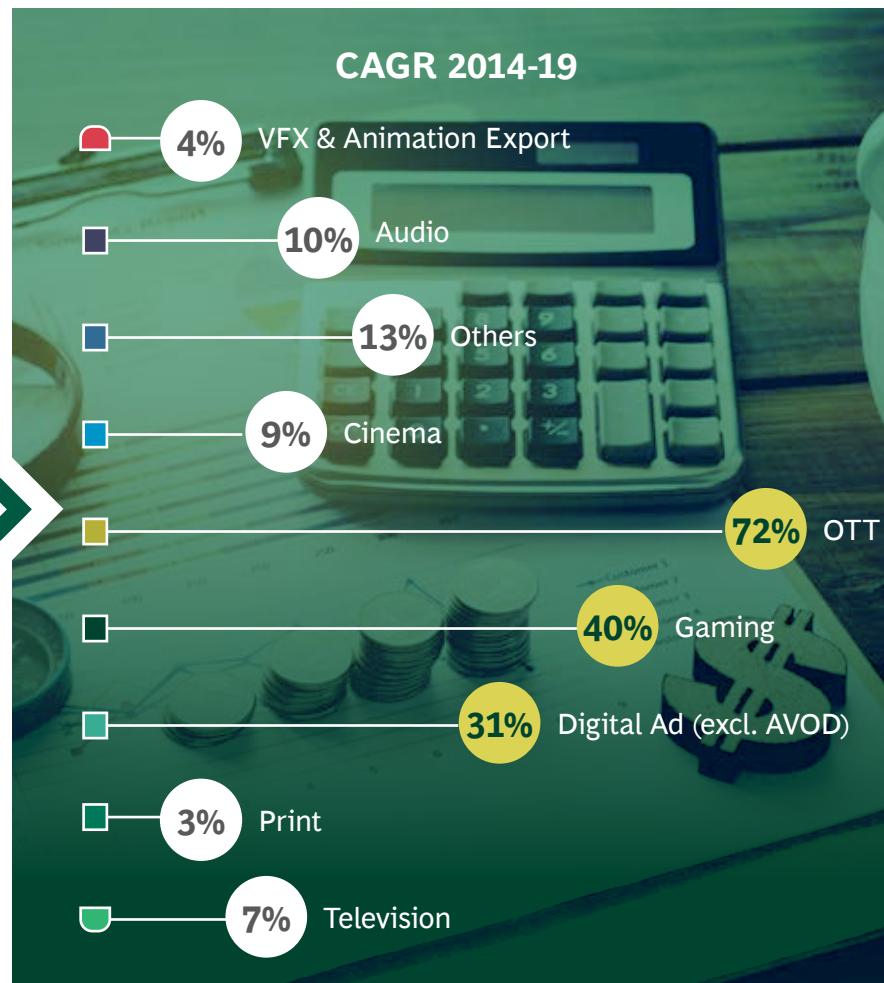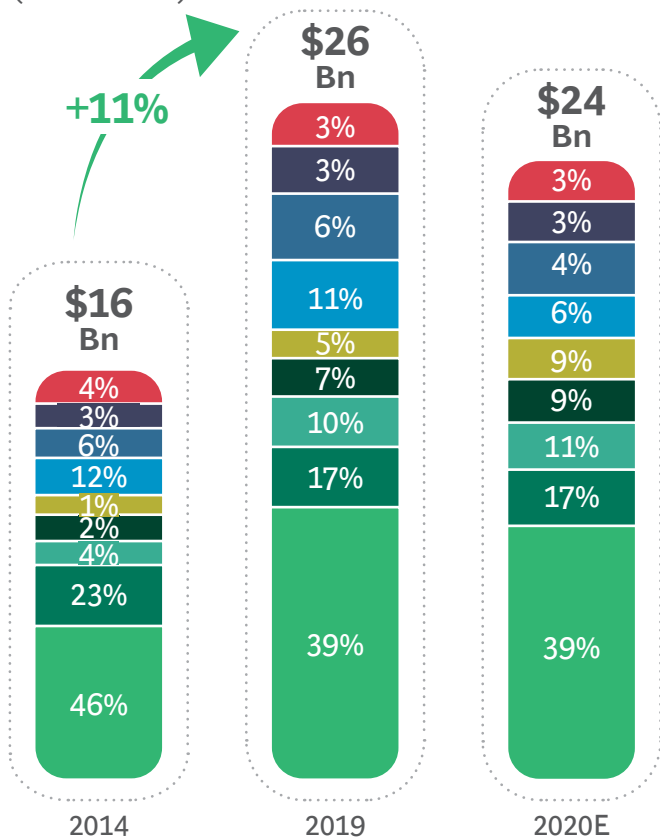
INDUCED

JOBS, WAGES AND OUTPUT GENERATED AS A RESULT OF EMPLOYEES IN DIRECT AND INDIRECT SPENDING WAGES IN THE COUNTRY

Indian M&E industry at $26 Bn showcasing 11% growth…

India's M&E Industry seeing a healthy growth rate with video industries (TV & OTT) the key drivers

Indian M&E industry market size (USD billion)

$16 Bn (2014)
- 4%
- 3%
- 6%
- 12%
- 1%
- 2%
- 4%
- 23%
- 46%

+11%

$26 Bn (2019)
- 3%
- 3%
- 6%
- 11%
- 5%
- 7%
- 10%
- 17%
- 39%

$24 Bn (2020E)
- 3%
- 3%
- 4%
- 6%
- 9%
- 9%
- 11%
- 17%
- 39%

2014   2019   2020E

CAGR 2014-19

- **4%** VFX & Animation Export
- **10%** Audio
- **13%** Others
- **9%** Cinema
- **72%** OTT
- **40%** Gaming
- **31%** Digital Ad (excl. AVOD)
- **3%** Print
- **7%** Television

…with a significant impact on India's economy

% Contribution to India's GDP 2020

3-3.5%

1.3-1.5%

0.9-0.95%

0.8-1%
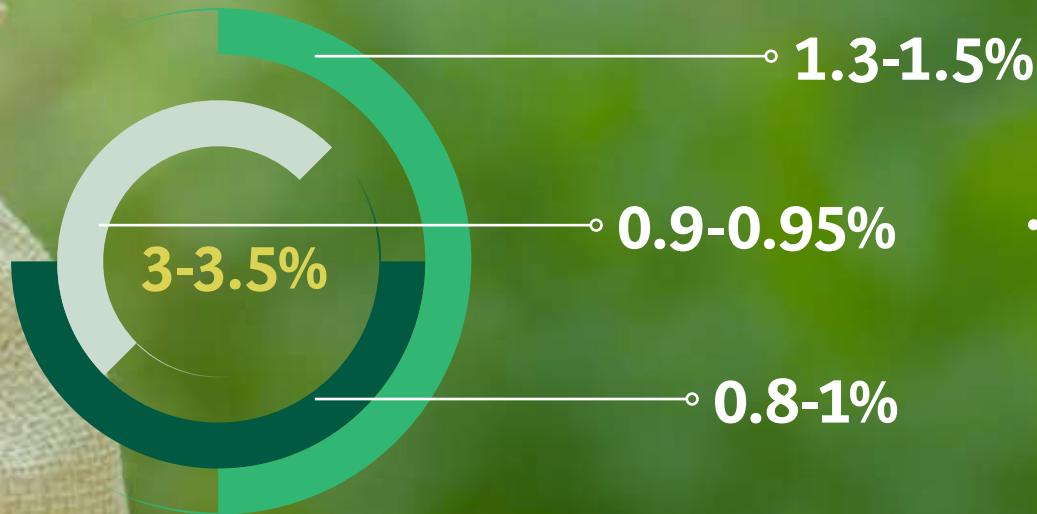
OTT contribution increased 3x between 2018 and 2020

Employment generated by M&E in India, 2020 (Mn)[1]

1.7-2

1-1.2

1-1.5

4-4.5
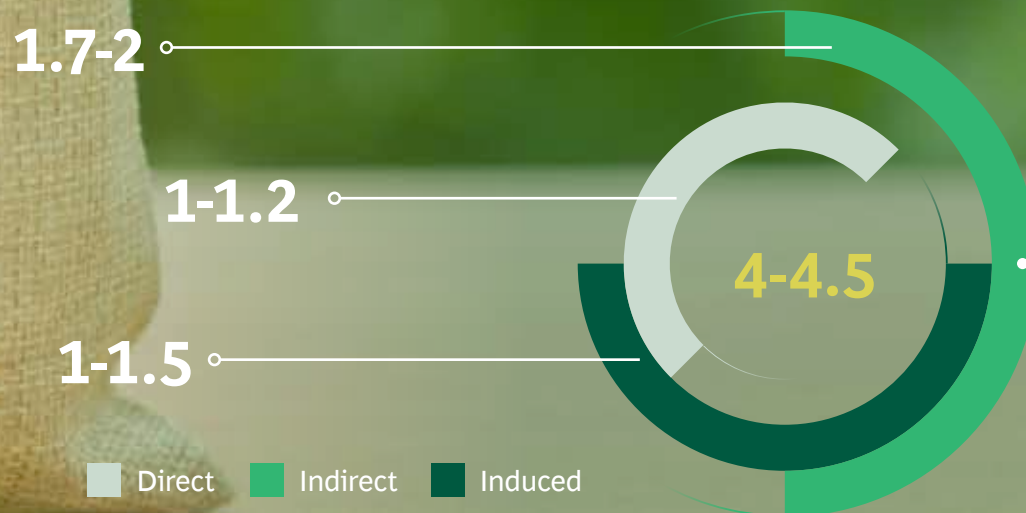
50-60% new jobs created by M&E in 2020 expected to be due to OTT

Direct   Indirect   Induced

However, significant headroom for growth in direct contribution to economy when benchmarked with other economies

India's M&E industry has significant headroom for growth basis global benchmarks

M&E % Contribution to GDP, 2019

High contribution & low growth

High contribution & growth

Low contribution & growth

Low contribution & high growth

M&E CAGR 2009-19
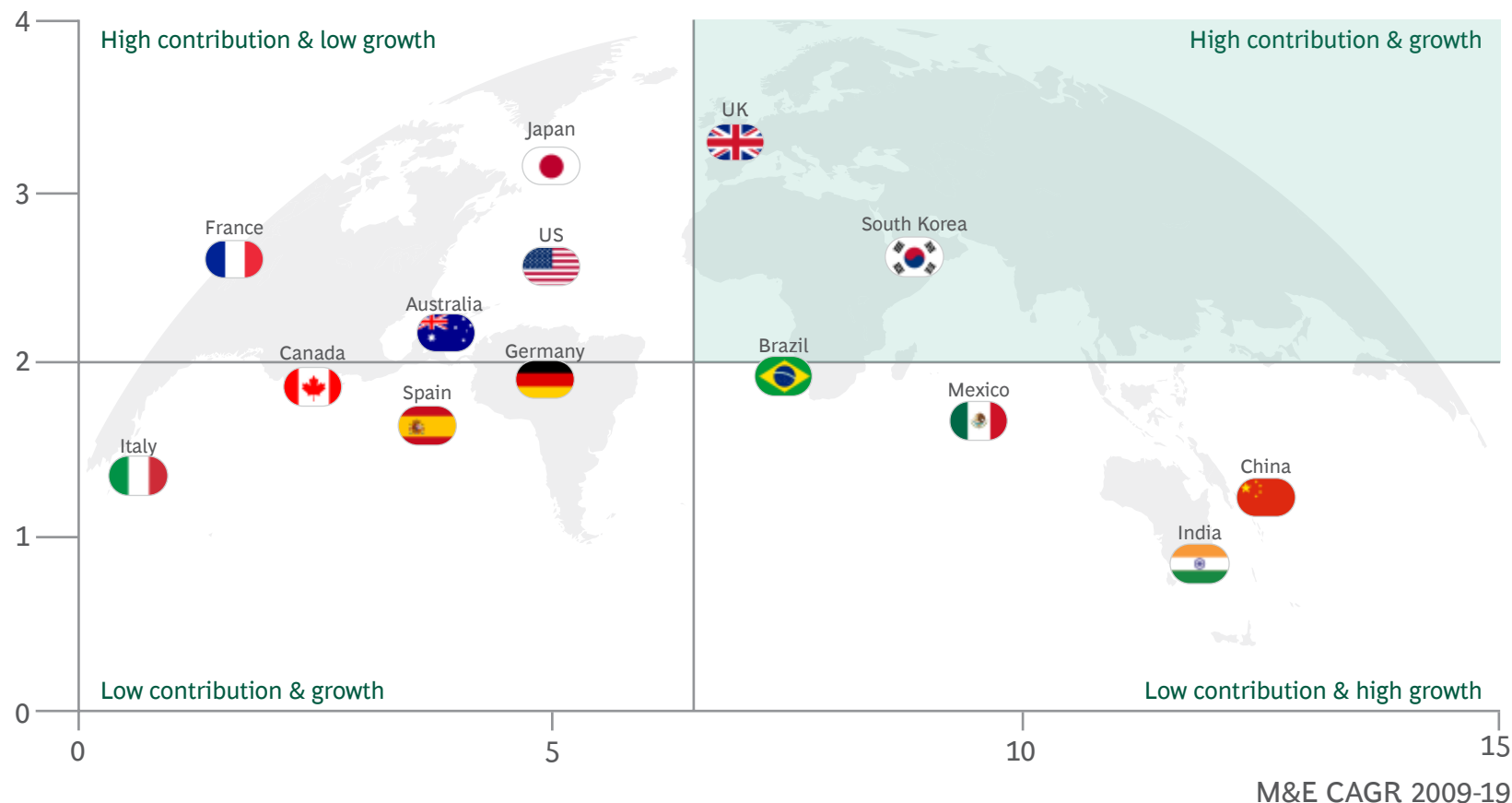
Note 1: Both M&E and GDP numbers are nominal
Note 2: M&E industry includes both consumer spends and advertisement revenues
Source: PQ Media, Magna Global, EIU, Expert interviews, BCG analysis

South Korea had the highest M&E contribution to GDP vs others in 2009, and has shown significant growth till 2019

Initially propelled by the rise in internet penetration & the gaming wave, Korea's M&E industry is now being driven by the global success of K-wave – enabled by government support and overall talent/ infrastructure development
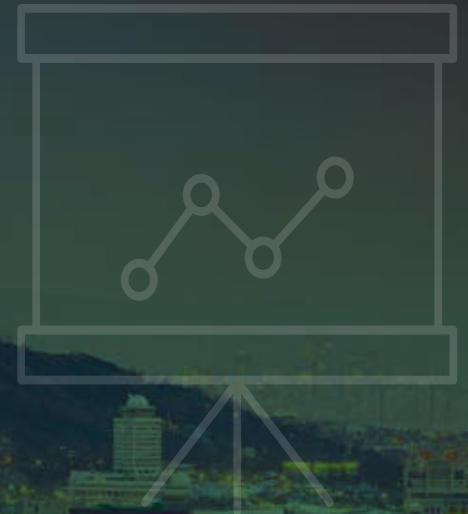
S. Korea | Hallyu (K-Wave) has taken Korean culture to the world & created significant economic impact for S. Korea

Multiple elements of their culture have experienced phenomenal success on a regional and global scale

	Regional scale hit phase ('00~15)	Global scale hit phase ('15~'20 and future)
MUSIC	**BIG BANG, SUPER JUNIOR** Asia focused: "regional star"	**BTS** Market value $5B, #1 in 90 countries: "global star"
DRAMA	**DAE JANG GEUM, JU MONG** ~60 countries, ~$10M revenue	**MR. SUNSHINE** ~190 countries, ~$100M revenue
REALITY	**RUNNING MAN** #1 Ent. show in SEA countries, licensed to Chinese cable	**THE MASKED SINGER** ~40 countries worldwide, licensed to US and Europe
MOVIE	**OLD BOY** Cannes awarded "artistic success"	**PARASITE** Not only Oscar, but also "massive success"
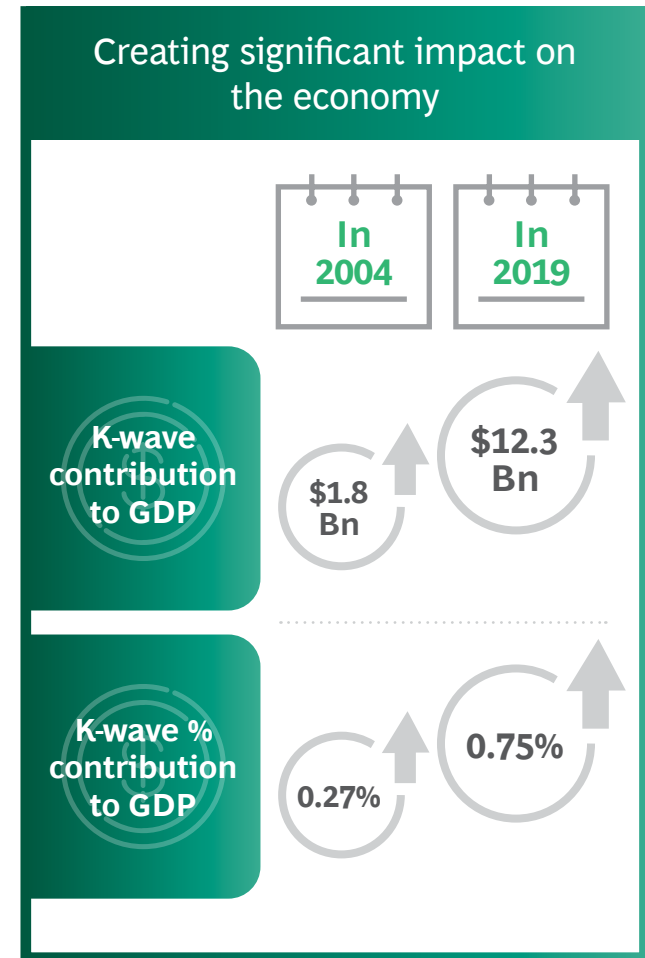
Creating significant impact on the economy

	In 2004	In 2019
K-wave contribution to GDP	$1.8 Bn	$12.3 Bn
K-wave % contribution to GDP	0.27%	0.75%

S. Korea | K-Wave proactively driven by government with active private participation; originated in the late 90s, went global around 2010

Non exhaustive

Culture direction

The govt has been leading the strategy for development

| Ministry of Culture, Sports and Tourism | KOFICE |

Funding

Encouraging public-private partnerships (with funding to promote start-ups in 2015)

| KOSA | The Korea Chamber of Commerce & Industry |

Production

Markets concentrated with some large companies driving economic growth

| SAMSUNG | CJ Group |

Distribution & retail

South Korean cultural goods are distributed both physically and through digital platforms (local and international)

| LOTTE | YouTube |

Regulation, research & promotion

Public agencies responsible for intellectual property rights and copyrights protection

Korean Copyright Commission

State-sponsored non-profit organizations and some private institutes engaged in research efforts on the creative industries

Arts Council Korea

Glocal content

K-dramas are based on family values & have a modern approach which resonates with both SEA and western markets

Sustained effort has led to K-wave going from regional trend to global phenomenon

- **2004:** Jewel in the palace won 'Best Foreign Program' at TVB Anniversary Awards; #1 show in Taiwan, Hong Kong when aired

- **2009:** Wonder Girls entered US and became the 1st Korean idols on the Billboard Hot 100 chart with the song 'Nobody'

- **2012:** Psy's Gangnam Style took 2nd place on Billboard's Hot 100 in US and became most watched video on YouTube

- **2019:** Parasite won the Oscar for Best Original Screenplay, Best International Film, Best Director, and Best Picture

Additionally, the M&E industry creates intangible impact on Indian culture and tourism by creating a connect with the Indian diaspora

M&E industry can have a holistic impact on India's economy beyond its direct reach…

Tourism

Food & Beverage

MEDIA & ENTERTAINMENT

Connect with Indian diaspora

Export of Indian culture
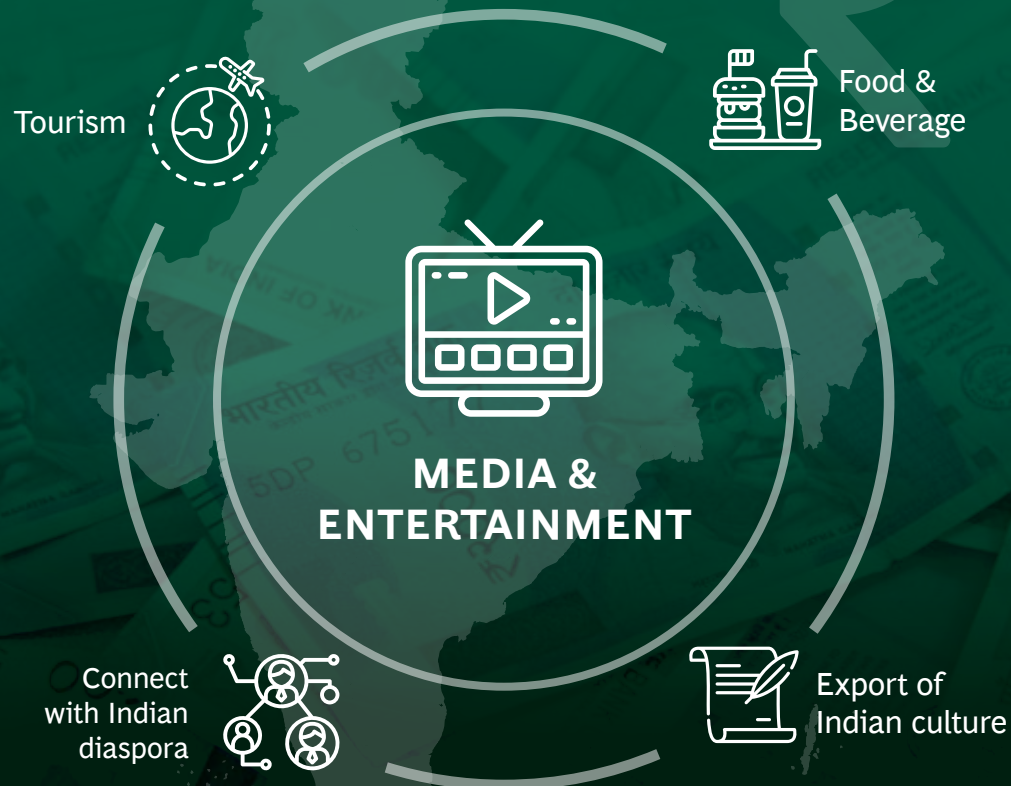
Source: Press Search, BCG Analysis

…as is evidenced by multiple OTT series and shows over the years

Man vs Wild:
Appearance of India's PM Narendra Modi on the show featuring an adventure trail in Jim Corbett National Park increased the popularity of the region

In Vir Das' Jestination Unknown
the comedian travels to various destinations in India to understand the culture, heritage, history and of course, the local sense of humour

Netflix's Street Food
successfully brought Delhi's famous chaat to a global community of viewers

Amazon Prime's Bandish Bandits
showcases Indian Classical music in its true form with an interesting pop fusion

Industry leaders believe that M&E has the potential to have a huge direct as well as indirect impact on India

Blaise Fernandes
CEO – Indian Music Industry

Impact on GDP and employment
"M&E sector in developed markets like the United States contribute around 4% towards GDP. [With the right policies] there is no reason why we can't reach a 4% GDP contribution given our demographic dividend, a 450 million smart phone base going up to 900 million by 2029, and cheap data."

Global connect
"The soft power of content is unquantifiable. Today brands like Nike, Levis, Apple are aspirational due to the content from US studios that have touched every corner of the world."

Megha Tata
MD – South Asia, Discovery Networks

Skills and technology imperatives
"We need more government initiatives such as Skill India and Digital India initiative which were introduced to transform our country into a digital empowered society and knowledge economy. More importantly, the industry needs to work hand in hand with the government to upskill talent, to create employment opportunities and to provide a platform for them."

Creating an Indian "Hallyu"
"The creation of the Hallyu wave is story of rapid growth of the South Korean soft power through a fierce discipline and focused manufacturing of talent. While there are many admirable lessons to learn, especially in the way the K-wave has been marketed across the world, what is even more important is that we truly start taking pride in the talent we have right here in our country and provide them with the right platforms and resources to develop. It is on the back of this talent that we will be in a position to craft a powerful, unique and singular national identity making it easier for the world to recognize."

Key imperatives: Support needed to realize the potential economic impact of M&E

5 key pillars to grow the impact of the Indian M&E industry (I/II)

Impact of M&E industry (GDP, employment, intangible impact etc.)

01

Continued investment in content

02

Advertiser value enhancement

03

Identifying new sources of revenue

04

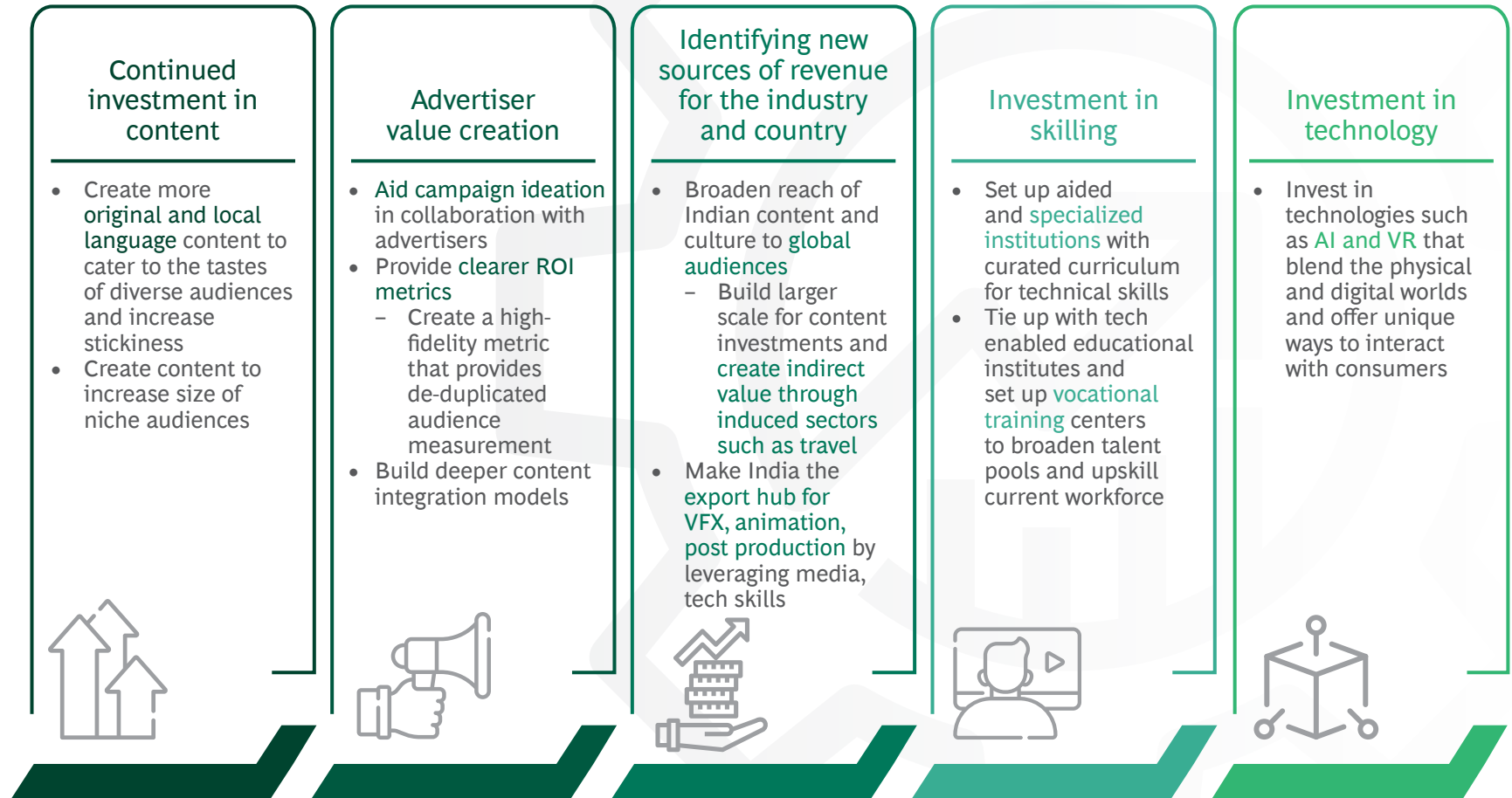Investment in skilling

05

Investment in technology

Media consumption
Content monetization - advertising and subscription

5 key pillars to grow the impact of the Indian M&E industry (II/II)

Continued investment in content

- Create more **original and local language** content to cater to the tastes of diverse audiences and increase stickiness
- Create content to increase size of niche audiences

Advertiser value creation

- **Aid campaign ideation** in collaboration with advertisers
- Provide **clearer ROI metrics**
  - Create a high-fidelity metric that provides de-duplicated audience measurement
- Build deeper content integration models

Identifying new sources of revenue for the industry and country

- Broaden reach of Indian content and culture to **global audiences**
  - Build larger scale for content investments and **create indirect value through induced sectors such as travel**
- Make India the **export hub for VFX, animation, post production** by leveraging media, tech skills

Investment in skilling

- Set up aided and **specialized institutions** with curated curriculum for technical skills
- Tie up with tech enabled educational institutes and set up **vocational training** centers to broaden talent pools and upskill current workforce

Investment in technology

- Invest in technologies such as **AI and VR** that blend the physical and digital worlds and offer unique ways to interact with consumers
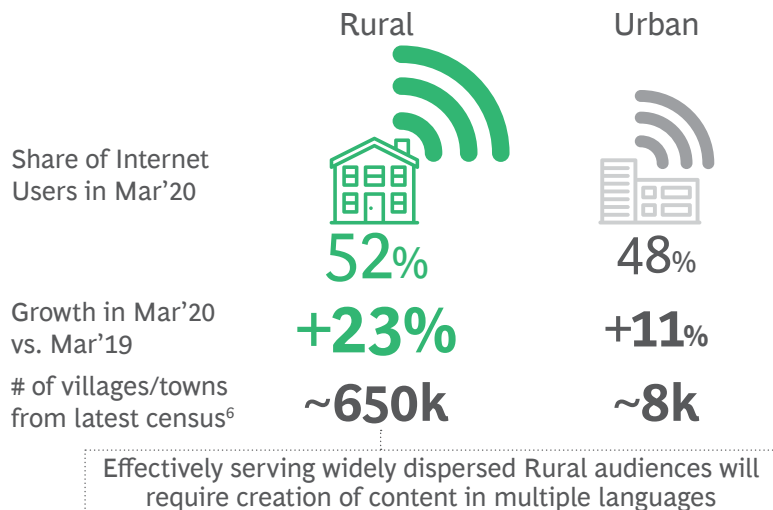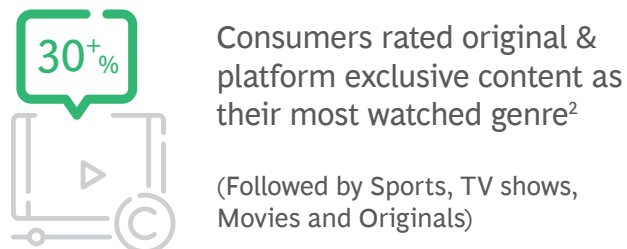
Continued investment in content

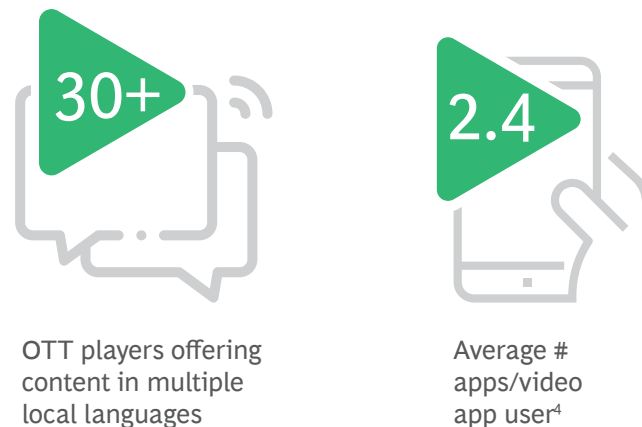# Vernacular & original content will be the key differentiators as competition intensifies in the OTT space

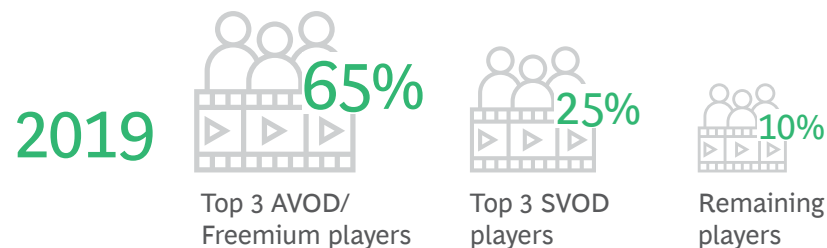## Local content consumption expected to grow further as rural internet users outgrow urban

Rural   Urban

Share of Internet Users in Mar'20

52%   **48%**

Growth in Mar'20 vs. Mar'19

+23%   **+11%**

# of villages/towns from latest census[6]

~650k   **~8k**

Effectively serving widely dispersed Rural audiences will require creation of content in multiple languages

Originals are the 'hero' content on OTT driving exclusivity for platforms

30+%

Consumers rated original & platform exclusive content as their most watched genre[2]

(Followed by Sports, TV shows, Movies and Originals)

Proliferation of platforms has intensified competition for eyeballs…

30+

OTT players offering content in multiple local languages

2.4

Average # apps/video app user[4]

…however disproportionate share of viewership garnered by top 3 platforms[5]

2019

65%   Top 3 AVOD/ Freemium players

25%   Top 3 SVOD players
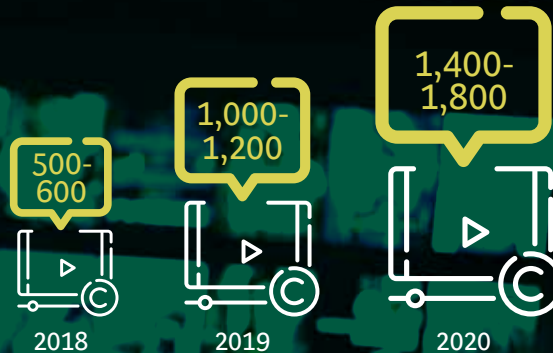
10%   Remaining players

Major OTT players continue increasing investment in original and regional content to drive consumption

Explosive growth of original content in the last 2 years

Number of hours of original content

~3x

Growth in 2020 vs. 2018

- 500-600 — 2018
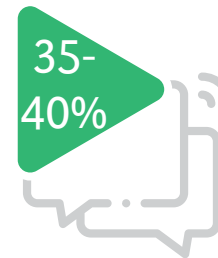- 1,000-1,200 — 2019
- 1,400-1,800 — 2020

Increase in the release of India focused original web series by major OTT players

Estimated approx. number of episodes from 2018 -2020

	Total	Netflix	Disney+ Hotstar	Prime Video
2020	-	90	N/A	110
2019	600+	80	70	100
2018	300+	30	07	90

Investment in regional content through producing & acquiring content

35-40%

Consumption from local languages on OTT[1]

ZEE5
2 Originals per month

In Tamil, Telugu, Marathi, Bengali & Kannada for premium customers

MX Player
Hoichoi, SunNXT partnerships

Partnership with regional OTT players to gain access to vast content library

Sony Liv
15-20 Originals in 2019

In Tamil & Telugu, along with acquiring TV content & dubbing Hindi shows

Prime Video
Acquired content in 3 new languages to reach a total of 10 languages

Malayalam, Punjabi, Marathi added in 2019, with over 7 languages already present

11. For 2020 # of episodes calculated by multiplying the number of originals with the average number of episodes per original in 2019 1. [Zee Annual Report 2019-20]
Source: Press Search, Expert interviews, BCG Analysis

Niche players focused on few markets have also gained good traction

SUN NXT | Languages on platform: Tamil, Telugu, Kannada, Malayalam, Bengali

50,000+ hours of content including live TV, movies, originals, kids' content, music

Main draws for the platform have been:
- Large library of **ready content made for TV & movies** in southern languages
- **Premiering new content** on platform like trailer of a song from Tamil film Sarkar

Launched a Bengali TV channel, content from which also features on the platform

17.5
Unique users in 2020 (in million)

11
Subscriptions in 2019 (in million)

HOICHOI | Languages on platform: Bengali

50+ original shows, 500+ movies, 1000+ songs

Main draws for the platform have been:
- Series featuring **prominent Bengali actors** such as Raima Sen (Hello!) and Anirban Bhattacharya (Byomkesh)
- Retelling of **classic stories** from prominent writers such as Rabindranath Tagore (Laboratory)

Launched in Bangladesh to capture the large Bengali-speaking market in the country

13
Subscriptions in 2020 (in million)

40%
Share of subscriptions from foreign markets

Increasing content partnerships among players as they diversify their offerings whilst managing costs

Benefits from partnerships

- **Growth in subscriber/viewer base**

  Subscription for both players has potential to see uptick due to increased content diversity

- **Decreased cost pressure**

  High cost of content (Rs. 50 lakh- Rs. 2 crore per episode) shared by players, thereby improving profitability

Multiple types of partnerships seen in the market

Type of partnership   **Example**

Increasing exclusivity of content created

Exclusive content creation

Netflix | Dharmatic Entertainment
Long-term partnership to create a broad range of new fiction and non-fiction series and films exclusively

Netflix | Viacom 18
3 new original series in partnership with Tipping Point, ranging from thriller to romance to drama

Content co-creation

ZEE5 | ALT Balaji
Co-creation of 60+ Original content series available exclusively to SVOD subscribers of both platforms

Content licensing

Disney+ Hotstar | HBO | Sony LIV
Embedded content in app offering viewers access to content from HBO (in case of Disney+ Hotstar) and Lionsgate (in case of Sony Liv)

Advertiser value enhancement

Re-imagine value proposition for advertisers, evolve selling models to build strategic partnerships

Move from tactical inventory selling to participating in media planning phase with advertisers

Drive N=1 marketing through Big Data and Advanced Analytics instead of Big Data and analytics

Provide real-time visibility to advertisers & media planners to fine tune their campaigns

Enablers for effective implementation:

1 Single currency for measurement across TV & OTT

2 Standardizing measurement metrics across digital platforms

3 Leveraging ad-tech platforms

Move from tactical selling to thought partnerships with advertisers

Involvement with partners right from media planning stage

Understanding the brands' needs – target audience, value proposition, objectives

Providing customized solutions best suited to achieve the marketer's goals & objectives

1 Provide bundled solutions across all platforms
Excerpt from industry players implementing a combined solution

Disney+ Hotstar
Bundled advertising deals for IPL - "With digital platforms, viewers have become seamless in viewing content on TV and also indulge in private viewing on small screens so the business models need to dramatically evolve in line with it"
– Uday Shankar (President, Walt Disney Company Asia Pacific, Chairman, Star and Disney India)

2 Invest in data & technology to offer better targeting capabilities

Comcast
Nielsen's DMP to provide data & insights to help advertisers target and optimize campaigns in real time

Roku
Adobe DMP customers can target the more than 32 million Roku households using their own first-party data

3 Build trust by ensuring transparency & offering real-time solutions helping create long-term engagement with clients

Push for standardized measurement metrics to facilitate performance measurement across devices and platforms

Challenges currently faced by advertisers

Measuring combined ROI across platforms

Removing duplication in cross-device measurement

Limited transparency on metrics and their definitions

Rating agencies & TV networks globally trying to create a solution

NBCU collaborated with Nielsen, comScore and Moat to create a composite "score" to standardize linear and digital viewership across its properties

US

BARB launched a 3-phase program for multiple-screen audience reporting in 2018. In 2020, the agency has started to release multiple screen reach & time spent viewing

UK

In Jan-2019, IMDA launched new release of SG-TA system touted to measure unduplicated TV viewership stats across digital platforms

Singapore

Way forward for the Indian media industry

1 Develop consensus on standard measurement process

2 Drive collaboration between players to create a unified currency for cross-platform advertising

3 Quick execution & adoption to facilitate growth of digital advertising

Identifying new sources of revenue: Globalize Indian culture and content

Increasing acceptance of Indian content among global audiences, including but not limited to Indian diaspora

Large Indian diaspora of 32+ Mn spread across multiple countries and consuming Indian content

32+Mn

Indian diaspora spread across multiple countries

50+%

Of the Indian diaspora pay for Indian content[3]

10-15%

Of India's film industry revenues in 2019 came from oversees[4]
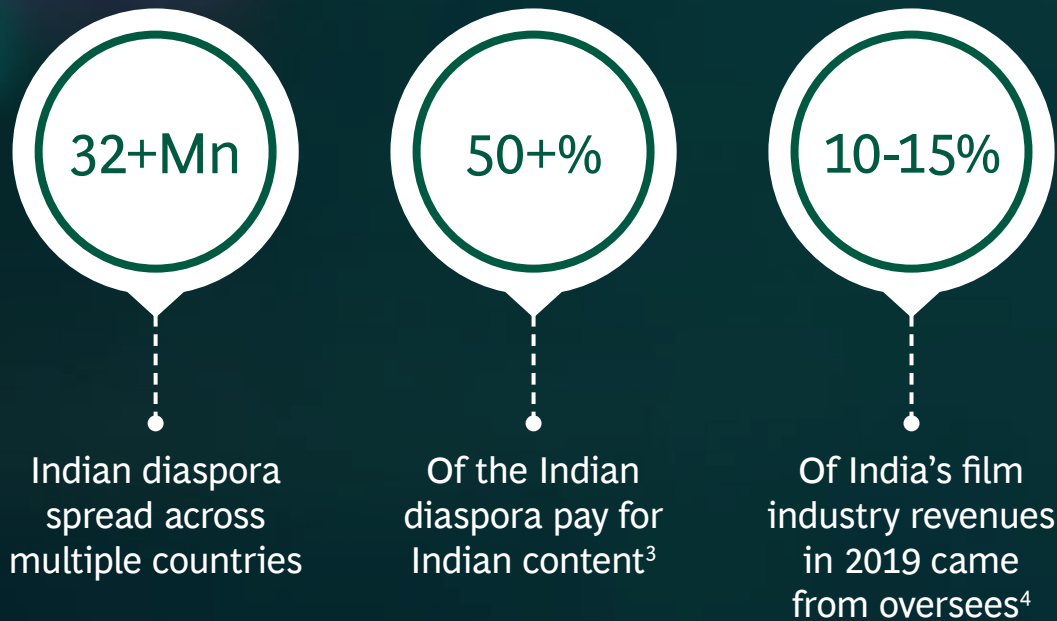
Additionally, countries with significant Indian language speaking population also consume Indian content:

- Bangladesh (Bengali),
- Mauritius (Bhojpuri),
- Nepal (Maithli & Bhojpuri),
- Singapore (Tamil),
- Sri Lanka (Tamil) etc.

Thereby creating global demand for India-based content

No. of active users of Indian OTT apps 2019 ('000)[1]
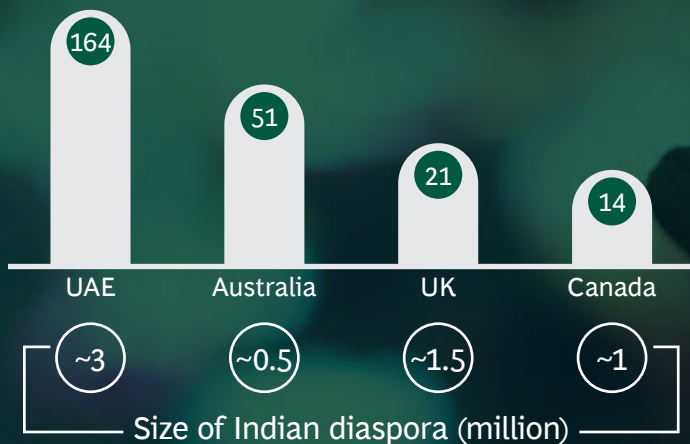

UAE	Australia	UK	Canada
164	51	21	14
~3	~0.5	~1.5	~1

Size of Indian diaspora (million)

Indian OTT apps are indicative of increasing popularity of Indian content

Global YouTube search volume for Indian originals - Indexed with 100 being the max & 0 being lowest[2]

India	Pakistan	UAE	Bangladesh	Canada	New Zealand	Nepal	Australia	UK	Singapore	USA
99	65	24	21	14	8	7	6	6	5	3
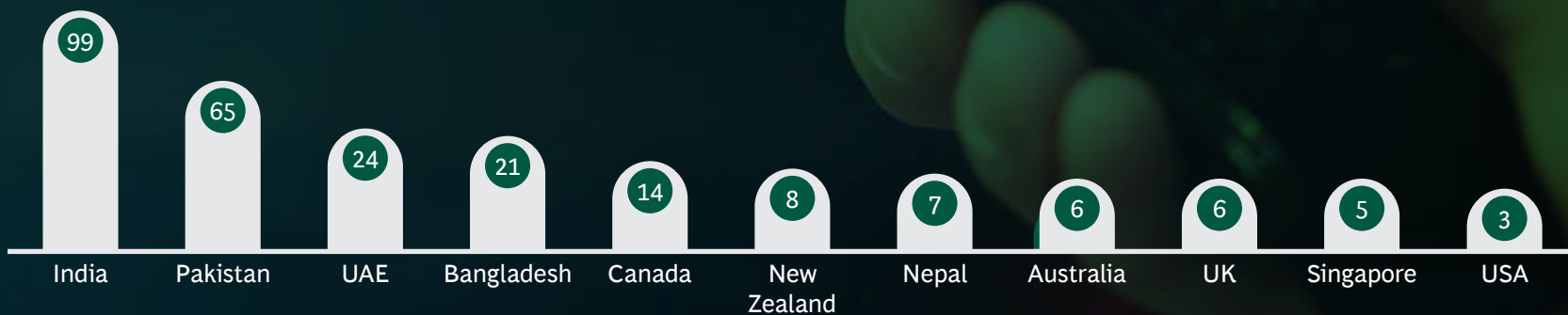
Globalization of Indian content enabled by OTT platforms through their global reach and high-quality content

OTT platforms offering high-quality original content with international distribution…

Increasing original hours of India-based content

#original content hours

500-600 2018 | **1,000-1,200** 2019 | **1,400-1,800** 2020

Availability of high-quality content

- **International Emmy Nominations** for Sacred Games, Inside Edge, Made in Heaven, Delhi Crime & Four More Shots Please!, Inside Edge
- **IMDB top 50 most popular web series** include Kota Factory, Made in Heaven, Flames, Yeh Meri Family, TVF Tripling, Little Things & Permanent Roommates

Extensive global reach of OTT players

Player	Amazon Prime	Netflix	ErosNow	MX Player
#Countries	>200	>190	135	8

…are increasingly enabling local Indian content to reach global audiences

Sacred Games, an India-based Netflix web series
- Gained traction in Latin America, US and Europe
- 2/3 viewers for Season 1 from outside India
- Overseas viewership mainly non-resident Indians and people of Indian origin

Amazon Primes' original Made in Heaven
- % of viewers from outside India higher than usual 20% observed for other series

Mighty Little Bheem
A Netflix animated series viewed by ~27 Mn households outside India

Other Shows
Such as Delhi Crime, Paatal Lok, Mirzapur, Four More Shots Please!, Inside Edge, etc have received global viewership

Additionally, globalization of content can create a trickle-down effect to boost the Indian tourism ecosystem as evidenced by the 'Netflix Effect'

Spain
Money Heist

Fans visiting filming locations such as Consejo Superior de Investigaciones Científicas (CSIC)

Money Heist Experience in Madrid, escape room offering a jewel heist with full costumes

Turkey
Netflix | The Protector

Tourism grew after declining for two years

Columbia
Netflix | Narcos

Former crime capital and stronghold of Pablo Escobar, Medellin **witnessed a steady increase in tourism by nearly 25% in recent years**

South Korea
Hallyu tourism estimated at ~$16 Bn

Multiple tours offer visits to sites where Netflix's Crash Landing on You was shot

Korea Tourism Organization released a tourism promotional video 'Explore Korea', made in collaboration with Netflix

Netflix | Street Food

Chiayi, Taiwan: Bookings to Chiayi exploded

Osaka, Japan: Often overshadowed by Tokyo & Kyoto, it found its place as Japan's street food capital

India's rich cultural heritage and scenic beauty offers diverse offering to content creators

Growth of India-based OTT content will aid in export of Indian culture and in the process boost industries such as tourism

Case study: Global success of Spanish content enabled by Madrid Content City through its end-to-end production ecosystem

Overview: Madrid Content City

Cast, crew and extras working on Netflix originals

2018	2019
13k	25k

Economic Output (% contribution to GDP)

2015	2018
0.03%	0.04%

Poised to become Europe's 2nd largest production space by 2021, providing upscale content for the Spanish speaking world and beyond

Content:
- Money Heist, La Templanza, White Lines, 30 coins: by Netflix, Amazon & HBO
- Netflix, Viacom, Columbia production units, 40-50 international films shot annually

Infrastructure:
- Complete 140,000 m² ecosystem with offices, postproduction services, warehouses, leisure and sports facilities
- Netflix's first European Hub at Tres Cantos' Secuoya Studios (22,000 m² campus)
- Other major players like Mediapro Studio, Mediaset España, Viacom International Studios, Dynamo, Beta Film and Federation Entertainment

Intellectual Capital:
- Innovative university campus with capacity for >7,000 students to be managed by Grupo Planeta; UG & PG with specialization in audiovisual creation, management and production

Incentives (Financial):
- Most expensive shows cost ~$1.5M/episode vs. $3-4M in US for TV shows (avg. cable drama)
- 30% tax rebates for international shoots' first $1.1 million spend, and cap a shoot's total tax deduction at $10.8 million

High potential to take Indian content and culture to global audiences

India can cater to international demand…

Target the ~20 million strong Indian diaspora

Target markets that have language similarity with India (eg. Bangladesh, Sri Lanka, other South-East Asian countries)

Create presence in the global market - original content with focus on 'glocal' stories

…by creating an end-to-end production ecosystem

Some initiatives around these already underway

Business and production-friendliness:
- Improve EoDB rank from 63 currently (vs. 8th for the UK)
- Create efficient logistical processes – simpler access permits to shooting locations, easier incentive claims, etc.
- Enable ease of movement

Infrastructural Development:
- Creation of end-to-end production ecosystems through creation of content cities

Talent Building:
- Specialized training to create skilled workforce to handle high-end projects from international production houses
- Exposure to foreign studios, production work, domestic industry through training, internship opportunities for students

Production ecosystem will:
- Encourage foreign producers to create content in India
- Make India a major content exporter
- Boost ancillary industries like tourism

And hence,
Enable Indian content to reach audiences across the globe

Identifying new sources of revenue: Case study

Importance of post-production activities such as VFX rising in value chain; presents opportunity for Indian M&E industry

DEVELOPMENT

- Planning and conceptualization of script

PRE-PRODUCTION

- Finalize cast, crew, financing and budget, shooting location, logistics

- Hiring for production management for creating schedule, managing budget

- Get necessary approvals

PRODUCTION

- On site shoots a operations relat production of th

POST-PRODUCTION

- Review and editing of footage

- Music recording, sound design and mixing

- Addition of Animation, Visual Effects

  Detailed in this report

▼

Budget allocation to VFX in High Budget films expected to rise to 30-35% by 2023 from 25-30% currently[1]
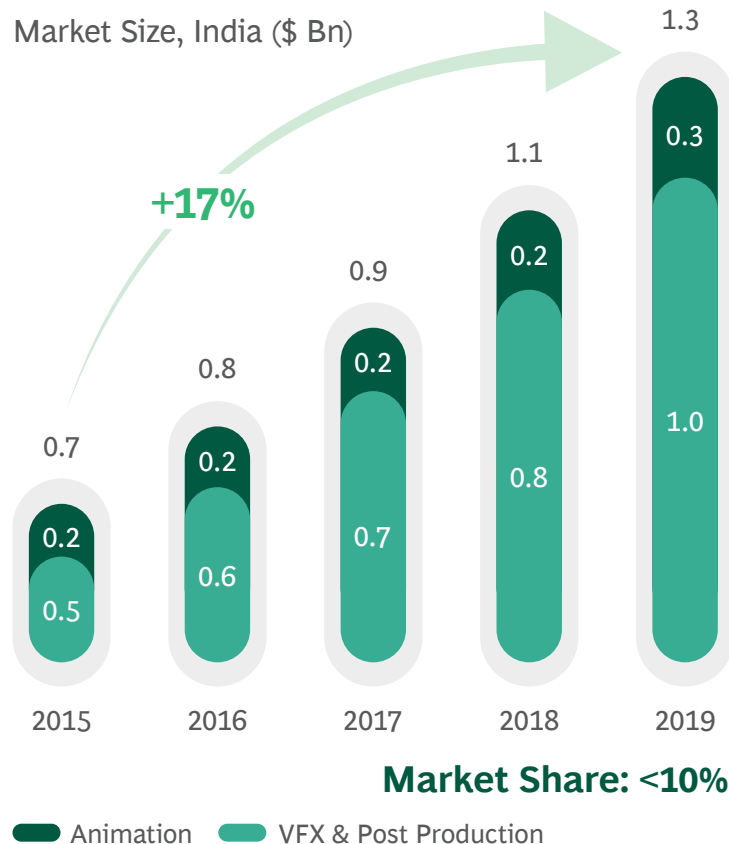
DISTRIBUTION

- Distribution through traditional or new media to enable the content to reach audiences

...nd all ...ed to ...e content

If India can capture 20-25% share of global VFX and Animation market it can create 75-120k jobs by 2025

India has <10% of the global market share in VFX and Animation

Market Size, India ($ Bn)

+17%

Year	Animation	VFX & Post Production	Total
2015	0.2	0.5	0.7
2016	0.2	0.6	0.8
2017	0.2	0.7	0.9
2018	0.2	0.8	1.1
2019	0.3	1.0	1.3

Market Share: <10%

● Animation ● VFX & Post Production

Potential to scale this up to 20-25% through structural interventions

Indian VFX & animation experts cost ~1/5th the cost of western counterparts

However, other global hubs have emerged offering highly skilled intellectual capital and incentives of upto 40%

- Montreal, Canada grew at 27% CAGR between 2009-16
- UK has emerged as the primary VFX hub in Europe

VFX & animation can be the next IT-BPM boom for India and play a fundamental role in India becoming a $ 100 Bn M&E country by 2030

By 2025, India can aspire to capture 20-25% market share

1. Indirect & Induced Employment Coefficient for Other Services, Impact of Investments in the Housing Sector on GDP and Employment in the Indian Economy, NCAER, 2014; Extrapolation based on revenue to jobs ratio in India's film industry, MESC Skills Gap Report 2014, Industry Reports
Source: Montreal International, Quebec Film and Television Council, SODEC, Expert interviews, Press Search, BCG Analysis

Potential job creation and economic activity in next 5 years

Direct & indirect jobs:

45-60k

Jobs in 2019

75-120k

New jobs created by 2025[1]

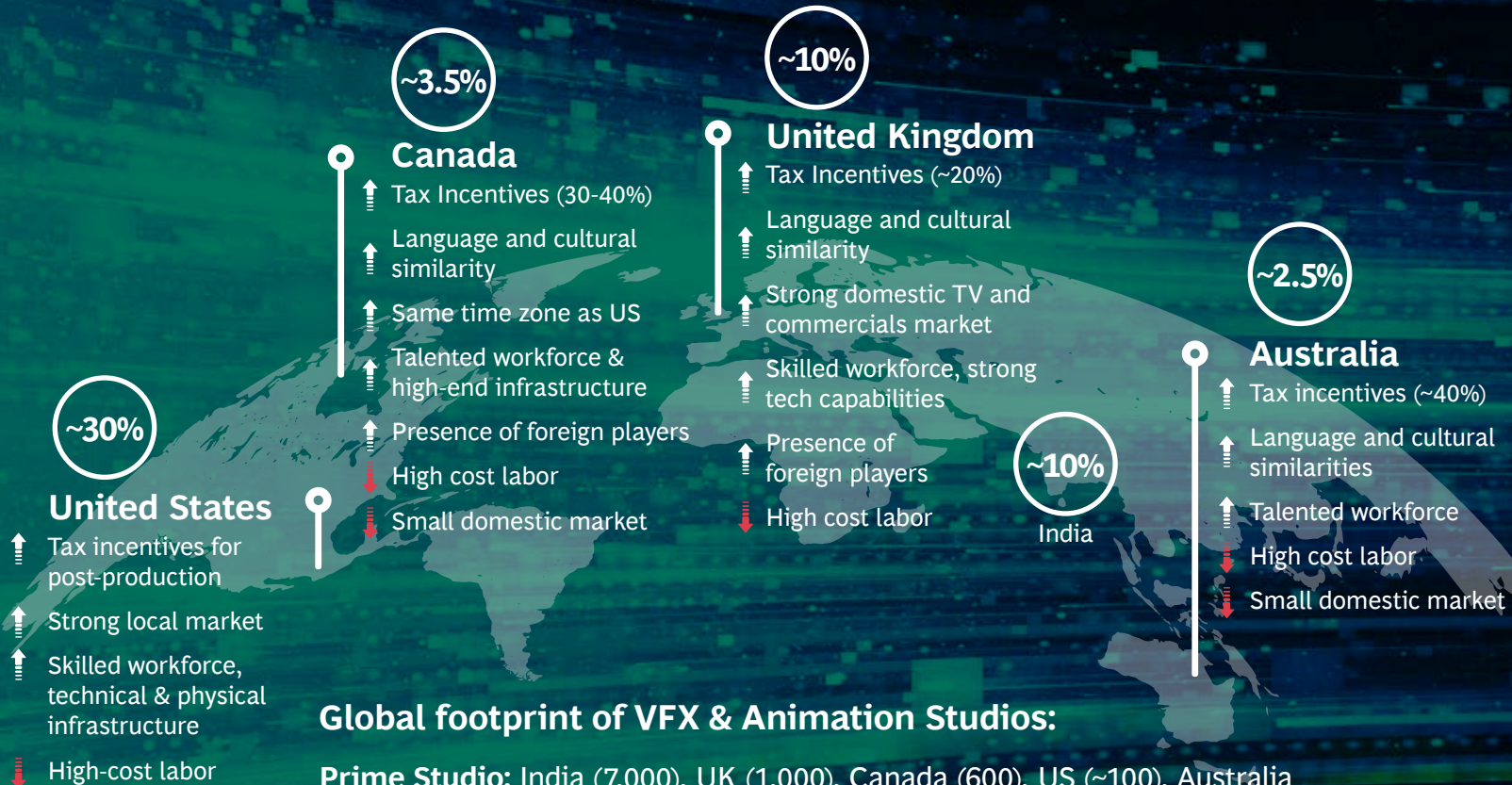## Direct contribution to GDP:

0.05%

2019

0.06-0.08%

Additional contribution by 2025

Growing trend of globalization of VFX & animation studios - despite cost disadvantage, countries have attracted work due to tech/ talent capabilities

~3.5%

Canada
↑ Tax Incentives (30-40%)

↑ Language and cultural similarity

↑ Same time zone as US

↑ Talented workforce & high-end infrastructure

↑ Presence of foreign players

↓ High cost labor

↓ Small domestic market

~10%

United Kingdom
↑ Tax Incentives (~20%)

↑ Language and cultural similarity

↑ Strong domestic TV and commercials market

↑ Skilled workforce, strong tech capabilities

↑ Presence of foreign players

↓ High cost labor

~2.5%

Australia
↑ Tax incentives (~40%)

↑ Language and cultural similarities

↑ Talented workforce

↓ High cost labor

↓ Small domestic market

~30%

United States
↑ Tax incentives for post-production

↑ Strong local market

↑ Skilled workforce, technical & physical infrastructure

↓ High-cost labor

~10%

India

Global footprint of VFX & Animation Studios:

Prime Studio: India (7,000), UK (1,000), Canada (600), US (~100), Australia
Framestore: India, UK, Canada, USA
Industrial Light and Magic: USA, Canada, Singapore, UK, Australia

xx% Market share

India is not far behind…

Increasing trend of globalization of studios – foreign players are expanding to other geographies to take advantage of lower costs & ensure 24*7 employee availability

India must leverage its advantages:
- Competitively priced talent
- Strong technology skills
- Lower language barriers

India must explore talent and tech capability development to not only attract more work, but also to move up the value chain

States like Karnataka, Telangana and Maharashtra are already working towards improving India's AVGC industry

Strong push for AVGC sector by Central & State Govt.	Karnataka	Telangana	Maharashtra
Central Govt. • Recognized as Champion Sector (2018) • Plan to expand SIES Incentive • Plan to open FDI, Budget 2019 State Govt. • Maharashtra, Haryana, Karnataka, Telangana, Assam have curated policies to promote AVGC sector	Events: Bengaluru GAFx, Karnataka AVGC Summit, Digital Art Symposium (DAS) & International Trade Meets organized 2017-22 policy aiming to stimulate growth of 100 KAVGC companies, create 15k jobs, talent building through 120+ training institutes and push for 75% of total revenue from exports	IMAGE Centre of Excellence (CoE), 2020 IMAGE Policy 2016 • Aiming to provide infrastructure, initiate talent building, bring in fiscal incentives and promote SC/ST and women entrepreneurs	2015 IT/ ITES Policy: • Establishment of Private AVGC Park in Maharashtra • Establishment of Fine Art School / College i.e. Digital Art Centre • Set up of a Venture Capital Fund • Fiscal Incentives & Concessions for AVGC units

> *AVGC is a promising and fast-growing sector that India has great opportunity to develop. Like Bollywood, music, and IT, this is soft power that can emerge as a major revenue generator.*
>
> *– Union I&B minister Prakash Javadekar*

> *The government is looking to act as a facilitator, not regulator in the AVGC sector since the area is creative and largely private-led.*
>
> *– Amit Khare, secretary, I&B ministry*

Source: Expert interviews, Secondary Research, BCG Analysis

India should focus on developing infrastructure, lucrative incentive structure, and building intellectual capital to boost its VFX & animation industry

Infrastructure

Develop state-of-the-art facilities:

- Physical infra: studios, universities
- Technical infra & capabilities

Key enablers:

- Foreign investment
- International partnerships
- Non-monetary aid

Incentives (**Financial**)

Necessary to retain competitive advantage of low cost over other countries

Intellectual Capital

Setup universities / courses:

- UG & PG courses
- R&D, especially with foreign studios and universities
- Industry exposure: internship, exchange
- Business courses to promote entrepreneurship

Index for EoDB

Overall production friendliness

Organizations that promote overall industry globally

Regular events to display domestic capability and to provide a platform for networking

The industry needs to nurture specialized technical and soft skills to build the required intellectual capital to compete with other global hubs

Non exhaustive

VXF ARTIST   ## ANIMATOR

Budgeting, planning, conceptualization, designing & editing, coordination & collaboration with all stakeholders are the daily tasks of a VFX artist

Animators use software to create 2-D/ 3-D animation for websites, film, video, gaming, and mobile media

Technical Skills:
JavaScript, Adobe Creative Suite, UI design, Linux/Unix, Houdini, MAYA, Realflow, Nuke-X 3D modelling, Prototyping, Photoshop, Microsoft Office packages

Technical Skills:
Adobe Photoshop, Adobe InDesign, Graphic design, Adobe Illustrator, Adobe AfterEffects, User experience wireframing, Interaction design, Motion graphics, Prototyping

Soft Skills:
- Creativity to envision scenarios that will be translated to content
- Attention to detail to add nuances that make content more realistic
- Good visual awareness to understand relevance of spaces, distances and coloring
- Team player as work is mostly collaborative
- Organization skills to manage deadlines, communications & documentation effectively

Soft Skills:
- Creativity to develop new ideas, unique characters and styles
- Art of storyboarding to create unique stories
- Attention to detail to understand details like light movement to improve the impact
- Emotive communication to evoke emotions with content & create connect with audience
- Organization skillWs to manage deadlines, communications & documentation effectively

Sources: Expert interviews, Secondary Research, BCG analysis

Investment in skilling

Future trends in M&E driving upskilling for traditional roles and creating demand for new-age talent

Key Imperatives	Trends driving upskilling of traditional roles	Trends creating demand for new-age roles
Continued investment in content	• Demand for original and regional content • Increasing diversity of content across languages, forms, and formats	• Increasing use of technology to drive content curation and discovery
Create advertiser value	• Moving from tactical to strategic selling - solution selling, bundling • Performance measurement across TV and OTT	• Monetizing niche audiences • Increasing use of ad-tech platforms • Hyper-segmentation of audiences for improved targeting
Identify new sources of revenue for industry and country	• Creating stories for global audiences • Integration of AR/VR to create immersive content & streamline production process	• Global export hub for VFX and Animation, moving up the value chain

Upskill workforce across content creation & monetization to facilitate growth in consumption & advertising

Revamp production process with new technologies enabled by upskilling employees

Role	Key skills required
Production	• Knowledge of planning and budgeting software to increase process efficiency
Screenplay	• Integration of immersive media such as VR into content • Streamlining workflow using AI
Cinematography	• Leveraging advanced camera technologies (4K/8K video, VR, autonomous drone cameras)
Post-production	• AI & analytics-based software for video curation, editing & sound engineering

Re-skill sales workforce to become problem-solvers & leverage ad-tech platforms

Soft skills

- Consulting approach to client problems instead of transactional support
- Specialized agents with in-depth knowledge of client business

Technology upskilling

1. Increase familiarity and expertise in programmatic advertising
2. Drive insights from data driven hyper-segmentation of consumers
3. Working knowledge of analytics and AI to communicate business needs to technology teams

Build talent pool for new age roles in technology & analytics by enhancing value proposition of the M&E industry to attract top talent

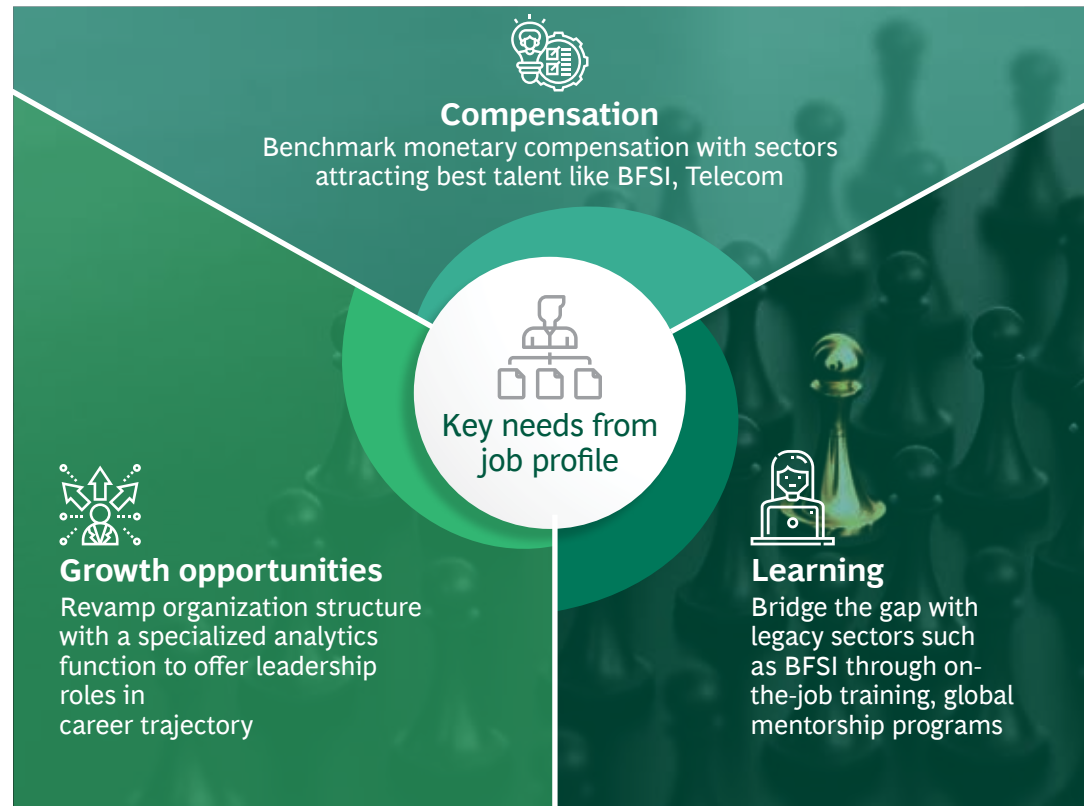## M&E ranks low on preferred jobs by analytics professionals

<10%

Analytics roles in India come from M&E industry

Sectors such as BFSI, IT, Fintech high on the preference list because:

- Early adopters of analytics, clear career path defined
- Skilled peer group offering opportunity for learning (<10% analytics roles in India from M&E[2])
- 20-40% higher monetary compensation in sectors like BFSI, Telecom, Pharma

Attract best-in-class talent by providing value proposition in line with other industries

Compensation
Benchmark monetary compensation with sectors attracting best talent like BFSI, Telecom

Key needs from job profile

Growth opportunities
Revamp organization structure with a specialized analytics function to offer leadership roles in career trajectory

Learning
Bridge the gap with legacy sectors such as BFSI through on-the-job training, global mentorship programs

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1. [Data Science Recruitment Survey 2020 by Analytics India Magazine & AnalytixLabs],
2. [Analytics & Data Science Jobs in India 2019, AIM & Great Learning],
3. [Analytics India. Salary Study 2020, AIM & Jigsaw Academy, figures mentioned indicate median salary]
Source: Expert interviews, Secondary Research, BCG analysis

New tech-based roles require specific profiles with specialized skills in analytics & relevant experience

Business Analyst
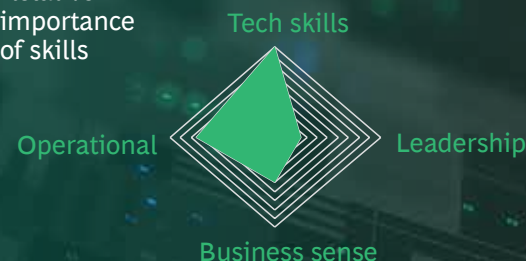
Relative importance of skills

- Tech skills
- Operational
- Leadership
- Business sense

Data Scientist

Relative importance of skills

- Tech skills
- Operational
- Leadership
- Business sense
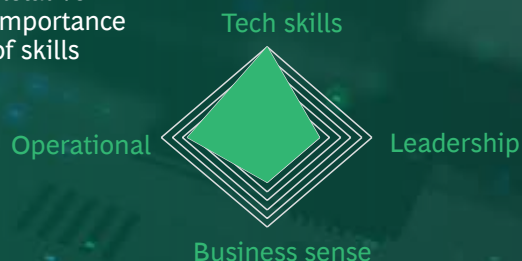
Data Technologist

Relative importance of skills

- Tech skills
- Operational
- Leadership
- Business sense

Sample profile

MBA — 2-6 years of experience
Skills needed

Technology
Working knowledge of technologies such as SAS, SQL, Oracle, SAP

Leadership
Stakeholder management, skills to influence and command

Business sense
Expertise in process, business model, or industry domain & strong analytical skills

Operational
Presentation skills, attention to detail, strong business documentation skills

B.Tech (Engg.) — 2-6 years of experience
Skills needed

Technology
Hands-on exp. on latest tech. like SQL, NoSQL, R, C, Java, SAS, Hadoop, Pig

Leadership
Stakeholder management, team management

Business sense
Ability to convert business problems to analytical problems and converting output to business solutions

Operational
Expertise in handling large quantum of data, data mining, analytical/ statistical techniques & solution design

B.Tech (Engg.) — 2-6 years of experience
Skills needed

Technology
Exp. deploying tech. like SQL, NoSQL, R, C, Java, SAS, Hadoop, Pig

Leadership
Collaborate with data scientist, BUs, and third parties requiring data

Business sense
Translate analytical problems into questions concerning technology and data platform, align big data systems with business

Operational
Expertise in Big Data Analytics systems and arch., understanding of big data tools, knowledge of DB management etc.

Source: BCG Analysis

There are concrete steps that stakeholders can take to ensure creation of a robust talent pipeline

M&E industry bodies

Online skilling building platforms can be created

Mentorship and skill dev. program for SMEs by industry bodies

Industry focused skill development programs designed in liaison with industries by IEEE, NIIT etc.

Government of India

Industry bodies along with the corporates can set up training centres and/or vocational courses

- E.g. UK has a Screen Skills – industry-led skills body for the UK's screen-based creative industries – animation, film, games, television including children's TV and high-end drama, VFX and immersive technology

VFX and immersive technology investment in captive training centres

Large media houses

Set up government aided specialized institutes for media and entertainment education

Customized training programs for faculties and students

Specialized programs in liaison with industry e.g. proposed summer internship program

Industry-academia partnerships should also be leveraged for upskilling

	Classroom learning	On-the-job training	Global mentorship
Up-skilling in traditional roles	• Short duration courses focused on new skills required formulated with industry inputs	• Trainings & workshops by seasoned professionals • Short-term assignments to acquire new skills	• Collaborate with international companies to offer projects and apprenticeships with leading professionals
Building a talent pool for new-age roles	• Collaborate with top universities to build M&E focused courses within curriculum	• Cross-functional exposure for deep understanding of business as well as tech	• Foreign exchange opportunities with leading universities in the world for development of specialized skills

Industry speak: An industry driven initiative needed for developing high quality talent

Punit Misra
President - Content and International Markets,
Zee Entertainment Enterprises Ltd

"Given explosive demand for quality video content, a key focus area has to be talent - writers, directors, production houses, animation artists et-al. An industry driven initiative to bring high quality talent through organized , scaled up initiatives is the need of the hour."

Megha Tata
MD – South Asia, Discovery Networks

"With the increasing demand for production and post-production work, I believe it would benefit us if we, as a country, invest in creating formal educational courses focusing on technical aspects of media and entertainment. At the moment, production, VFX, animation are taught largely by private schools and firms. With the increasing demand, we should look at providing these subjects as vocational training topics to young people to explore. And investment in skilling the youth will go a long way in helping India achieve this goal."

Investment in technology

Multiple technology-driven use cases emerging basis the key imperatives fueling the need for investments in technology

Continued investment in content

Audience insight generation, churn reduction

Hyper-personalized content recommendation engines
- Video & image annotation and search
- Content analytics
- Customer segmentation

Content greenlighting

Video engineering for fluency and definition optimization across multiple devices

Using VR to enhance spectator engagement in live sports

User acquisition and conversion from AVOD to SVOD

Advertiser value creation

Hyper-segmentation for targeted advertising
- Ad personalization
- Campaign performance management by providing real-time visibility and user targeting

Programmatic advertising

Data enrichment to drive targeted campaigns

Standardized impact measurement across platforms

Enabling consumers to experience content/products advertised through immersion of VR/AR

Build newer sources of revenue for the industry

Content production
- Topic monitoring & recommendation basis diverse needs of user base
- Automated video editing & sound engineering
- Content generator

AI curated content supply – identifying potential 'hero' content
- Content acquisition
- Intelligent document recognition

Major players investing in hyper-personalized content recommendations to increase engagement on OTT platforms

Netflix

Several billion ratings by members for over 13,000+ titles

Usage statistics and granular level preferences for 159 million viewers

Metadata related to titles in their catalog like genre, director, actor, rating, etc.

External sources like box office information, performance and critic reviews

Personalized recommendations for each user

"Based on your interest in…"

80%

Percentage of shows watched due to content recommendation

Spotify

Custom playlists like "Discover Weekly" and "Daily Mix" by identifying your taste profile and finding similar songs you haven't listened to

31%

Share of ML based playlists in overall listening activity

YouTube

"Up-next" videos recommended based on previous viewing history, demographics, time, location, etc.

70%

Percentage of videos viewed due to recommendations

Building advertising solutions at scale with N=1 marketing efficacy key to raising the bar on advertiser value proposition

Endless opportunities for data collection to improve targeting with digital platforms

- Demographics, location, time of day, etc.
- Behavior & interest: category, brand preferences, hobbies & interests
- Content verticals broken out by publisher
- First and third-party data like panel-based STB data from Rentrak, DMPs, etc.
- Cross-device maps for all devices like TV, mobiles, tablets and laptops
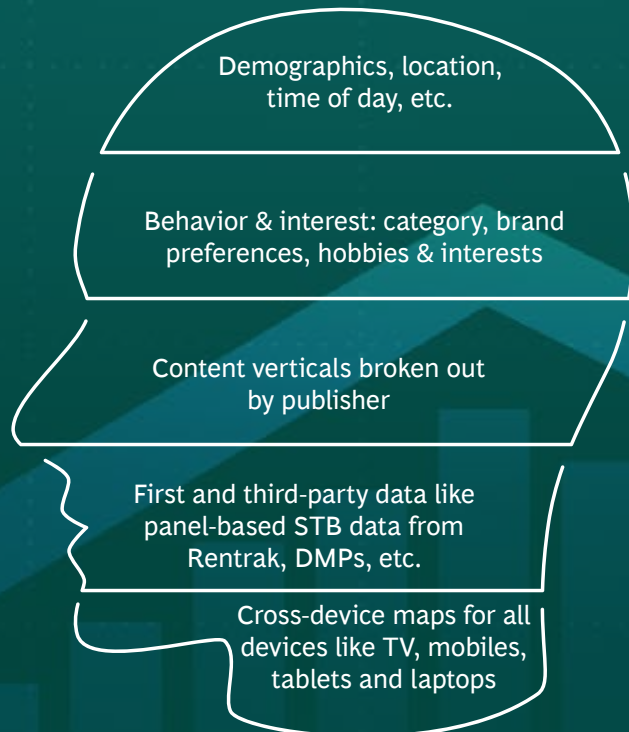
Unique opportunity to build digital identity of end users & leverage it to drive higher CPMs

Offer data-driven solutions to marketers to drive better monetization opportunities

SKY | **AdSmart | Sky's leading Addressable TV advertising solution unified with NBCU 2019**

1 Campaign targets can be defined based on Sky's own customer data and information from consumer profile experts

1.8k Advertisers

2 STB build-in dynamic ad server technology pulls ad campaign creatives and overlays based on individual household data (audience attributes)

70% Advertisers return rate

3 Live insertion of targeted ads during linear ad-break of 100+ AdSmartable channels in UK

>1k Companies have used TV for first time because of AdSmart

1. [Data Science Recruitment Survey 2020 by Analytics India Magazine & AnalytixLabs],
2. [Analytics & Data Science Jobs in India 2019, AIM & Great Learning],
3. [Analytics India Salary Study 2020, AIM & Jigsaw Academy, figures mentioned indicate median salary]
Source: Expert interviews, Secondary Research, BCG analysis"

Creation of immersive user experiences revolutionizing content consumption & monetization
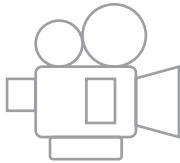
TV/Video

- Movies and broadcasts can be watched in holographic view

Intel   **NFL**   **Pyeongchang 2018 olympic**

Enhanced spectator engagement in live sports using VR by Intel
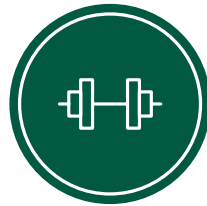
Olympics 2018

PGA Tour
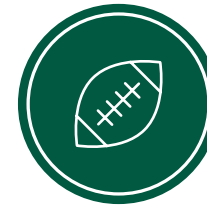
National Football League

Major League Baseball

National Basketball Association

" True VR enables fans to experience the story of the game. In VR, fans feel like they're actually part of the action "

Advertising

- VR/AR enable consumers to experience content/products advertised

Samsung   **Renault**   **Google**
Qantas   **Jaguar**   **Honda**

Facebook improves the performance of its digital ads through augmented reality

Michael Kors
Leather/Clothes

Sephora
Make uo

Pottery Barn
Home Decor

NYX
Make up

- Newsfeed and messenger ads include a "tap-to-try" and buy option on mobile

- Brands using AR ads claim 30% to 80% improvement in engagement rates

Imperatives for media companies

Imperatives for media companies

MEDIA COS.
For consumers

Support content diversity with personalized recommendations for consumers by leveraging advanced analytics

Create a unified viewing experience for consumers by aggregating share of consumption across TV & digital video platforms

Integrate different formats such as gaming, music, short-form video into one unified platform to drive engagement

Invest in strategic content partnerships to ease monetization pressure, drive content diversity

Engage with advertisers as strategic partners selling integrated solutions rather than just inventory selling

Enhance value proposition for advertisers through bundled selling across platforms, hyper-personalized user segmentation & real-time performance tracking

HTTPS://

Invest in ad-tech to build data & analytics capabilities and automating ad-buying process

MEDIA COS.
For advertisers

Appendix: Sources used in the report

- Ampere analysis
- Analytics India Magazine
- Analytics India Salary Study 2020
- Analytics & Data Science Jobs in India 2019
- Annual reports of publicly listed companies
- App Annie
- BARC Nielsen Crisis Consumption An Insights Series into TV Smartphone & Audiences
- BusinessofApps, 2020
- Data Science Recruitment Survey 2020
- Economist Big Mac Index
- EIU
- eMarketer database
- FICCI Report, 2019
- Finder
- Google COVID-19 Community Mobility Report
- IAB OTT Streaming Video Playbook for Advanced Marketers 2019
- IMDB
- Indian OTT Platforms Report 2019
- Invest Korea – Cultural Contents; Korean Educational Statistics Services
- IRS (Indian Readership Survey)
- MAGNA Global

- MAGNA India Media Forecasts
- MoMagic Survey
- Montreal International
- NCAER
- Ovum
- Pitch Madison Advertising Report 2020
- PQ Media
- Quebec Film and Television Council
- SNL
- SODEC
- Spotify Technology, S. A, March 2018 IPO Prospectus
- TAM AdEx
- Technicolor Capital Markets Report Feb 2020
- UNCTAD (2017)
- United Nations
- World Bank

Appendix: Methodology for employment calculations

Economic Impact of M&E industry has 3 different components: Direct, Indirect & Induced

Direct Employment:
Jobs created in the core M&E industry ecosystem including both formal and informal sector

Indirect Employment and Multiplier:
Jobs created in industries like communication, electronic equipment, electricity, financial services, infrastructure, transportation etc. due to the M&E industry; multiplier used to evaluate number of indirect + direct jobs annually

Induced Employment and Multiplier:
Jobs created as a result of spending done by the workforce that is directly and indirectly serving the M&E industry; multiplier used to evaluate number of induced + indirect + direct jobs created annually

Methodology to calculate employment multipliers

Employment multipliers are calculated using:

Supply from i^{th} industry	Intermediate uses (Uses in j^{th} industry)			Final uses			Total Output
	Ind-1	Ind-2	Ind-n	PFCE	Other Final Use	Net Final Demand	
Ind-1	F_{11}	F_{12}	F_{1n}	C_1	G_1	Y1	X1
Ind-2	F_{21}	F_{22}	F_{2n}	C_2	G_2	Y2	X2
Ind-n	F_{11}	F_{n2}	F_{nn}	C_n	G_n	Yn	Xn
Value Added	V_1	V2	Vn				
Value of Output	X1	X2	Xn				

National Input-Output matrix/ Supply-use table:

Describes the inter-industry trade relationships based on which the multiplier effect is calculated; dependency of one sector on every other sector as a supplier and as a consumer are quantified

Calculation of Leontief Matrix

Input-Output matrix is converted to Leontief matrix to convert absolute monetary terms to relative outputs; this enables isolation of relative impact created y increasing output in any industry

Direct, Indirect and Induced Employment in M&E

Direct employment impact is estimated at a sub-sectoral level which is then extrapolated using indirect and induced employment multipliers

Source: Impact of Investments in the Housing Sector on GDP and Employment in the Indian Economy, NCAER, 2014

For Further Reading

Boston Consulting Group publishes reports on related topics that may be of interest to senior executives. Recent examples include:

Winning the Media Subscription Battle
A report by Boston Consulting Group, September 2019

Pay TV still has room to grow
An article by Boston Consulting Group, September 2019

Winning in Media in the Digital Era
An article by Boston Consulting Group, February 2019

One Consumer, Many interactions
A report by Boston Consulting Group, December 2018

Entertainment Goes Online
An article by Boston Consulting Group, November 2018

The Digital Revolution Is Disrupting the TV Industry
An article by Boston Consulting Group, March 2016

Digital Consumer Spending: A $100 Bn Opportunity
A report by Boston Consulting Group, February 2018

The New Indian: The Many Facets of a Changing Consumer
An article by Boston Consulting Group, March 2017

Television's $30 Billion Battlefield
An article by Boston Consulting Group, August 2018

Convergence: The New Multiplier for India Media & Entertainment's @100 Billion Vision
A report by Boston Consulting Group, October 2016

Powering Up Smart Machines in Media
A report by Boston Consulting Group, December 2017

Note to the Reader

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