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GROUP



Confederation of Indian Industry

BLOCKBUSTER SCRIPT FOR THE NEW DECADE

WAY FORWARD FOR INDIAN MEDIA
AND ENTERTAINMENT INDUSTRY

CII Big Picture Summit 2021

DECEMBER 2021

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FOREWORD

Welcome to the 2021 edition of CII Big Picture Summit's Knowledge Report, in partnership with BCG, on the way forward for the Indian Media & Entertainment industry over the next decade.

The Media and Entertainment industry has shown immense resilience and has bounced back post the COVID blip. Currently valued at ~\$27Bn, the industry is witnessing strong growth tailwinds and is poised to grow to become a \$55-70Bn industry by 2030. The industry is primed to drive a continuously growing user base, consuming more and more content, through innovations on multiple fronts.

After a difficult year, the recovery in television has been encouraging. Even as historically strong sectors like cinema chart their way back to pre-COVID levels, OTT & gaming continue to register strong growth that is expected to continue in the medium term. Consumer demand remains strong with a continued rise in TV and digital viewership amidst the new normal. Looking back, we believe that we have successfully navigated the most difficult times. Operations are returning to normal with

best-in-class safeguards and SOPs being established, which should allow us to handle future perturbations. Correspondingly, a recovery in ad campaign spending is also being observed.

The pandemic disrupted and transformed the consumption habits for content – both in home and outside. Some of these emerging trends will have long term implications for the industry. We expect the digital trend to intensify, demand for regional content and OTT adoption to continue rising, and the emergence of new business models better suited to the new reality.

Going forward, we need to retain some hard taught lessons from the COVID-19 pandemic – to keep innovating and remain flexible. With the continued support of ~4.5 million strong industry members and more importantly our ~1Bn+ consumers, the best is yet to come.

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.

Kanchan Samtani

*Managing Director and Senior Partner,
Boston Consulting Group (BCG)*

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Disney Company India and Star India*

EXECUTIVE SUMMARY



India's Media & Entertainment industry has revived to pre-COVID levels and is expected to grow to \$55-70Bn by 2030 at 10-12% CAGR, driven mainly by strong growth in OTT, Gaming, Animation and VFX. The industry continues to showcase multimodal growth with digital video leading the consumption boom. As always noted in the past, we believe this is the potential for the industry, however, the realization of this potential depends on several supply-side and demand-side factors.

TV as a medium is expected to remain robust given its function as a platform for family viewing, strong user base, and the evolution of content to meet everyone's needs. India's TV penetration has remained flat (unlike some advanced markets where it's seeing a decline) and ARPUs have also been steady, with both trends expected to continue in the medium term. Subscriptions will be driven by the strong performance of regional channels and cost advantage vis-à-vis OTT. Cord cutting is nascent and is expected to be limited in the medium term. TV ad volumes have bounced back to pre-COVID levels and are expected to continue growing in the future, driven by an increase in advertising on regional channels & growth in new advertisers.



The Indian OTT segment is currently in scaling stage with strong subscription growth and increased investments in premium & original content. More affordable data has led to an increase in internet access and digital payments, thereby improving access to OTT platforms and digital videos. The industry is one of the most competitive



amongst emerging markets with 40+ players representing all types of content providers. SVOD revenue has seen a remarkable surge over last few years and is expected to overtake AVOD in the coming years. This strong growth in subscription is due to various initiatives taken to expand the user base through bundling and pricing innovations, amply supported by significant investment in content.

Digital advertising is evolving towards more “interactive” ads and is also witnessing increased blending of content and ads (vs. explicit ads). Short form video platforms are growing and provide a unique value proposition to advertisers.

Gaming in India is currently underpenetrated compared to the US and China but is expected to witness strong growth due to the “mobile first” phenomenon. India is also emerging as a talent hub with more than 10x increase in the number of gaming companies over the last decade. This has led to a boom in VC funding for the sector over the last few years.

The film industry has shown encouraging signs of recovery post a difficult 2020. There are a few growth factors for the future – continued growth in regional, direct to digital releases and the rise of “content films” and others. The Indian Postproduction, VFX and Animation industry accounts for <10% share of the global market and has the potential to be a booming sector this decade on the back of several Central and State Government initiatives

to develop infrastructure, intellectual capital and provide financial incentives for the industry.

The Indian Media and Entertainment industry is at a critical juncture and hence, it is imperative for companies to take advantage of the current market situation and brace themselves for the challenges. In addition to investing in content and technology to improve user experience, companies should also leverage suitable distribution models to enhance reach, focus on providing integrated ad solutions and offer innovative marketing formats to enhance value proposition to advertisers.

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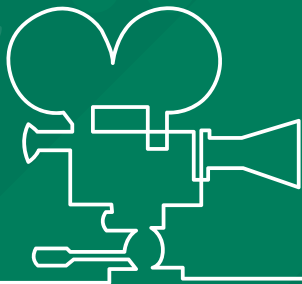
REALIZING THE GROWTH OPPORTUNITY

Imperatives for
stakeholders

The background is a solid dark green color. It is decorated with a collage of white line-art icons related to the film industry. These icons include clapperboards, film reels, a director's chair with the word 'DIRECTOR' on the back, movie cameras on tripods, and strips of film. The icons are scattered across the page, with some appearing larger and more prominent than others.

India Media and Entertainment

Recovery from the pandemic and beyond



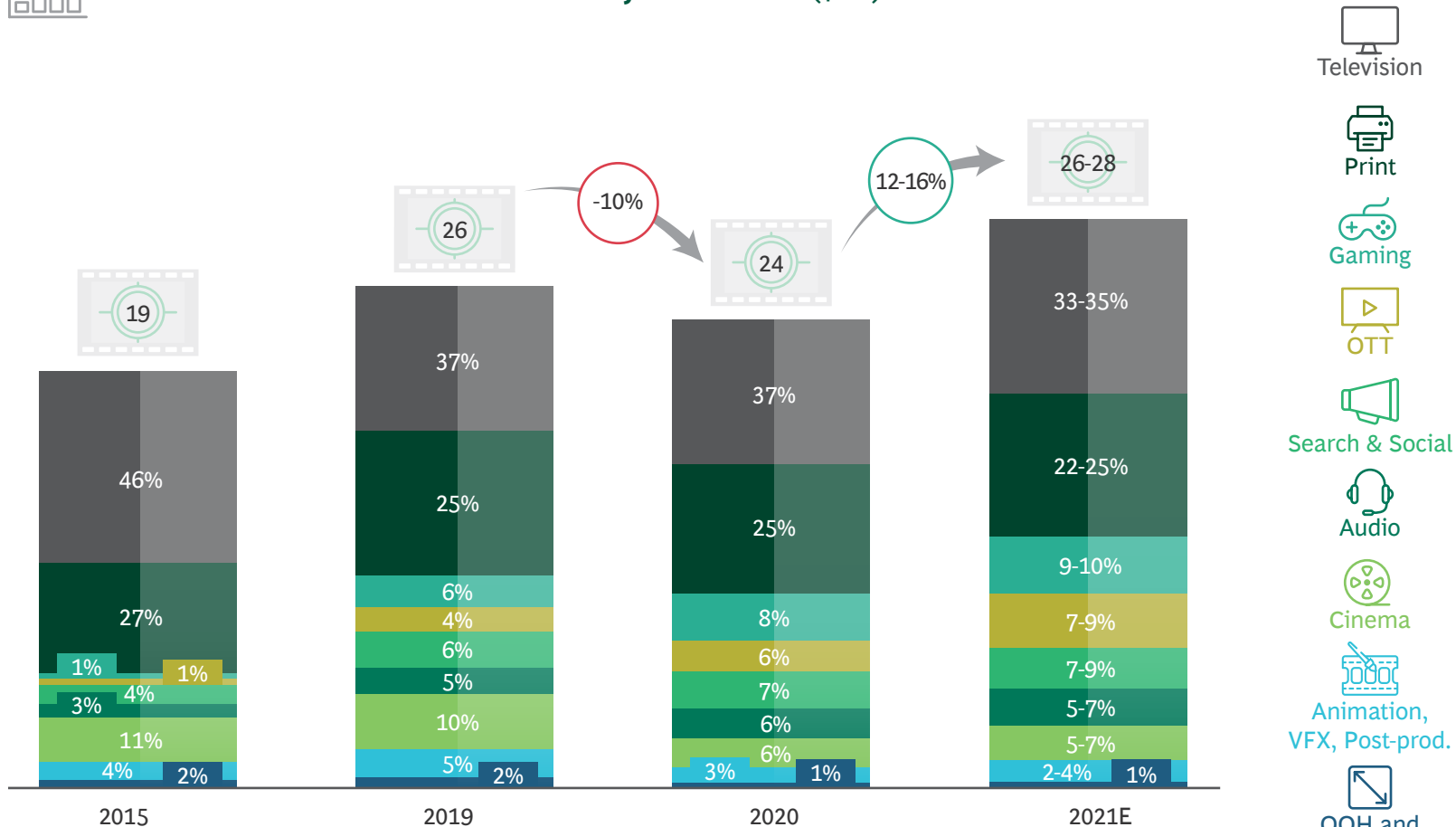
01



M&E industry back on growth trajectory



Indian Media & Entertainment industry market size (\$Bn)



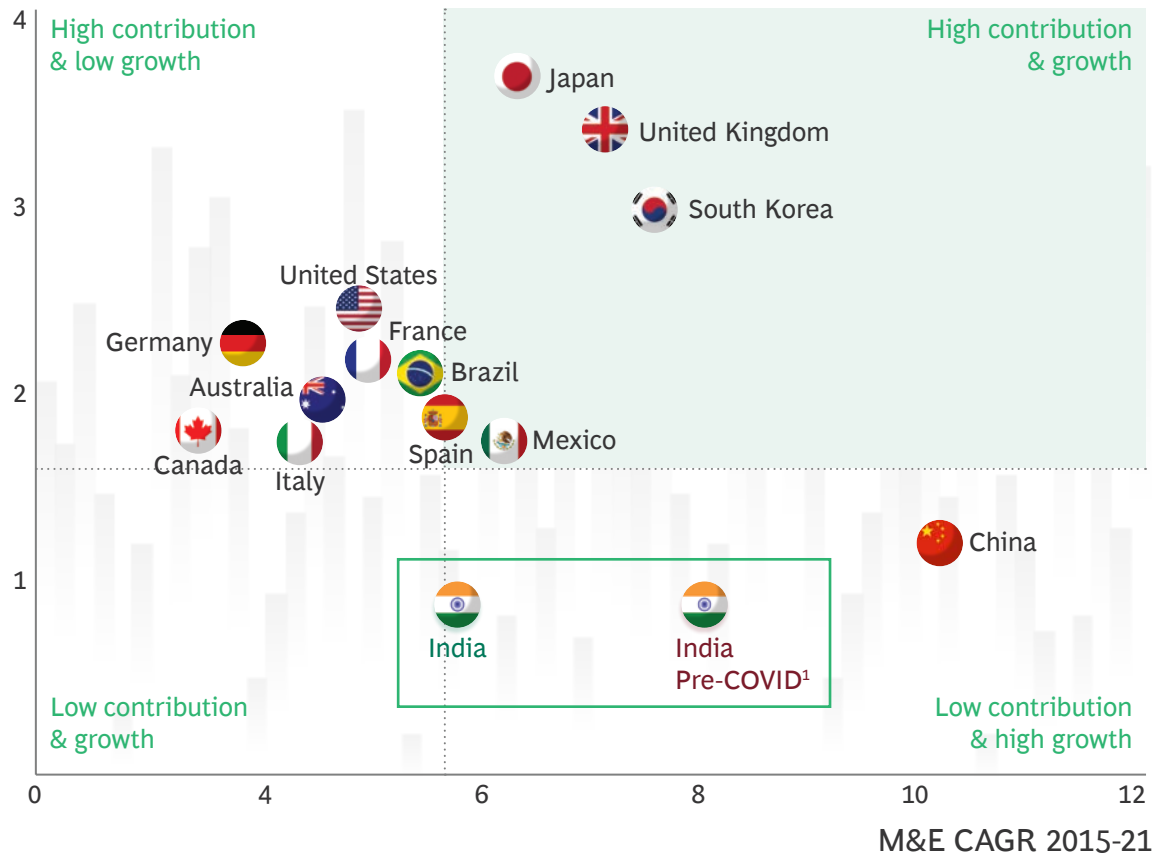
Note: 1. Others includes OOH, live events; Audio includes radio & digital music; Print includes newspapers, magazines & books

All years mentioned are calendar years

Source: MagnaGlobal, PQ Media, Ampere, Omdia, BCG analysis

India M&E shows significant headroom for growth in direct contribution to economy

M&E % contribution to GDP 2021



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



India along with China has been among the highest growth markets

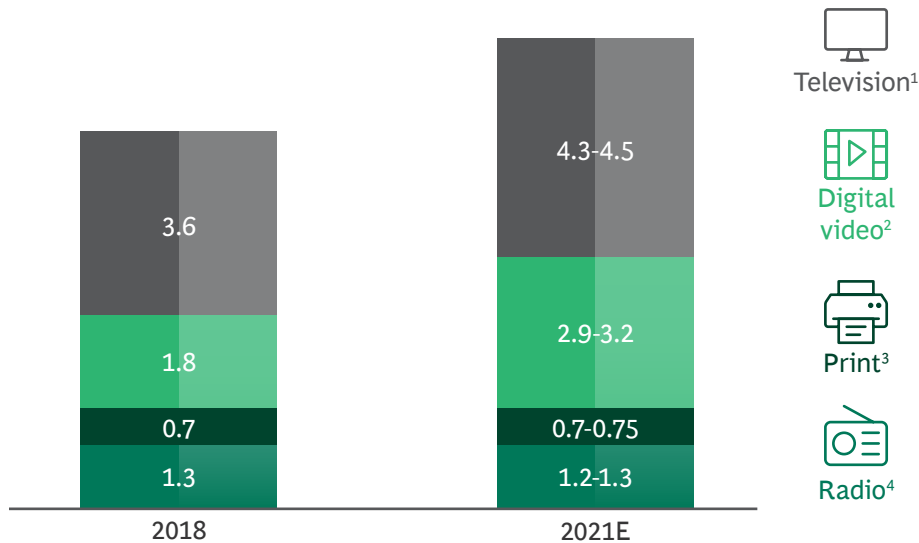
Note: 1. India pre-COVID number has been calculated by keeping Media & Entertainment contribution to the GDP constant and considering the Media and Entertainment industry CAGR from 2015-19. **2.** Both GDP and M&E numbers are nominal **3.** M&E Industry includes both consumer spends and advertisement revenues
Source: MagnaGlobal, PQMedia, EIU

Consumption story continues to stay strong



Growth in digital consumption outstripping all other segments

Number of hours of consumption/day



Per capita media consumption continues to grow



Covid-19 led to a surge in consumption across digital screens and platforms

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 3.3 hours as of 2021

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

All years mentioned are calendar years

Source: eMarketer database, BCG analysis. 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

Pay TV is growing marginally along with rapid rise of SVOD

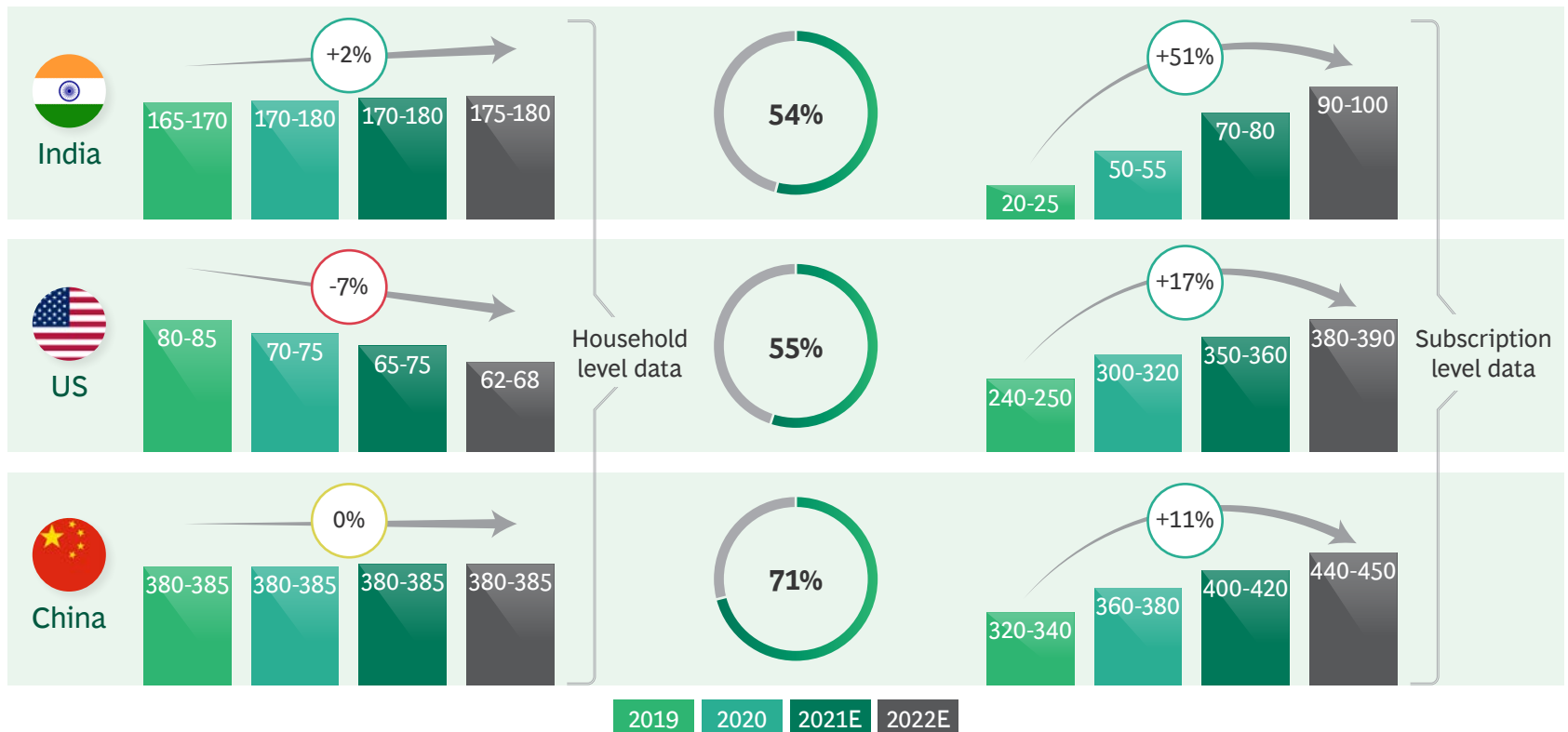
Marginal growth in PayTV (unlike the US and China); penetration headroom provides growth tailwinds

SVOD market booming in India

Number of PayTV households¹ (Mn)

PayTV Penetration² (2021)

Number of SVOD subscriptions (Mn)



Note: 1. PayTV households excludes households that subscribe to free DTH in India and households that subscribe to free DTH and terrestrial TV in both USA and China.

2. Penetration numbers are 2021 estimates and calculated given the total number of households in country.

All years mentioned are calendar years

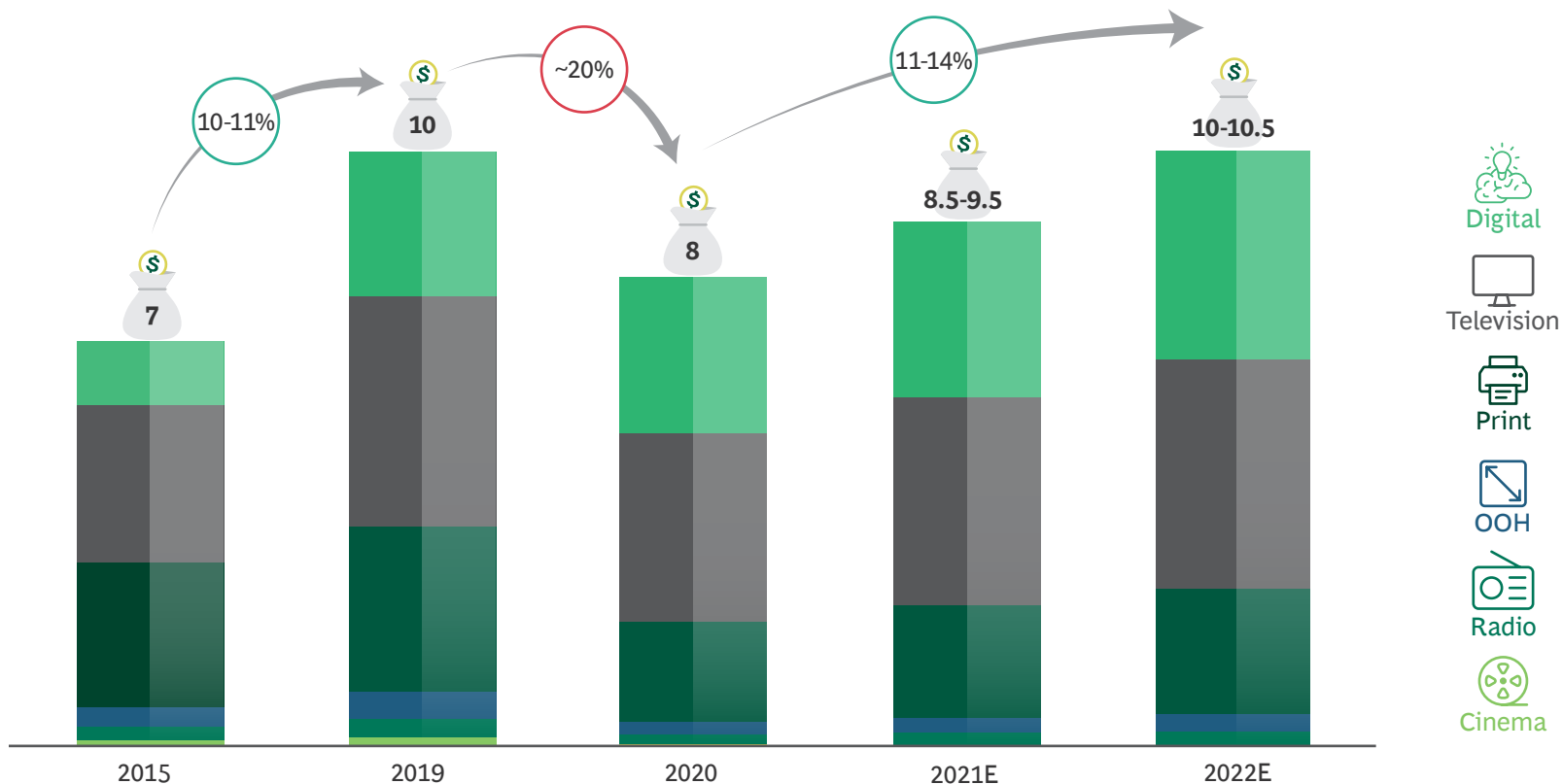
Source: Omdia, BCG analysis

Advertising is showing a V-shaped recovery



Digital led recovery expected to get market back to ~\$10 Bn in 2022

India advertising revenues (\$Bn)



Note: All years mentioned are calendar years

Source: MagnaGlobal, Digital Video (AVOD) from Omdia, BCG analysis

India lags other markets significantly on advertising penetration as part of GDP



Indian ad spend as % of GDP is among the lowest in the world, potential for multi-fold growth in advertising over the next few years



Note: All years mentioned are calendar years; All GDP & Ad spend values are nominal
Source: Magna Global, Omdia, Oxford Economics, BCG analysis

Advertising is transitioning in an accelerated manner to sharper requirement for ROI measurement



Improved targeting .. Personalization, audience selling



Real time tweaking of campaign parameters to get more bang for the buck



Reach right audience in cost-efficient manner at low-scale for advertisers



What the industry needs to continue progress

01



Single currency for measurement across TV & OTT

02



Standardizing measurement metrics across digital platforms

03

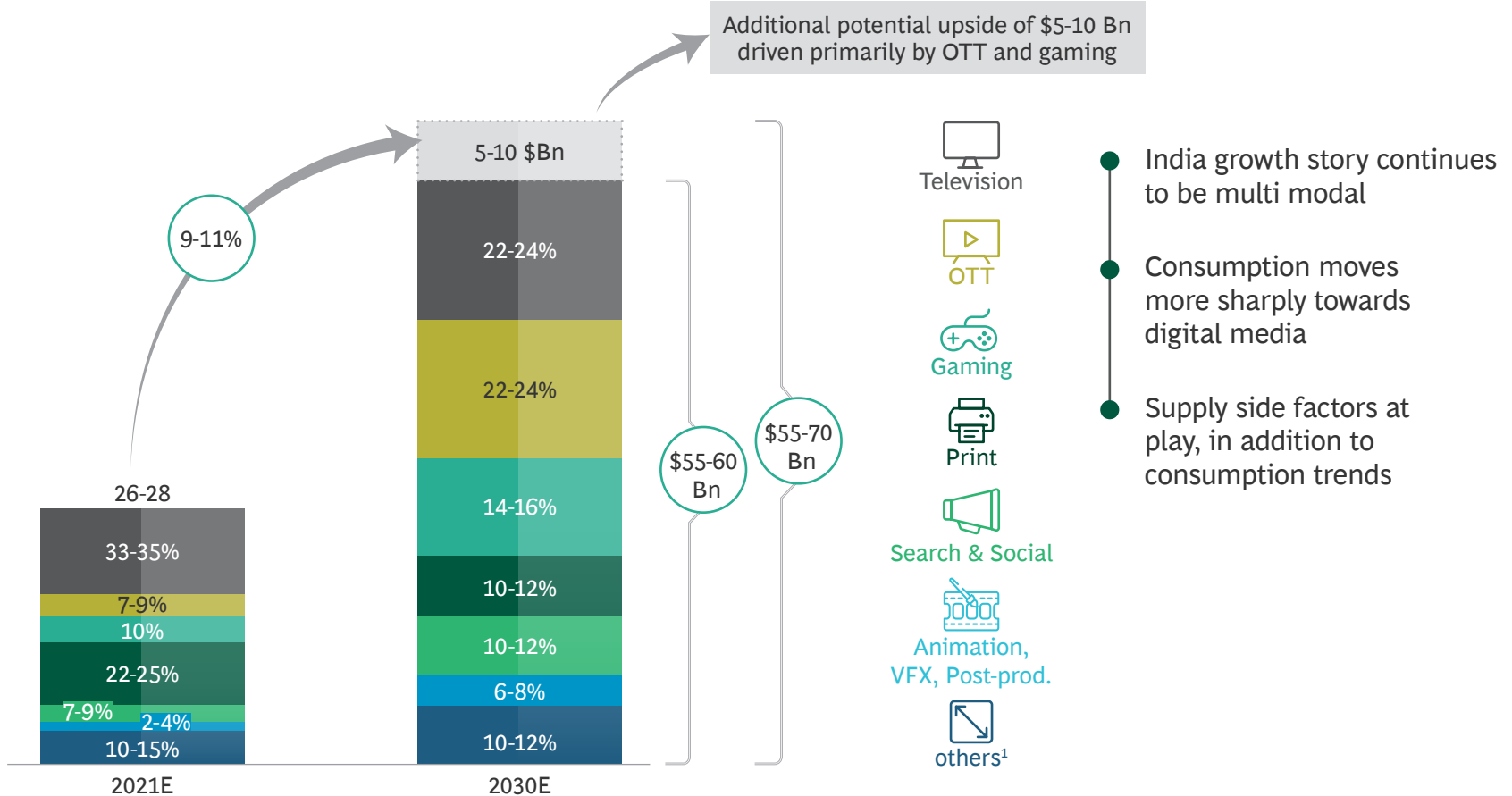


Provide real time visibility to advertisers

Indian M&E to continue its unique growth story over medium term












India Media & Entertainment market size (\$Bn)



Note: 1. Others include Audio, Cinema and OOH Media; All years mentioned are calendar years.

Source: Omdia, EIU database, Magna Global, Expert discussions, BCG analysis

Strong growth tailwinds driving momentum in digital-driven sectors

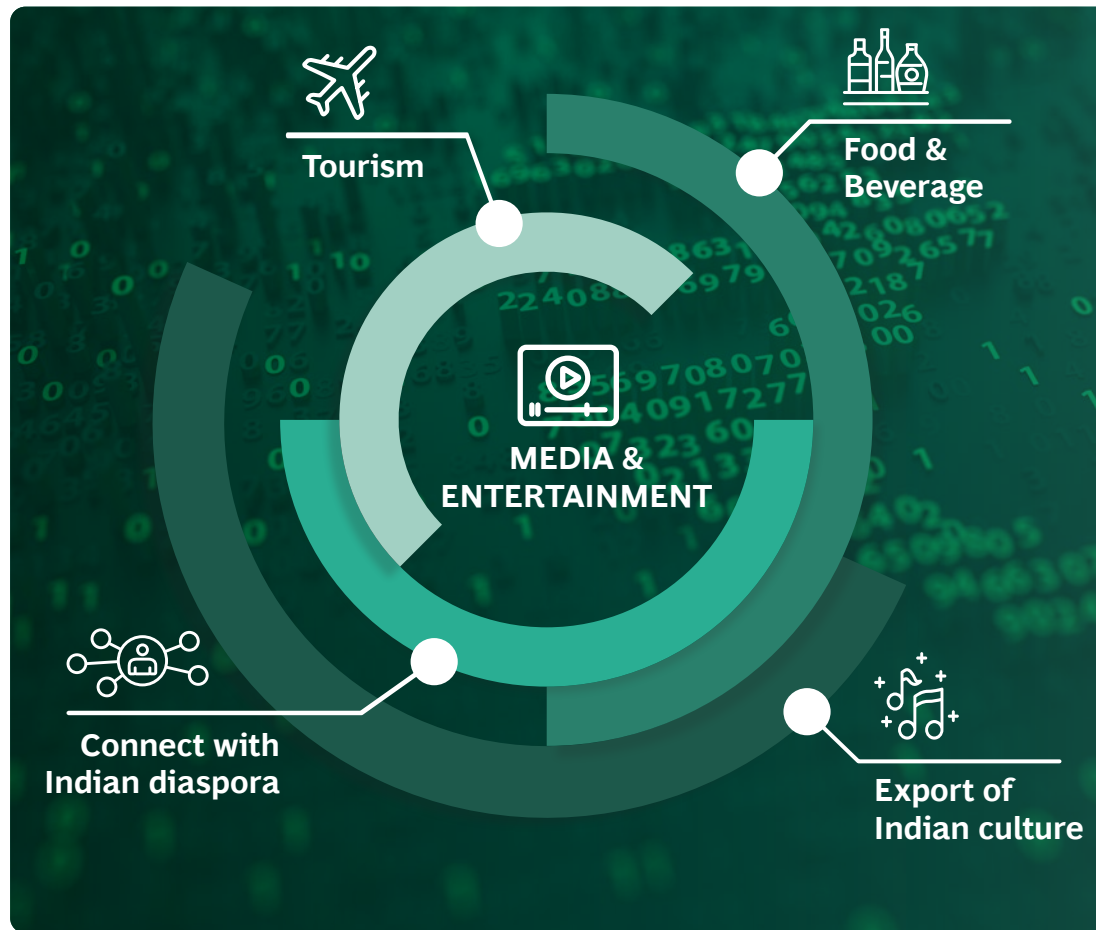
Sub-sectors		Key drivers
 Television	Subscription	<ul style="list-style-type: none"> + Strong performance by regional channels; Cost advantage vs. OTT - Second / Third pay TV connections getting curtailed on the back of OTT and Free dish
	Advertisement	<ul style="list-style-type: none"> + Continued mass & wide reach with high penetration for building & sustaining brands + Ad revenue as share of GDP lags other countries, expected to increase
 OTT	SVOD	<ul style="list-style-type: none"> + Improved internet & smartphone access, and payment mechanisms + Investment in content, pricing innovations & bundling creating targeted niche properties
	AVOD	<ul style="list-style-type: none"> + Significant increase in online content consumption + Ad technology and format innovations
 Gaming		<ul style="list-style-type: none"> + Mobile first gaming population with rising internet & smartphone access + Local games targeted specifically at local audience
 Print		<ul style="list-style-type: none"> + Focus on exclusive content with emphasis on credibility; reputed brands to gain - Shift to digital (esp. ads), reduced metro/English press subscriptions
 Search & Social		<ul style="list-style-type: none"> + Rise in online shoppers, social media users + Low ticket size makes it suitable for India's large SME segment
 Audio		<ul style="list-style-type: none"> + Growth in audio streaming, international & regional music + Wide reach with high penetration; Ad volumes shifting to Tier2++
 Cinema		<ul style="list-style-type: none"> + Expectation of growth due to a strong content pipeline and rebound demand - Shift to Digital/OTT release during the pandemic
 Animation, VFX & Post-production		<ul style="list-style-type: none"> + Increasing importance on content and better technology adoption + Availability of low cost and high skilled talent in India
 OOH & Others		<ul style="list-style-type: none"> + Upcoming infra projects, evolving digital OOH (DOOH)

Note: All years mentioned are calendar years

Source: Omdia, Magna Global, Expert discussions, BCG analysis

The impact of M&E far beyond the direct industry size

Not Exhaustive



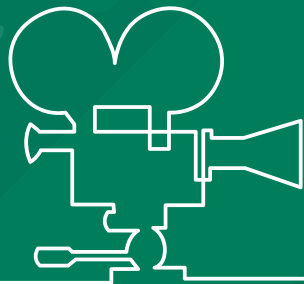
M&E industry can have a holistic impact on India's economy beyond its direct reach...

- Taking Indian culture to the world
- Connecting the Indian diaspora to India
- Indirect & direct employment generation
- Tangible impact on Indian tourism and other allied industries

Source: Press Search, BCG Analysis

Television broadcasting

The show goes on



02

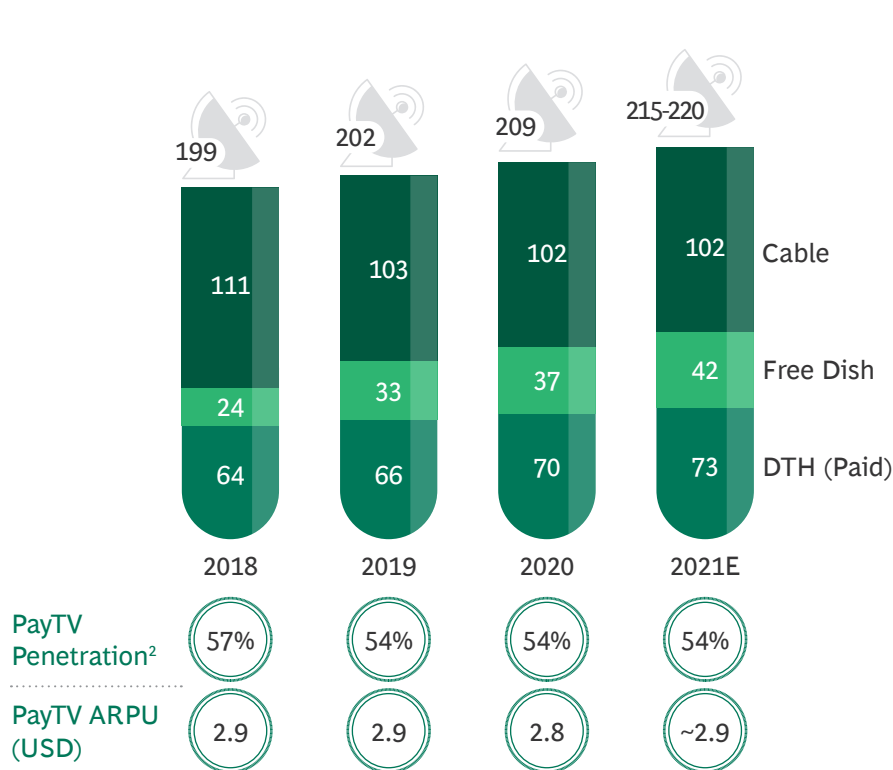


Pay TV growth slowing down; DTH gaining share from cable



DTH gaining share on back of customer experience focus

Number of TV households (Mn)¹



Growth on the back of growing TV penetration/ second screens

Small changes in ARPU driven mostly by mix

Total TV penetration has also matured at ~64%, with ~10% of penetration captured by Free Dish

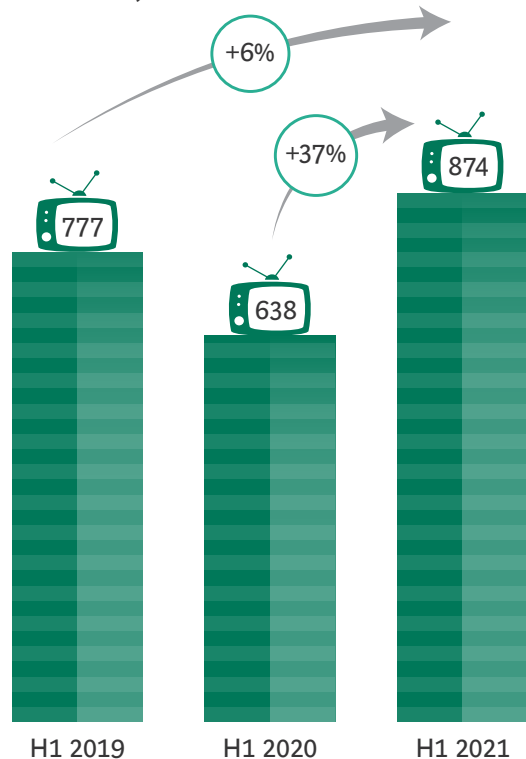
Note: 1. IPTV numbers included in total, but not depicted on charts as they're less than 0.1% of total households., 2. PayTV penetration is percentage of households in India that subscribe to Pay TV.; All years mentioned are calendar years
Source: Omdia, SNL, BCG analysis

TV Ad volumes back to pre-COVID levels



Total TV ad volumes in 2021 exceeded 2019 levels

Total ad volumes on Television
(in Mn seconds)



Note: All years mentioned are calendar years
Source: BARC Nielsen, BCG Analysis



Recovery across spectrum, FMCG & E-commerce key drivers



Growth driven by revival in ad spending post-COVID & increase in customer demand



COVID second wave hasn't hampered overall recovery



High growth witnessed in categories like FMCG, E-commerce, which witnessed CAGR's of 18% and 15% from 2019-21 respectively



Growth seen across spectrum of advertisers – Top 10, Next 50 and the rest

TV Broadcasting| the story of a mature sector

01

Growth of localized & micro-genre content

- Evolving to target specific audience segments
- New languages, deeper content in regional languages, micro-genres

02

TV viewed distinctly as a family viewing platform

- Family viewing platform
- High proportion of co-viewing within family & friends
- Most Indian households – single TV

03

Nascent signs of cord-cutting

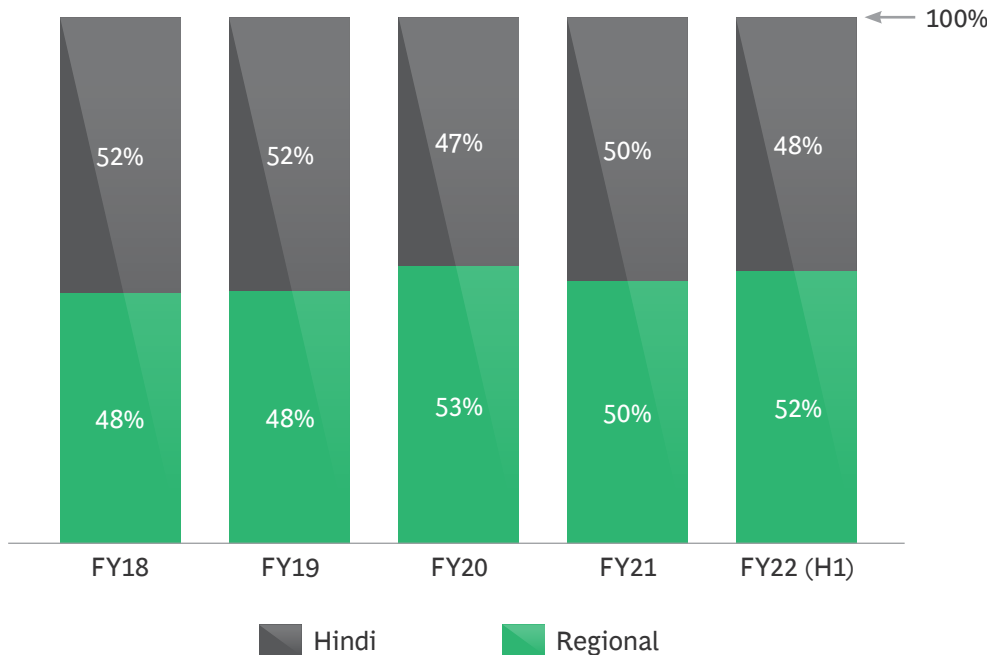
- Early signs of cord-cutting
- With continued moderate growth of Pay TV subs, low home broadband penetration

Content | Evolution of channels to target specific consumer groups



Growth of regional content - share of Regional GRPs increasing (vs. Hindi)

GRP share (GEC, Movies and Music)



Significant increase in regional channels in past few years

Broadcasters leveraging multiple growth opportunities

- 1 Entering new regional markets
 - Sun Group – Bengali ('19), Marathi ('21)
 - Zee – Punjabi ('20)
 - Star – Odia (Jan '22)
- 2 New genre specific channels in existing regional markets
 - Zee – Bhojpuri, Kannada, Tamil movie ('19-20)
 - Star – Marathi, Bengali movie (Dec '21)
- 3 Sub-genre specific channels:
 - Star – Romantic & thriller Hindi movie channels ('Dec 21)

Note: GRP data only for GEC, Movies and Music. Excludes English
Source: BARC, Company websites, TRAI, Press search

Content | Strong growth observed for Regional content (Viewership & Ads)



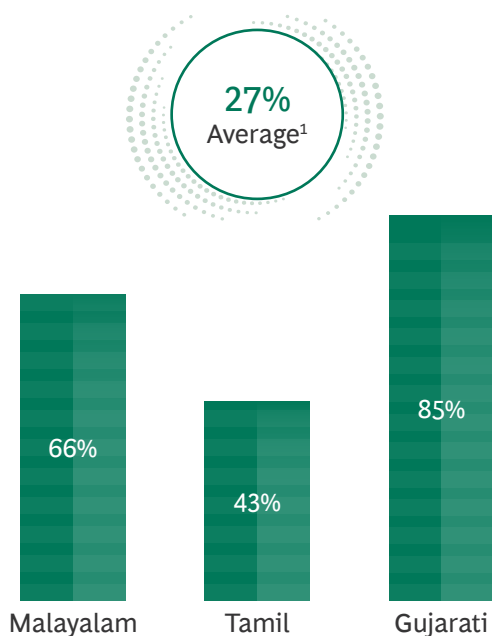
Regional content viewership (e.g., news and movies) growing fast...



...and so are ad volumes

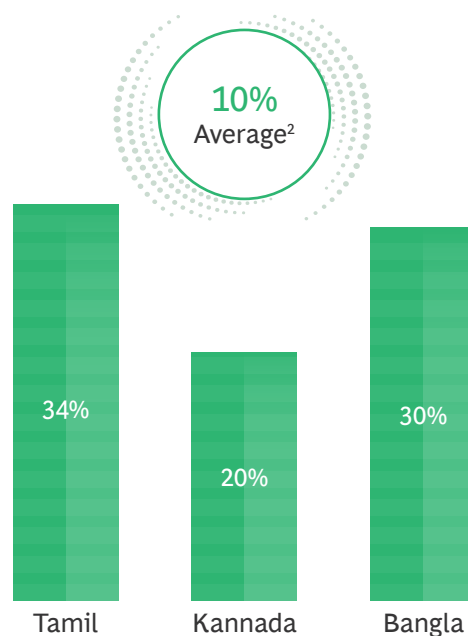
News

Growth in average weekly viewing minutes (Bn)
Period – 2019-2020

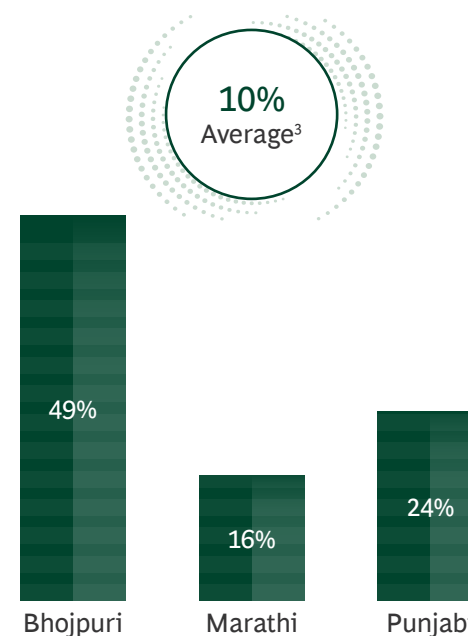


Movies

Growth in average weekly viewing minutes (Bn)
Period – 2019-2020



Growth in total ad volumes (Mn seconds)
CAGR for Q3 2019 – Q3 2021

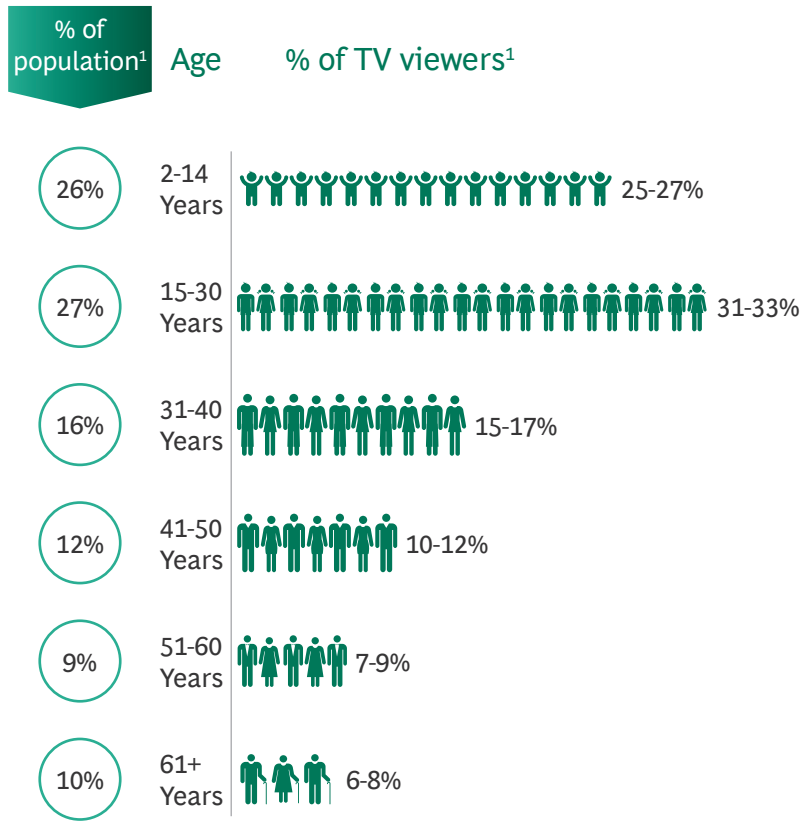


Note: 1. Average growth of weekly viewing minutes for news channels across all languages (2019-2020). 2. Average growth of weekly viewing minutes for movie channels across all languages (2019-2020). 3. Average growth in ad volumes across all channels (Q3 2019 – Q3 2021, YoY). All years mentioned are calendar years
Source: BARC, BCG analysis

TV continues to be a family viewing platform

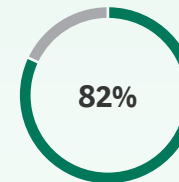


Watched across all age groups in India



Significant co-viewing occasions

% of TV owning individuals watching with someone else



Average number of co-viewers per household



Note: 1. % of population and % TV viewers data as of 2020
Source: BARC, UN population prospects, BCG Analysis

Cord cutting in its nascent stages – with real constraints



Consumer reasons for early signs of cord-cutting



Convenience



Ad-free experience



Access to specific content



Personalized screen



Major differentiating factors relative to developed markets



India



US

Fixed broadband penetration much lower than the US & the UK

Fixed broadband penetration¹

8-9%

95%+

Higher cost for OTT vs PayTV

(OTT + Broadband)/ PayTV cost²

~2.5x

~0.8x

Note: 1. Fixed broadband penetration as of 2021

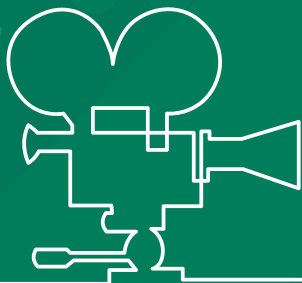
2. PayTV, OTT and Broadband cost as per 2021 numbers. Cost for PayTV vs OTT calculated by considering average PayTV ARPU for USA and India, average ARPU for Netflix in USA as OTT cost, average cost for a subscriber having 3 OTT subscriptions in India – Hotstar + SonyLiv + 1 more and average cost of fixed broadband in USA and India.

Source: SNL, Ampere Analysis, Customer interviews, BCG Analysis



The background is a solid teal color with a collage of white line-art icons related to the film industry. These icons include clapperboards, film reels, director's chairs with 'DIRECTOR' written on the back, movie cameras on tripods, and strips of film. The icons are scattered across the page, with some appearing more frequently than others.

Rise of the streaming industry



03



Strong tailwinds from basic enablers being in place for digital video streaming



Affordable high speed mobile internet

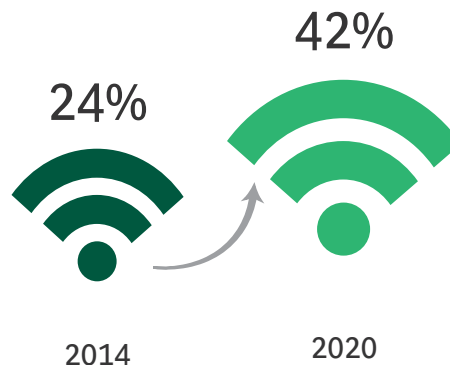
Rs/GB



Doubling of internet users in 6 years

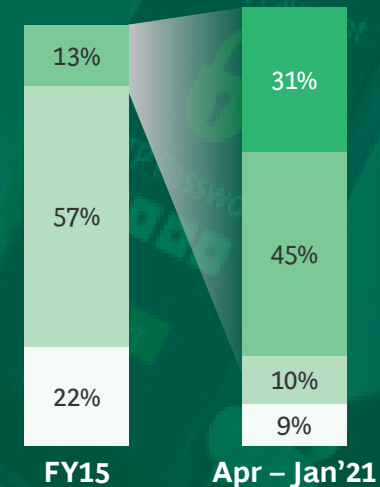
Share of Internet users in total population (%)

- Potential for further increase with China at 68% & US at 88%¹



Increased adoption of digital payments

■ UPI
■ Mobile & internet banking
■ ATM
■ NACH, POS and Cheque



Additionally,

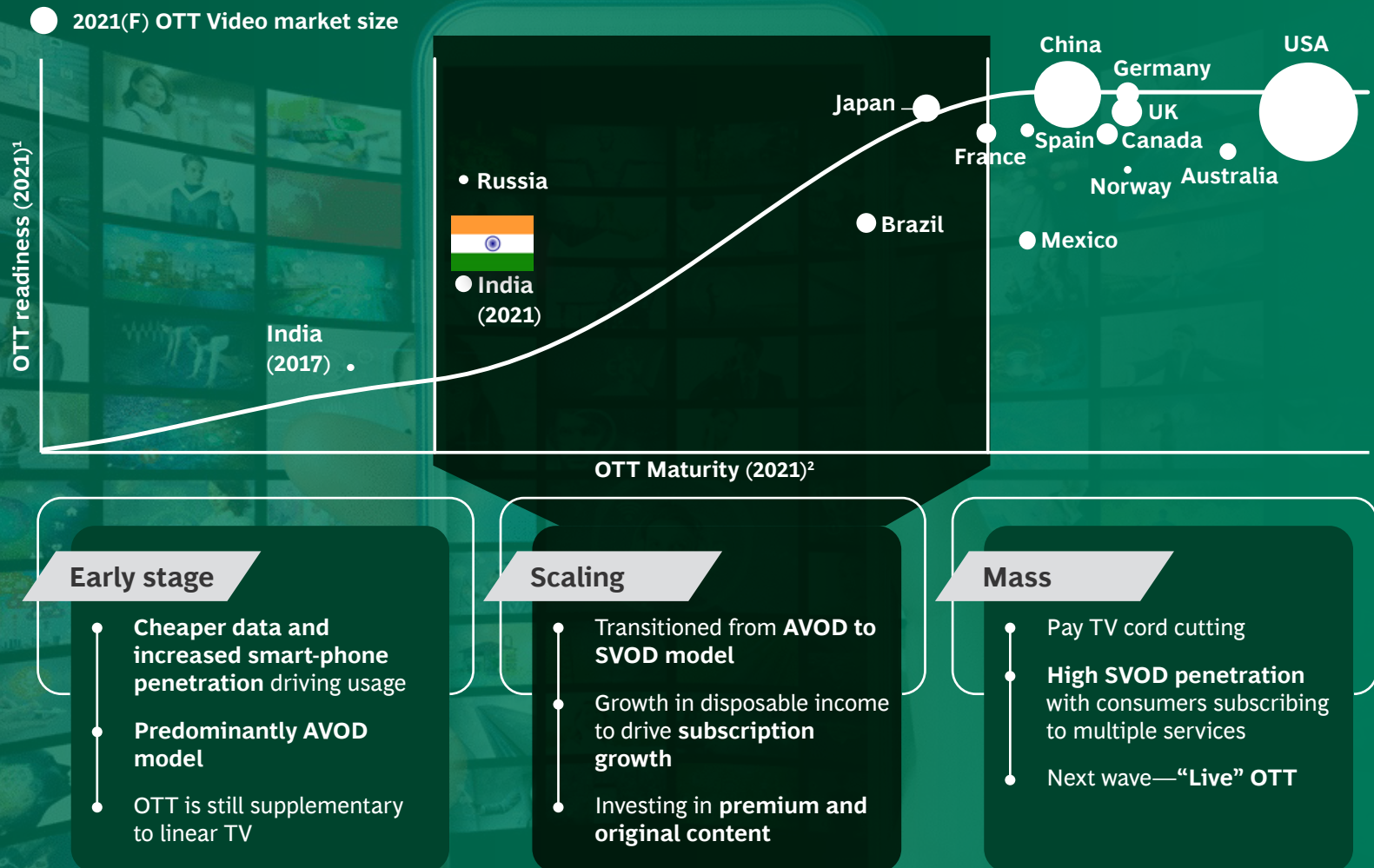
- Predominance of younger population, with 50-55% population under the age of 30
- India continues to be a single TV market with ~98% TV owning households owning a single TV

1. Calculated as total internet users as a share of total population

Note: All years mentioned are calendar years

Source: Ovum database, BARC, The Ericsson Mobility Report, eMarketer, RBI data; National Payments Corporation of India (NPCI) statistics

Indian OTT has progressed from early stage to scaling stage



Note: 1. OTT readiness measures fixed broadband penetration, speed, smartphone and 4G penetration

2. OTT Maturity looks at SVOD penetration, ARPU, SVOD revenue as % of Pay TV, OTT revenue growth ('21-25) and Pay TV ARPU

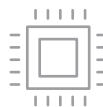
All years mentioned are calendar years

Source: Omdia, Ampere Analysis, Magna Global, BCG analysis

Witnessed significant increase in data and video consumption



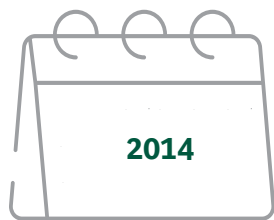
40-50X increase in data consumption; video is the largest use case



4x increase in share of digital in total video watch time



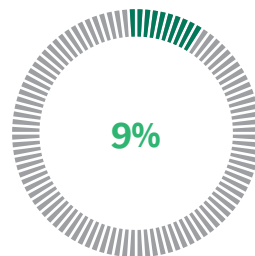
4x jump in number of OTT platforms



2014

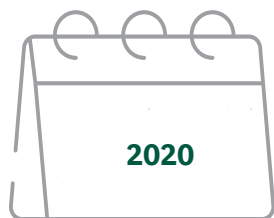


~0.3 GB
/user /month



~10

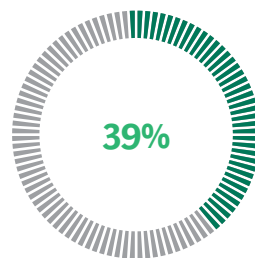
OTT
Platforms



2020



13-14 GB
/user /month



40+

OTT
Platforms

■ Digital
■ Non digital

SVOD and AVOD platforms in other mass markets varies significantly

- E.g., 10-20 in Australia, UK, Germany

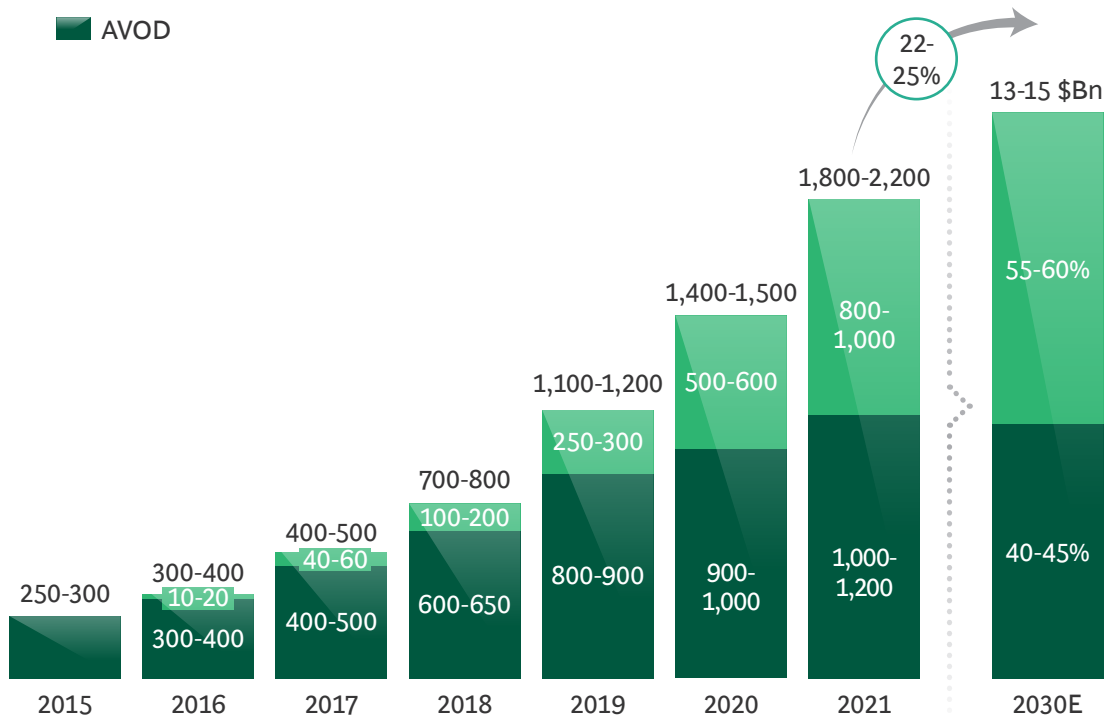
Note: All years mentioned are calendar years, OTT platforms for other countries includes only SVOD and AVOD, excludes Transaction video players and TV everywhere apps
Source: Ovum database, The Ericsson Mobility Report 2019, Vidooly, eMarketer, Statista, TRAI, BCG analysis

Subscription model has seen a surge over last few years; expected to overtake AVOD gradually

India OTT Revenue (\$Mn)

SVOD

AVOD



Year end
SVOD
subscribers¹

0.5

2.5

5.5

14

23

53

70-80

Note: 1. Number of year-end SVOD subscribers in million.

Source: Omdia database, BCG Analysis, Expert discussions

Faster growth for SVOD vs. AVOD in past few years

SVOD expected to overtake AVOD in the coming years

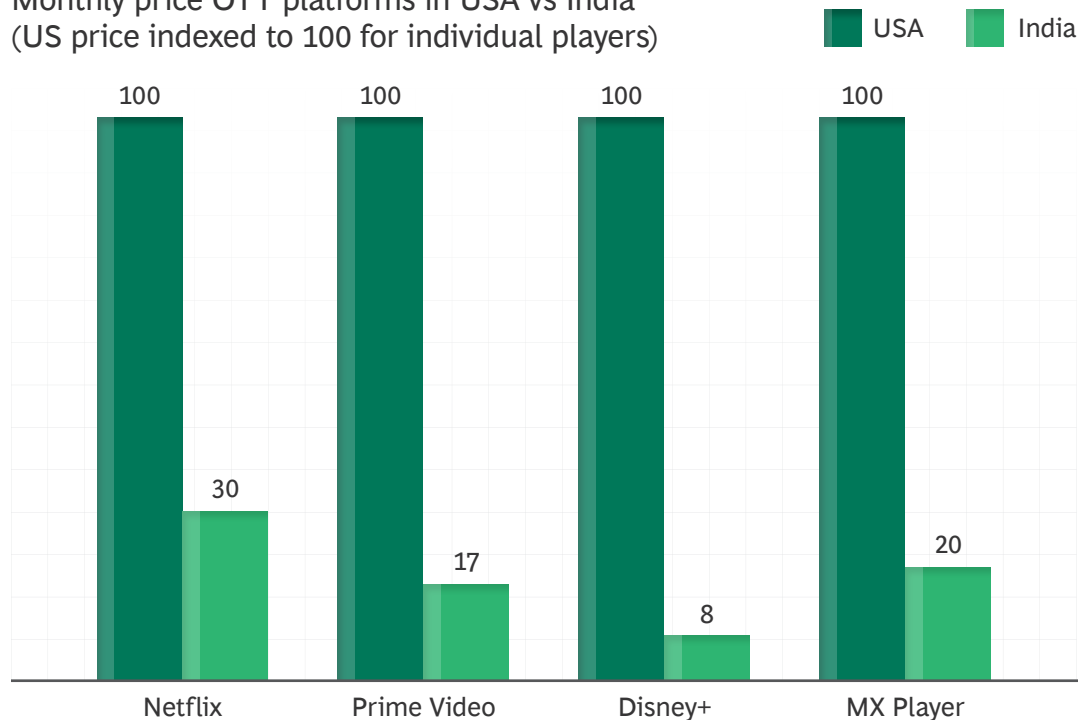
Expected to grow to 13-15 \$Bn over the next decade at a high growth rate of 22-25% CAGR

Platforms focusing on driving subscriptions with India specific pricing



Global players offering India specific price points to compete with local OTT platforms

Monthly price OTT platforms in USA vs India
(US price indexed to 100 for individual players)



Pricing of global streaming services in India has been made affordable to drive adoption



Global players like Netflix, Prime Video, Disney+ offering plans in India at 70-90% cheaper than the US

Note: 1. All prices quoted according to the listed subscription price on the respective OTT platform websites/apps. The prices do not incorporate any limited time promotional offers/ discounts running at the time of publishing this report.

1 USD = 75 INR

Netflix: Basic plan (US), Mobile plan (India) Prime Video: Yearly membership for both India and US; includes total price and does not consider any allocations

Disney: Yearly plan (US), Mobile yearly plan (India) MX Player: Quarterly plan considered for 1 year (US), Yearly plan (India)

Source: Press Search, BCG Analysis

Expect the growth story will continue and accelerate

Key drivers

01

Increased content spends

- Strong correlation between content & service uptake with audience stickiness
- Reaching global audiences
- High quality of regional content

02

Pricing innovations

- Penetrative pricing – significantly expanded reach
- Bespoke bundling for specific value props
- Use of personalization

03

Ad format innovations

- Sponsored content vs. “explicit” ads
- Interactive/ actionable
- Commerce integration
- Targeted advertising with personalization

04

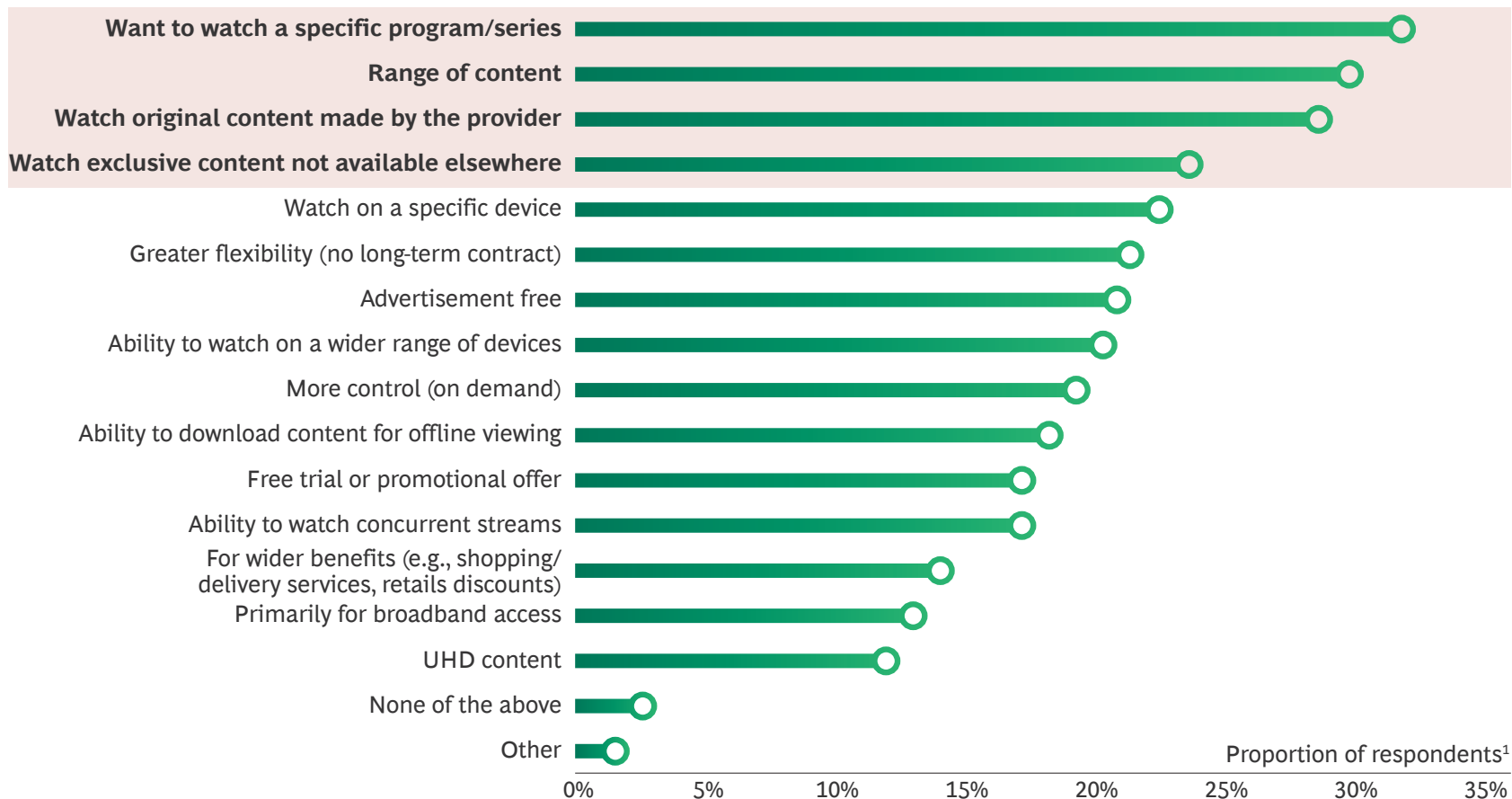
Rise of alternate formats e.g., short form video

- High engagement rates
- Reach of unexplored markets at a lower cost

Original / Exclusive Content | Remains a key user need from OTTs ...



India, service uptake drivers by proposition



Note: 1. Data collected from Omdia India Consumer Devices, Media and Usage survey, November 2020; N=2,449 respondents from India
Source: Omdia India Consumer Survey, BCG Analysis

... leading to rising investments in Indian original content

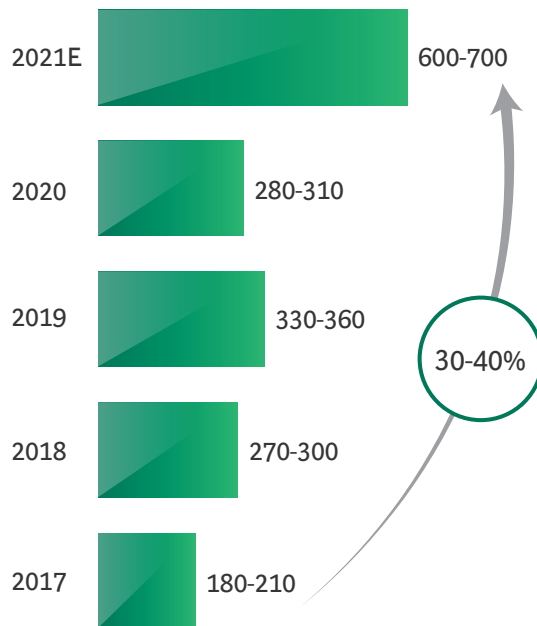


Strong growth in investments in Indian originals

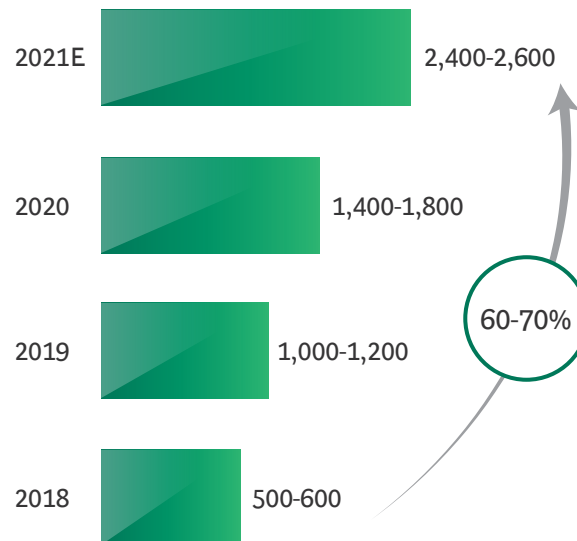


Accompanied by growth in hours of original content available to users

Investment in Indian original content, 2017-21 (\$Mn)



Hours of original content on OTT platforms in India



“

Originals continue to be the **biggest subscription driver** on the platform & **help build audience stickiness**. They have longer shelf life and help in attracting new subscribers even years after the launch date.

– Business Head,
Leading Indian OTT player

”

Note: 1. All years mentioned are calendar years

2. Calculated using different content types:

2a. Split of OTT content cost between Original Shows to Original Movies is 35:65

2b. Among Original Shows, the split of content cost across categories is as follows: Tentpole (>= USD ~5 mn): 70%, Others: 30%

2c. Among Original Movies, the split of content cost across different categories is as follows: Tentpole (USD 10mn and above): 65%, Category A & B (>USD 1.3 mn < USD 10mn): 25%, Category C (<=USD 1.3 mn, dubbed movies, renewals): 10%

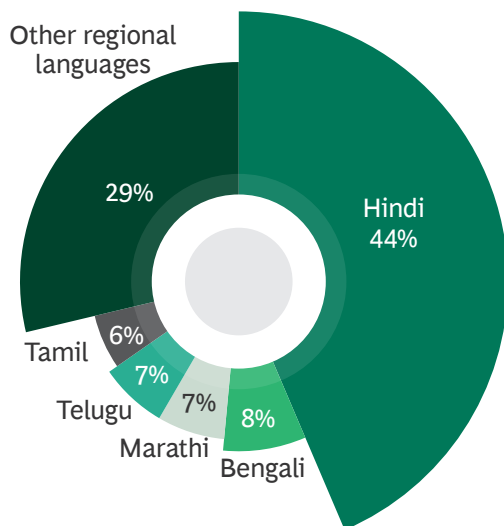
Source: Omdia Online Video Trends Report 2021, Expert discussions, press search, BCG analysis,

Regional Content | Strong focus due to untapped market potential



India displays strong affinity towards regional languages

Share of Indian Population with language as mother-tongue (%)



56% of India's population has a regional language as mother tongue, which is larger than the population of EU



Players are creating content to cater to regional demand

Disney + Hotstar

40%+ share for regional in total content consumption;
» Synergy with broadcasting presence in regional languages

Amazon Prime

» Strategy of regional being the new national with ~50% of viewership for regional language movies coming from outside home states

Zee5

» Offers content in ~12 languages; plans to increase investments in regional content from ~15% to 30-40%

Alt Balaji

» Focus largely on Hindi

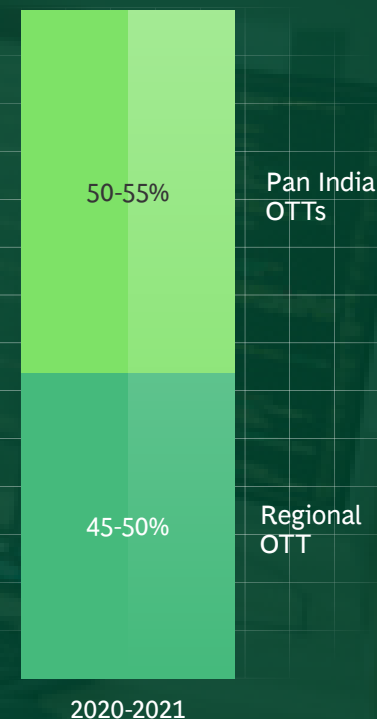
MXPlayer

» Offers content in 10+ languages, Introduced a new category - "MX VDesi" which brings international content dubbed to Indian languages like Hindi, Tamil and Telugu



Both Regional and Pan-India players focusing on regional

Share in Direct to OTT films (%)



Note: All years mentioned are calendar years

Source: Census 2011, Omdia Report - Trends to Watch: The Indian OTT and Pay-TV Market, Nov 2021, Press Search, Expert discussions, BCG analysis

Strong content also helping capture eyeballs outside India



Indian OTT can cater to international demand...

- Target the 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



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

Indian content leveraging OTT for international distribution

- Sacred Games S1: 2/3 viewers are from outside India
- Tamil film Jagame Thandhiram: ~50% of the viewers came from outside India in the first week of release
 - Film was subtitled and dubbed in multiple languages, including English, Spanish, French and Portuguese, enabling wider access
 - Has been in the Top 10 in 12 countries outside India and no.1 in the Top 10 row in 7 countries

Availability of high-quality content



- International Emmy Nominations for Nawazuddin Siddiqui for the movie "Serious Men", "Aarya" (Series), "Vir das: For India" (Comedy show) and many more.
- 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	Netflix	Amazon Prime	ErosNow	MX Player
Countries	190+	200+	150+	13+


Source: AppAnnie, press search, Expert discussions, BCG Analysis

Companies leveraging pricing innovations to increase access for Indian user (I/II)

Pricing formats	Objective	Select examples
 <p>Offline payment options</p>	<ul style="list-style-type: none"> Attempt to increase penetration beyond the urban population comfortable with digital payments 	<p>Prime on Delivery: Payment for Prime subscription collected offline by agents at doorsteps</p> <p>HoiChoi top up cards : Hoichoi has provision for offline top-up cards for renewing subscription offline</p> <p>AltBalaji partnership with Paypoint : Access to 45000+ offline stores of Paypoint for offline subscription & payment options</p>
 <p>Mobile only packs</p>	<ul style="list-style-type: none"> Recognizing India's "mobile first" nature of market Given that ~98% households in India are single-TV homes, smart-phones become the default screen for video viewing for many in a family Moreover, low broadband penetration (at ~9% households) limits OTT viewing on TV 	<p>Prime Video Mobile edition</p> <ul style="list-style-type: none"> Mobile-only 1 device service of Prime video Aims to be first entry point to other Prime services <p>Netflix Mobile only plan at Rs. 199 per month</p>


Source: Press search, Omdia, BARC, Expert discussions, BCG Analysis

Companies leveraging pricing innovations to increase access for Indian user (II/II)

Pricing formats	Objective	Select examples
 <p>Penetrative pricing</p>	<ul style="list-style-type: none"> Targeting the value-conscious consumer who may not be willing to pay extra for Premium content 	<p>Sony Liv offers 4 plans;</p> <p>LIV Special+ (Rs. 199/yr for Ad supported, Rs. 399/yr for Ad free)</p> <ul style="list-style-type: none"> Latest episodes of TV shows Does not include live sports, original TV shows and movies etc. <p>WWE Network (Rs. 299/yr)</p> <ul style="list-style-type: none"> Specially curated for WWE fans with live WWE events, unrestricted access to entire WWE library, exclusive WWE series, documentaries, biographies etc. <p>LIV Premium (Rs. 999/yr)</p> <ul style="list-style-type: none"> Includes exclusive originals & international series, live sports and TV channels


Source: Press search, Expert discussions, BCG Analysis

OTT evolving to blend content with ads and towards making ads “interactive” (I/II)

Ad formats	Objective	Select examples
 <p>Blending of content and ads</p>	<ul style="list-style-type: none"> Sponsored content as an alternative to “explicit” ads 	<p>Netflix & F1</p> <ul style="list-style-type: none"> F1 teamed up with Netflix to create a docuseries “Drive to survive” giving a behind-the-scenes view of the sport The show brought in many new fans that had no earlier inclination towards motorsport <p>Disney + Hotstar & Quaker oats</p> <ul style="list-style-type: none"> Quaker India partnered with Disney + HotStar to create a celebrity cooking show called “Kitchen, Khanna & Konversations” The show provided fitness enthusiasts with new recipes to incorporate oats in their healthy diet <p>MX Player & MG Motors & Gujarat tourism</p> <ul style="list-style-type: none"> MX Player is producing MX Specials that will not only appeal to viewers but also meet the business needs of advertisers “Hidden tastes of Gujarat” will give viewers a glimpse of Gujarati culture while also showcasing the features of the MG Vehicle used in the show

Source: Press search, Expert discussions, BCG Analysis

OTT evolving to blend content with ads and towards making ads “interactive” (II/II)

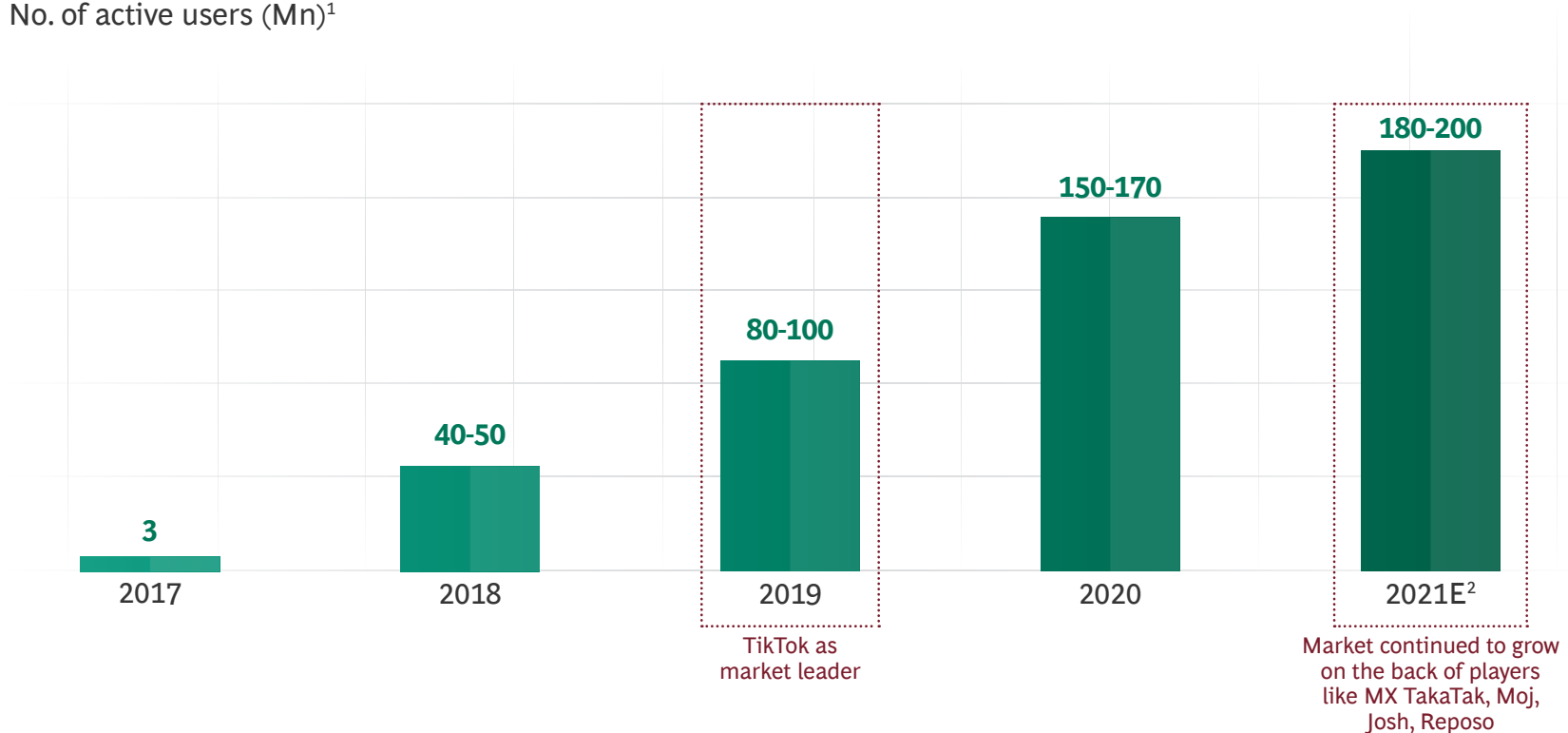
Ad formats	Objective	Select examples
 <p>Ad format innovation</p>	<ul style="list-style-type: none"> Increasing demand for enhanced advertiser value proposition using interactive / actionable ads to drive conversions 	<p>Roposo</p> <ul style="list-style-type: none"> Premium creators can create their own Digital store for a subscription fee Sellers can market their products via content and sell it on the platform itself <p>Voot</p> <ul style="list-style-type: none"> Voot offers many interactive components connected to the shows on the platform The type of interaction ranges from voting for contestants to sending in recordings with questions for the stars in “BIGG BOSS” All interactive content can be sponsored by brands

Short form video seeing increased traction and growth



Short form video grew at 150%+ CAGR, driven by Indian short form video players post TikTok ban

No. of active users (Mn)¹

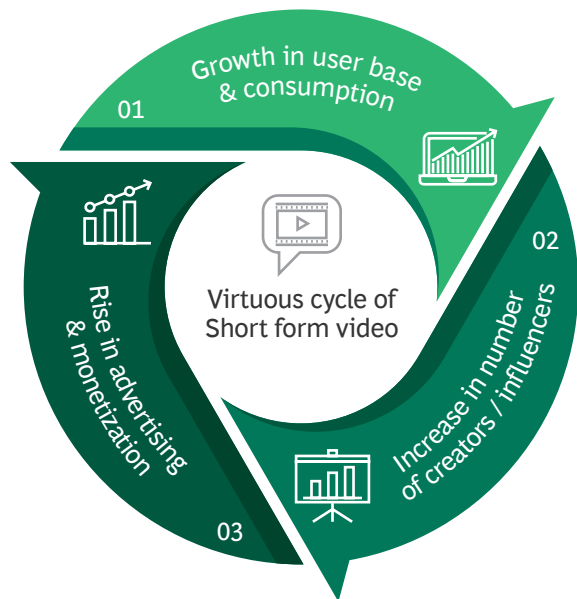


Note: 1. Number of active users is the sum of the number of active users for all short form video apps considered. A single individual can be an active user for multiple apps.
2. Number for 2021 projected using data available till 30th September 2021; exhibit illustrates average yearly active users. **3.** Short form video here does not include social media players; includes tiktok (until the ban), Chingari, Hipi, Josh, Mitron, Moj, MX Takatak, Roposo etc. Excludes Youtube shorts and Insta reels
Source: App Annie, Industry experts, BCG Analysis

Short form video growth driven by multiple factors



Three pillars of Short Form Video flywheel



01 Growth in user base & consumption

Driven by Tier 2+ users	Tier 2+ cities driving usage of short form video apps, form 60%+ userbase This is evolving quickly, with increased traction in metros and tier 1 cities
Diverse Languages	Indian short form platforms support more than 10 languages Helps brands in reaching unexplored language dominated market
Younger population	~40% of the users of the age group between 16-24 years Helps new age and FMCG brands in targeted advertising

02 Increase in number of creators / influencers

Grooming content creators	In order to increase the quantum and originality of content, platforms are focusing on finding and grooming content creators Examples include Josh's World Famous, Moj's Creators Program, MXTakaTak's Launchpad
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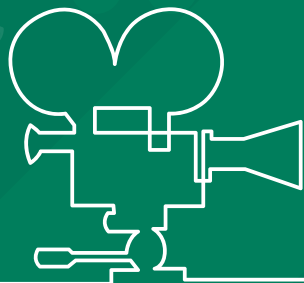
03 Rise in advertising & monetization

Effective Ad platform	Advertisers can choose from a wide range of available ad formats Have high engagement rates and user stickiness
Cheaper alternative	Rates for advertising are lower compared to other social media platforms CPM rates for short form video platforms are as low as \$1 whereas it can go as high as \$4 for Facebook's news feed and stories
Content – commerce integration	Many players are also extending into social commerce space to better monetize and attract more creators E.g., E-commerce platform Flipkart and Moj are partnering to enable video and live commerce, where Moj users will be able to shop on the former's online platform

Source: Press search, Industry experts, BCG analysis

Gaming overview

Future is play

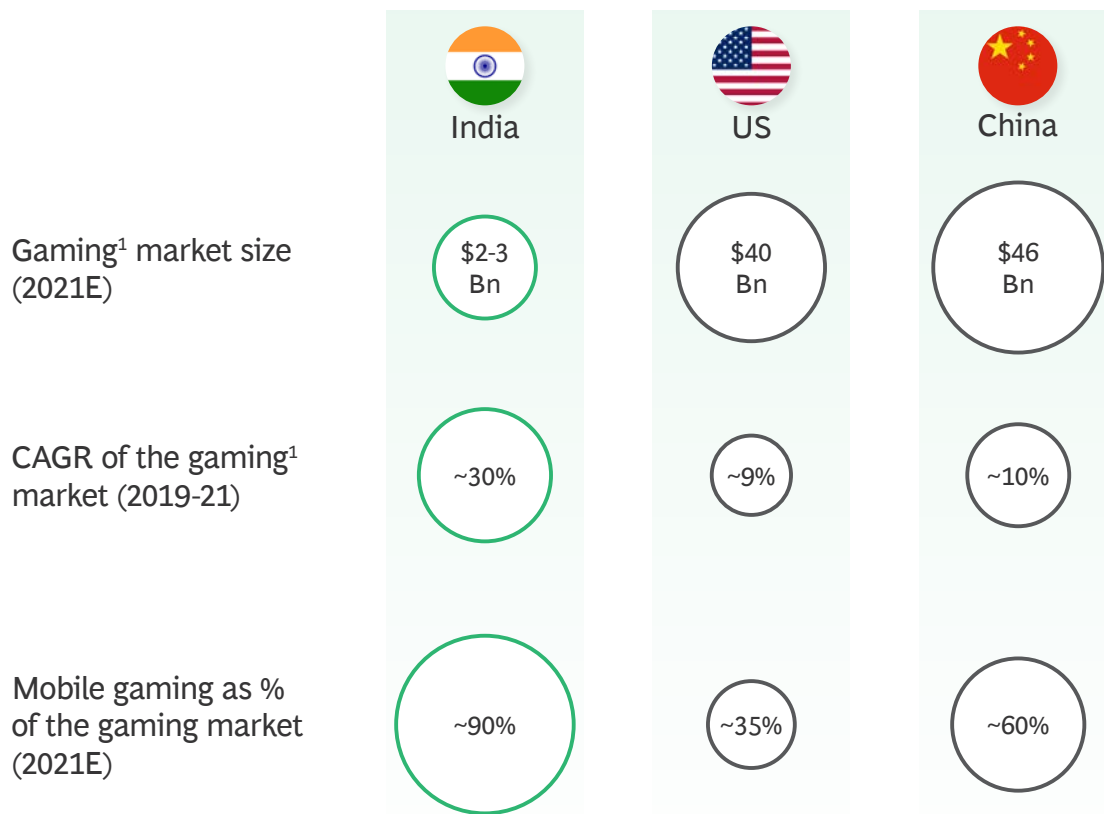


04



DIRECTOR

India on the verge of a real take-off point for gaming on the back of a “mobile first” gaming culture



Note: 1. Including console, PC and mobile gaming
All years mentioned are calendar years
Source: Industry experts, NewZoo, BCG Analysis

What will drive future growth of the sector

01



Increased focus on familiar content, along with visual and voice features are helping onboard new gamers and driving higher engagement

02



India emerging as talent hub - for India and for the world: larger talent pool with # gaming companies having gone up >10x over last decade

03



Influencer-driven user generated content, livestreaming and the nascent but growing esports industry are driving gaming adoption and higher engagement

04



Gaming platforms emerging - attracting user and investor attention: proposition of diverse games as a one stop shop

05



Investors are actively scouting and shaping space: increased early-stage activity with new highs

Key trends shaping the Indian mobile gaming market (I/II)

- 1 **Familiarity in content and live communication features attract new gamers, simplifies onboarding**

PUBG



A key driver of PUBG's success in India is its **voice chat function** in the app, which allows gamers to **communicate in real time in their language of choice**

Ludo King



LudoKing has grown rapidly

- Indians already familiar with the board game
- Visual tutorials made the mobile game easy & intuitive

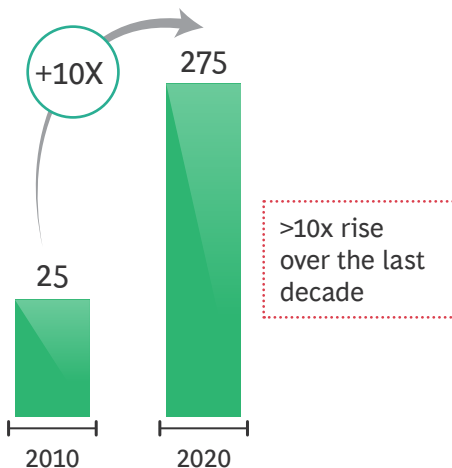


Indian gamers are often unwilling to set their device settings to non-English. Thus, when there is reduced reliance on text e.g., voice chats or visual tutorials, it helps in adoption by breaking language barriers

– Gaming industry expert

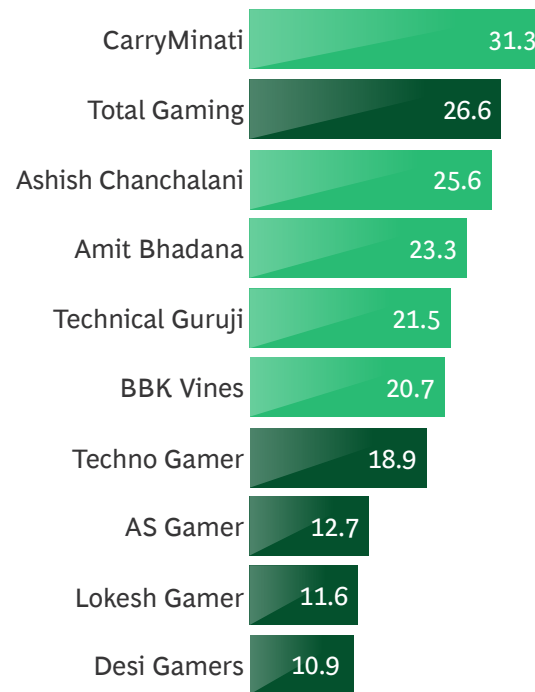
- 2 **India emerging as a game development talent hub for India and for the world**

Number of gaming companies in India



- 3 **Influencer-driven user generated content and livestreaming driving adoption and engagement**

Number of YouTube subscribers of top gaming vs. other creators (Mn)



Non-gaming creators Gaming creators

Note: All years mentioned are calendar years
Source: Industry experts, AppAnnie, Press search, BCG Analysis

Key trends shaping the Indian mobile gaming market (II/II)

4 Gaming platforms that offer diverse games emerging as a one stop shop for many users

Platforms offer games across genres and formats such as casual, sports, fantasy, 1-1 battles, tournaments etc.

MPL



Users reported in 2020¹

WINZO



Users as of April 2020²

Paytm First Games



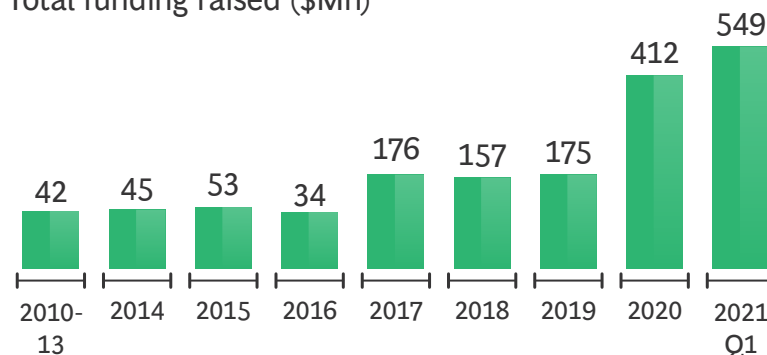
Users as of Dec 2019²



There are numerous titles, giving something for every context for a gamer, resulting in both more # of players and more usage

5 Investor activity booming: Gaming is the next big frontier in the consumer industry

Total funding raised (\$Mn)



Active gaming investors and key investments

Sequoia Capital India	MPL	Moonfrog	Rheo	Octro
Kalaari capital	Dream11	WINZO		
Lumikai	LOCO	Bombay Play		eloelo
Accel	Get MEGA	Mech Mocha		
Elevation	Playsimple	Turnip		

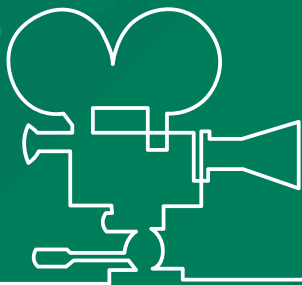
Note: All years mentioned are calendar years

Source: 1. Company interview

2. Secondary research; Industry experts, AppAnnie, Tracxn, Pitchbook, Press search, BCG Analysis

Films

A transition underway



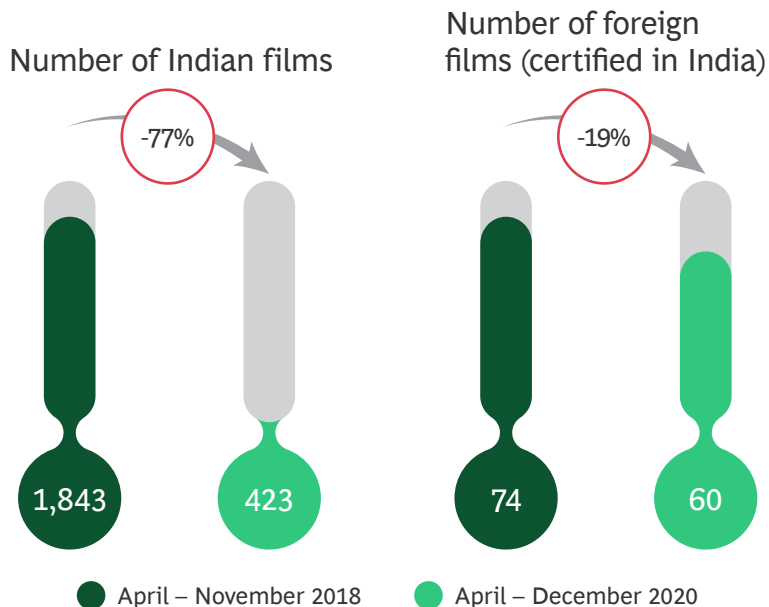
05



Films| Post-pandemic recovery encouraging



Number of new films significantly lower in 2020



High proportion of regional language films¹

% of regional films released in 2019



% Tamil, Kannada, Telugu and Malayalam films



Revival driven by re-opening of theaters; big-ticket releases expected to boost earnings



Large number of films confined to OTT-only in 2020-21 due to cinema halls being shut across the country



Reopening of theaters at 50% capacity across India along with increasing consumer demand encouraging for industry



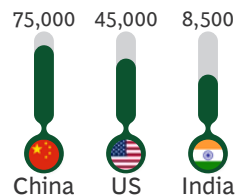
Big ticket releases have resumed with multiple delayed films lined up for release



Signs of recovery in both Hindi & regional movie industries positive for medium-term growth

However, low screen density likely to hinder recovery in short term esp. with release backlog

No. of Cinema Screens



India lags other mature markets in no. of screens available

Likely to become a bottleneck in the next few months with a backlog of releases from pandemic

Note: 1. Percentages according to data for FY19

Source: Central Board of Film Certification, Producer's Guild of India, BCG Analysis, Expert Interviews, MPA Theme Report 2020

Films | Undergoing some significant changes and creating new opportunities



Growth in regional film production targeted at specific audiences



Exhibitors and studios look to modify business models: more flexible windowing and production strategies set to emerge



Rising pressure and opportunity for broader distribution with OTT players and direct to digital releases

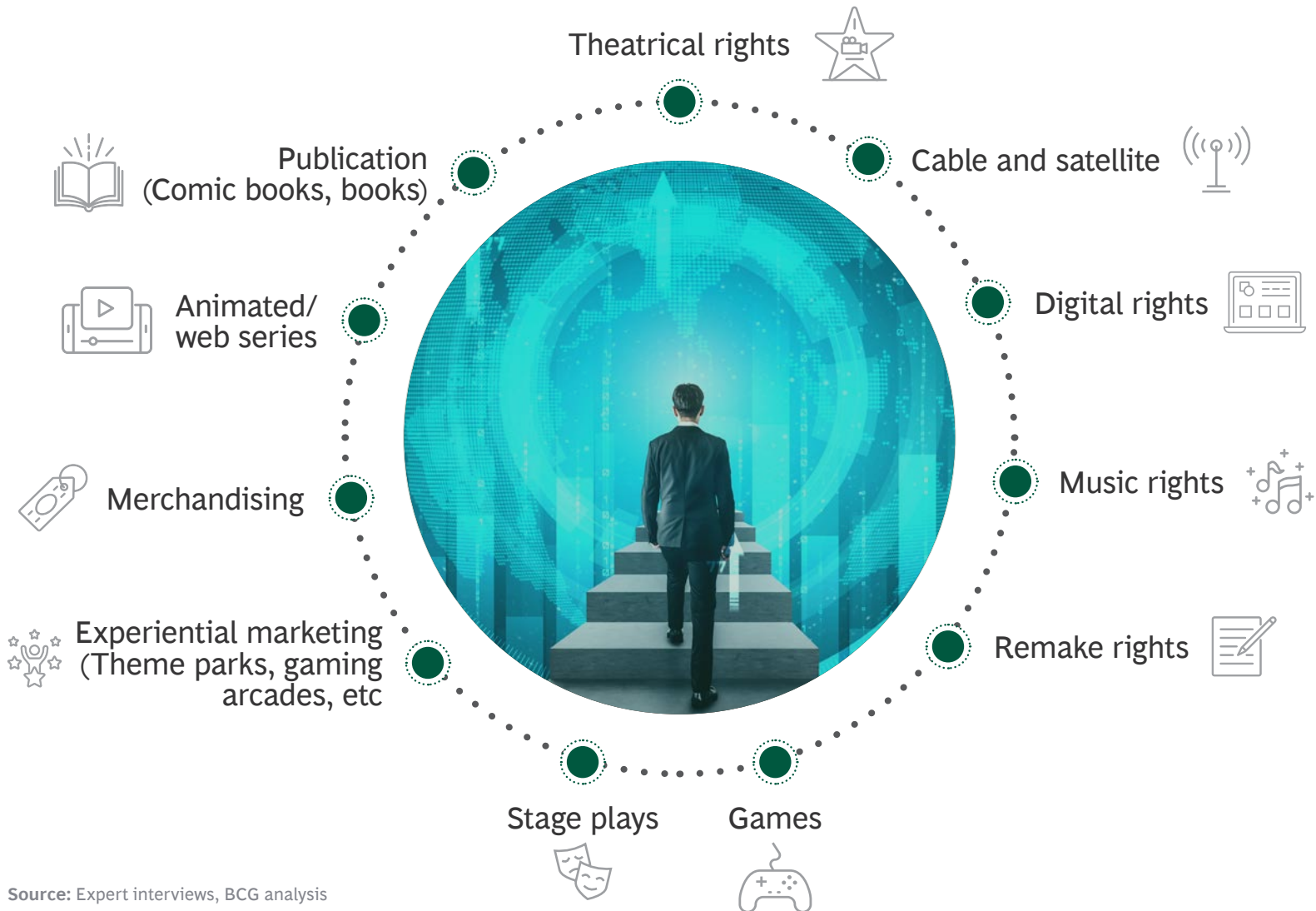


Recent years have seen the rise of “content films” faring well alongside the “star-cast focused films” that dominated more in the past

Note: Relative rise in regional films vis-a-vis Hindi could be because theaters in most Southern states opened earlier whereas Maharashtra (a key for Hindi films) was among the last in Oct 21. Hence, it may need some time to establish whether this is a temporary phenomenon or indicative of a more fundamental trend

Source: Expert interviews, BCG analysis

Future trends | Content production houses & distributors are expanding their sources for monetization



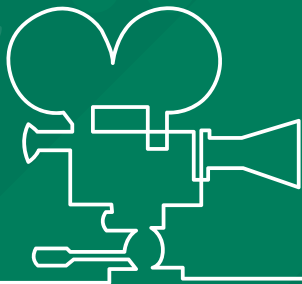
Source: Expert interviews, BCG analysis



The background is a dark green field filled with faint, white line-art icons related to film production. These include clapperboards, film reels, a director's chair with 'DIRECTOR' written on it, cameras on tripods, and strips of film. A large, semi-transparent circle is visible on the right side of the page.

Postproduction - VFX and Animation

A real growth opportunity



06



DIRECTOR

PRODUCTION

DIRECTOR

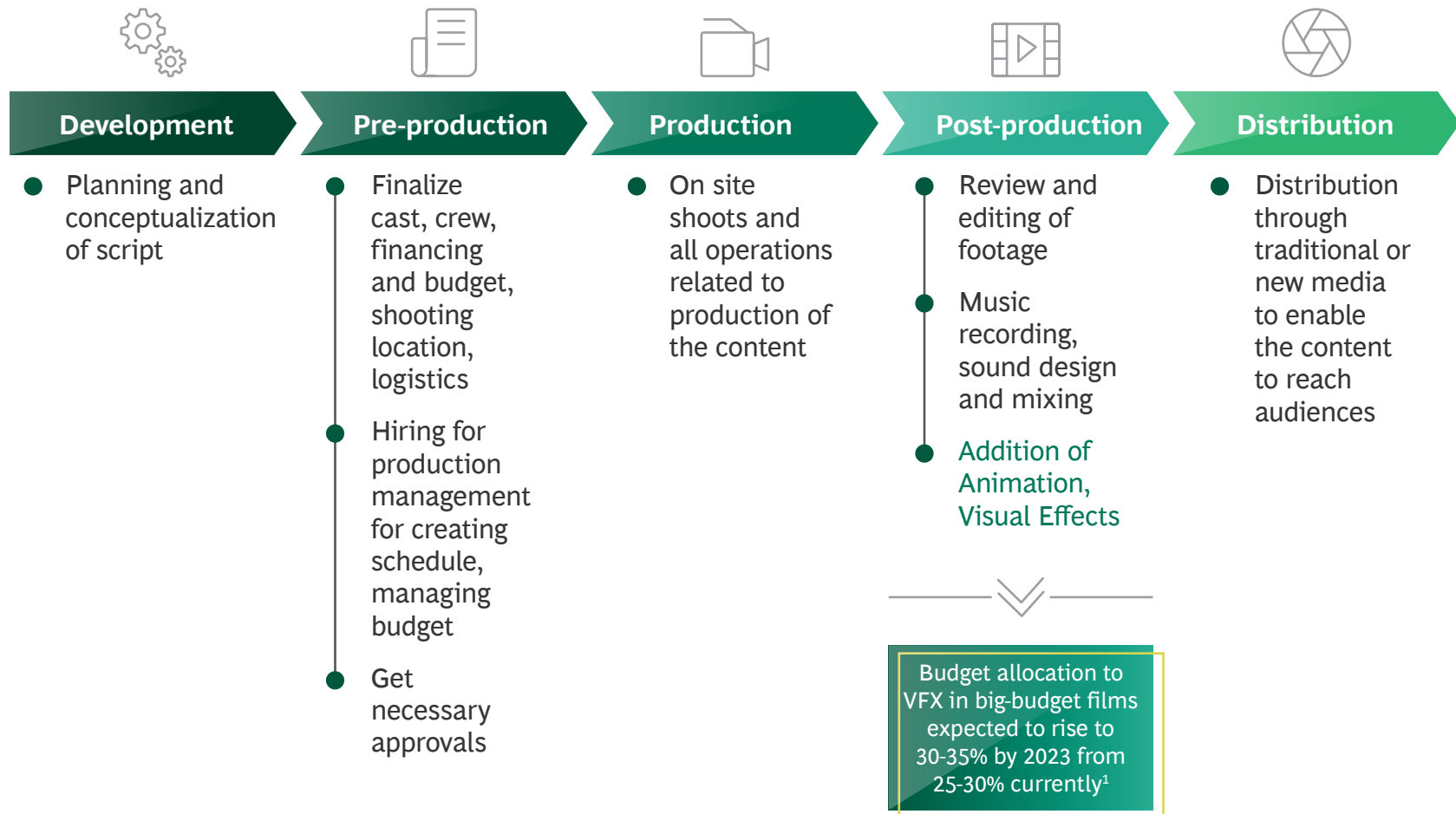
CAMERA

DATE

TAKE

shift

Post-production animation/ VFX provides a real growth opportunity



1. Budget >USD 100 million

Source: Technicolor Capital Markets Report Feb 2020, BCG analysis

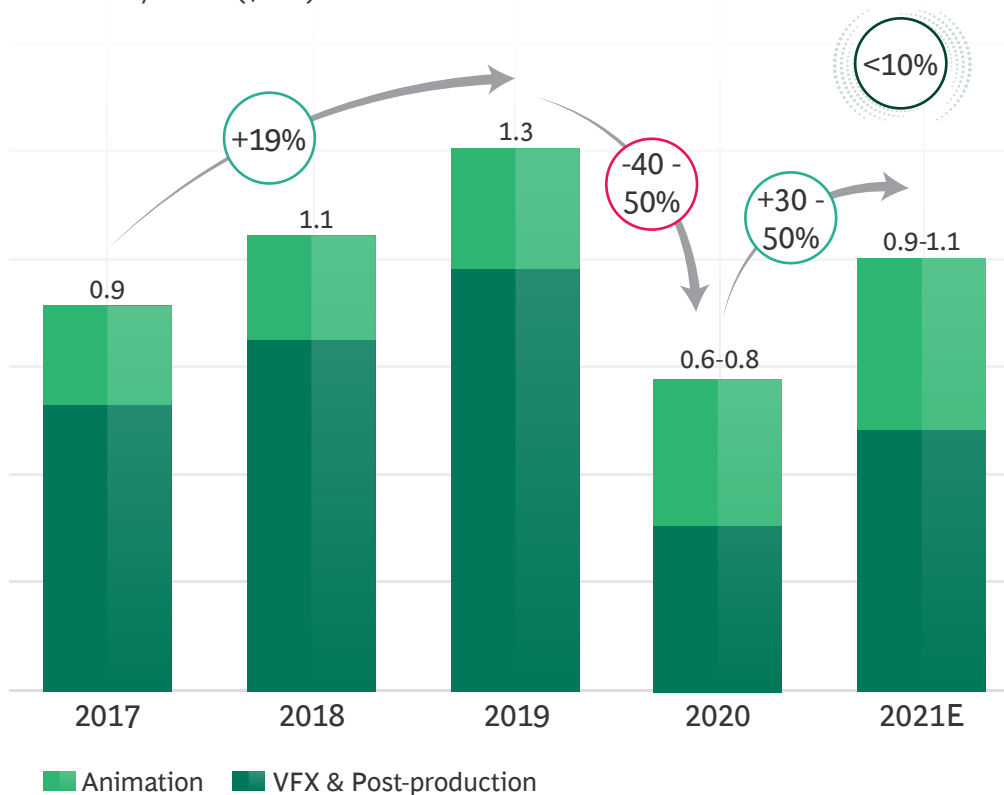
India accounts for <10% of the global market share in the VFX and Animation industry



Indian VFX and Animation market bounced back by 30-50% post a difficult year in 2020.

Market Size, India (\$ Bn)

Market Share:



“

The sector has the potential to become the torchbearer of Create in India and Brand India. AVGC sector has channelized the creativity of India's youth during the pandemic, and it has the power to project India's creativity globally.

– Shri Piyush Goyal,
Union Minister of
Commerce & Industry

”

Note: All years mentioned are calendar years

Source: Montreal International, Venturebeat.com, SODEC, Press Search, BCG Analysis

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

Strong push for AVGC sector by Central & State Govt.

Central Govt.

- Recognized as Champion Sector (2018)
- Plan to expand SIES Incentive
- Plan to open FDI, Budget 2019
- Plan to develop AVGC Centre of Excellence at IIT Bombay

State Govt.

- Maharashtra, Haryana, Karnataka, Telangana, Assam have curated policies to promote AVGC sector

Karnataka

Events: Bengaluru GAFx, Karnataka AVGC Summit, Digital Art Symposium (DAS), CII SummitFX 2021, Bengaluru Tech Summit 2021 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

Telangana

IMAGE Centre of Excellence (CoE), 2020, IndiaJoy 2021, Asia's largest digital entertainment festival

IMAGE Policy 2016

- Aiming to provide infrastructure, initiate talent building, bring in fiscal incentives and promote SC/ST and women entrepreneurs

Maharashtra

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.

– Prakash Javadekar,
Union I&B minister



The (AVGC) Center (for Excellence) will provide a place where different technologies, developments in the field of animation, gaming will be brought to one place. It will also train the thought leaders in the field of AVGC.

– Amit Khare,
Secretary, I&B ministry



Source: Expert interviews, Secondary Research, BCG Analysis



Development of infrastructure and intellectual capital key to boost Indian VFX & animation industry

Infrastructure

Develop state-of-the-art facilities:

- Physical infrastructure: studios, universities
- Technical infrastructure & 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



VFX and animation can be the next boom for the industry



India has <10% of the global market share in VFX and Animation; Potential to scale this up to 20-25% through structural interventions



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



Other global hubs have emerged offering skilled intellectual capital and incentives of up to 40%

- Montreal, Canada grew at 25% CAGR from 2014-19
- Montreal has 235 video game and visual effects studios, with more than 21000 jobs across them
- UK has emerged as the primary VFX hub in Europe



VFX & animation can be the next IT-BPM boom and play a fundamental role in India's M&E by 2030



Potential job creation and economic activity

Direct & indirect job creation

45-60K

Jobs in
2019/2020

75-120K

New jobs created
if India captures
20-25% share

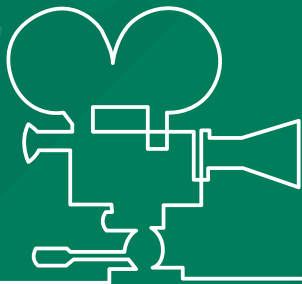
1. Indirect & Induced Employment Coefficient for Other Services, Impact of Investments in the Housing Sector on GDP and Employment in the Indian Economy, NCAER, 2014; Extrapolation based on revenue to jobs ratio in India's film industry, MESG Skills Gap Report 2014, Industry Reports
Source: Montreal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





Realizing the growth opportunity

Imperatives for stakeholders



07



Summary of imperatives for media companies



Create more **differentiated, diverse content** catering to diverse audience segments and provide a more **personalized viewing experience**



Continue to **innovate** on pricing and new monetization models; take Indian content to **international audiences**



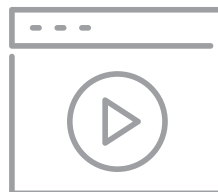
Develop new, **strategic selling models** that enhance the value proposition for advertisers



Develop Media & Entertainment as the **industry of choice** for new age talent



Invest in technology and advanced analytics to **drive content curation, targeting, measurability, visibility**



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

Continue to grow consumption

Hyper-personalized content recommendation engines

Video engineering for fluency and definition optimization across multiple devices

Using VR to enhance spectator engagement in live sports



Raise the bar on advertiser value proposition

Hyper-segmentation for targeted advertising

- Ad personalization
- Campaign performance

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
- Automated video editing & sound engineering
- Content generator

AI curated content supply – identifying potential ‘hero’ content

- Content acquisition
- Intelligent document recognition



Talent and capability imperatives for Media and Entertainment industry

Key Imperatives	Trends driving upskilling of traditional roles	Trends creating demand for new-age roles
 <p>Continued investment in content</p>	<ul style="list-style-type: none"> ● Demand for original and regional content ● Increasing diversity of content across languages, forms, and formats 	<ul style="list-style-type: none"> ● Increasing use of technology to drive content curation and discovery
 <p>Create advertiser value</p>	<ul style="list-style-type: none"> ● Moving from tactical to strategic selling - solution selling, bundling ● Performance measurement across TV and OTT 	<ul style="list-style-type: none"> ● Monetizing niche audiences ● Increasing use of ad-tech platforms ● Hyper-segmentation of audiences for improved targeting
 <p>Identify new sources of revenue for industry and country</p>	<ul style="list-style-type: none"> ● Creating stories for global audiences ● Integration of AR/VR to create immersive content & streamline production process 	<ul style="list-style-type: none"> ● Global export hub for VFX and Animation, moving up the value chain



For Further Reading

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

How Homegrown Streaming Video Can Take On the Global Goliaths

An article by Boston Consulting Group, June 2021

Creating a Zero-Based Media Organization

An article by Boston Consulting Group, May 2021

Streaming Viewers Aren't Going Anywhere

A report by Boston Consulting Group, April 2021

Lights Camera Action | The Show Goes On

A report by Boston Consulting Group & Confederation of Indian Industry, December 2020

Will Peak TV Burst the Video Content Bubble?

An article by Boston Consulting Group, October 2020

Can Subscription Video Providers Hold On to Their New Customers?

An article by Boston Consulting Group, July 2020

Turn the Tide | Unlock the new consumer path to purchase

A report by Boston Consulting Group, May 2020

The Last Decade Was Great, but What About the Next?

A report by Boston Consulting Group, February 2020

In Media, Subscriptions Matter Most

A report by Boston Consulting Group, February 2020

The Trillion (and growing) Touchpoint Story: Recognizing the monetization conundrum

A report by Boston Consulting Group & Confederation of Indian Industry, November 2019

Note to the Reader

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Confederation of Indian Industry

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 working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for Industry.

For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. The premier business association has over 9000 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 294 national and regional sectoral industry bodies.

With 62 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.

Confederation of Indian Industry

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