



Reuters Institute Fellowship Paper  
University of Oxford

# THE EVOLVING INDIAN MEDIA MARKET: SUCCEEDING THROUGH LOCALISATION

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August 2019  
Trinity Term

## Acknowledgments

My journey with the Reuters Institute started with my engagement with Meera Selva, Fellowship Director RISJ. Her affectionate guidance, curiosity and complete candour have been crucial for me through this entire Fellowship .

I would like to express my gratitude towards the 35 people who gave me time for in-depth interviews and shared experiences and learnings of building leading media organisations across India & the world, so candidly, which made this report possible.

A special thanks to Dr. Rasmus Kleis Nielsen, Director of RISJ and Polly Curtis, a senior journalist and Visiting Fellow at RISJ for helping me plug into the media fraternity in the UK and Asia.

Writing a paper for Reuters and Oxford has been more challenging than running a company in some ways. I must acknowledge that without the support of Joy Jenkins, post-doctoral Research Fellow, Nera Valentić, Journalist Fellow and Aura Lindberg, Journalist Fellow I would have submitted a very different and perhaps boring version of this report.

I would like to thank RISJ and the Thomson Reuters Foundation for providing me with this platform to pursue my research.

Gratitude to Namita Shah of Dalga Communications for the layouts and design of the report.

Finally, a special thanks to my family, my co-journalist fellows, the RISJ staff and my dear husband Anish Dayal, without whom this journey would have been nearly impossible.

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## I. Executive Summary

The Indian media industry much like India itself is multi-layered, multi-hued and unique. This report attempts to demystify the Indian media market for exploring opportunity and strategizing entry by an international media company.

India, with about 1.3 billion (bn) people, has a tele density of 91% with 1.7 bn mobile connections and 700 million (mn) unique subscribers. There are 525 mn internet users led by mobile internet.

Mobile therefore is now the primary screen in India. It is disrupting media consumption patterns as it has created an ecosystem for personalised single user entertainment. India has the second largest population of internet users in the world and one of the highest per capita video consumption.

325 mn individuals accessed video entertainment, 245 mn individuals consumed news online and 150 mn individuals tuned into audio streaming platforms in 2018.

The mobile user is demonstrating unprecedented behaviour that cannot be anticipated based on empirical data. This digital disruption is challenging the way media companies develop brands and business models.

### **Three key questions for understanding overall media opportunity in India**

1. What is driving mobile and internet adoption across various audience segments?
2. How are the consumption patterns of audiences changing?
3. How do you build a media business at scale in India today?

### **Drivers of Mobile and Internet Adoption in India**

The median age for India's population is 27.9 years and will remain 28.5 years for next three years. With 45% of the population under 25 years of age, India's Gen Z cohort will rise to 36%, i.e. 472 mn by the end of 2019.

### **Adoption of mobile and wireless internet has been driven by access to:**

1. Affordable handsets at price points of USD 20 – USD 30.
2. Reduced tariffs of mobile data since 2016 with entry of Jio Telecom. In India mobile data charges are as low as USD 0.05 per GB.
3. Improved connectivity in rural areas.
4. Technology innovations: voice search and language keyboards.
5. Content ecosystem: rise of content platforms and telco content bundles.

## Changing Consumption Patterns

India's population of internet users is only getting bigger. Around 40 mn new users come online in India every year, not just from metropolitan centres, but increasingly from rural areas as well. In the next three years, it is expected that 45 percent of internet users in India will be women.

The initial internet users in India consumed English language content on their PCs, and later, their high-end smartphones. Today, however, there is a generation of internet users with completely different needs, where their first and only internet experience is via a touchscreen and not a keyboard.

The internet user post 2017 in India is very different from the first 100 mn users who dominated till 2017. The first 100 mn users on the internet, were largely the elite and the affluent. The demography was mostly male (more than 70%), English speaking and belonged to a stable financial ecosystem with high propensity of online transactions which ranged from online investment to online retail, food delivery apps and cabs. (Refer to Exhibit 2)

The second wave of telecom expansion post 2017 has brought in women, people from tier II and tier III cities and rural areas.

The next billion users in India are non-English speaking, many of them are even illiterate, using internet through voice searches and regional language keyboards. They are primarily using internet for video entertainment and search. Many of them don't have bank accounts and are using only mobile payment systems like Google Pay and Paytm. They are consuming news through news aggregator platforms providing content in various formats in local languages. Even their social media and messaging habits are different. They are not using Facebook but TikTok and ShareChat.

Today 95% of the new user segment coming online is non-English speaking. English-speaking audiences account for only 12% to 15% of the online audiences. By 2023, it will be limited only to 8%. The largest mobile aggregator platform in India, Dailyhunt claims to have 250 mn users with only 10% consuming solely English content.

## Building a business in India: where does the opportunity lie?

India is one of the largest, most dynamic and growing markets in the world and is too big to ignore for any global player. Unlike its biggest neighbour, India's primary attraction lies in its massive market size and open market policies for digital players. There is a viable demand for every solution. However, sharp segmentation is the key to success.

What (solution, service or product) works globally will work only for the top 1% of the market in India. If a company wants to come into India without any localisation then it will only be able to capture the top 1% of the Indian consumers who are highly affluent and have similar exposures as that of the western audience.

To capture the next 5% to 10%, a company necessarily needs localisation in terms of content, pricing and distribution. Let's take an example of Netflix in India. With its heavy investment in marketing and limited local content library, it was able to capture 500K subscriptions focusing on the top 1% of the market. Now to expand its user base, Netflix launched a new mobile-only tariff plan at about 40% of its initial base price offering.

To succeed, it is critical to segment the audiences and assess the opportunity as different 'market sets'. If the objective is to monetise a global product, for international brands with little or no customisation or operational involvement, partnerships will remain a critical route in the digital ecosystem.

To capture the next 30% of the Indian audiences, a company will need to operate in India and solve for the Indian audience, and like a local company, take a long-term positioning in the market and invest to educate and grow the market before becoming profitable.

If the desire is to be a mass brand, then it's must to operate through a completely local model. For building a mass media business, companies will have to take a long term view of value creation, taking cues from companies like 21<sup>st</sup> Century Fox (now Walt Disney), BBC and Google.

2018 witnessed a 40% growth in digital news consumers over 2017 when around 180 mn people consumed news online. However, barring BBC, the international media companies did not materially benefit from it. In the case of BBC, it has seen its audience rise from 28 mn monthly users in 2018 to 50 mn in 2019 after its investment in local news creation in four additional regional languages (in addition to English and Hindi), partnerships with TV broadcasters and localisation of digital distribution through platforms like Dailyhunt and WhatsApp.

### **Some key aspects of building a robust business and localisation in India**

1. **Culture:** The mature corporate work ethos of the western economies makes decision making process structured and predictable. On the other hand, the Indian corporate work culture lacks depth as the environment and ecosystem is still evolving. A company in India has to build in space for market and policy led surprises. Thus, unlike the West, where strategy and planning is driven by set goals, in India it is largely a discovery driven process and the management has to build scenarios for achieving growth and stability. Management must embrace rapid changes in plans and innovate in the evolving market.
2. **Local Leadership:** Creating a strong local leadership which can drive the strategy and build strong partnerships and operations. It is critical for companies to empower the local management to build models that are sustainable for the Indian market.

*“If the team cannot be reasonably Indian you are in trouble. You must start with local leadership. Give autonomy to develop the local business framework; and quick decision making to adapt to the unpredictability of the environment.” - Executive Board Member and Investor*

3. **Product:** Building a strong digital product with an ability to focus on audience segments and personalisation. Understand audience behaviour.
4. **Language:** Look beyond English and Hindi. Create content in local languages in-line with one’s audience segments.
5. **Video and Audio:** With a majority of the audience struggling to read and given the small screen sizes, this is the only way forward.
6. **Content:** Depth and innovation in storytelling. Digital platforms and personalisation of screens present a big opportunity for data led journalism; interactive story telling; investigative journalism: in-depth research and breaking stories; local news to defined audience segments communities; format innovations suitable catering to diversified audiences: audio, text, video, virtual reality.

*“The problems that we are solving in India are changing the way companies do business across the world.” - Hosi Simon, Executive Managing Director, Head of International at VICE*

7. **Metrics:** In a dynamic environment like India, it is critical to create room for innovation and failures. This needs to reflect in the goal setting and the evaluation metric for the businesses. The metrics and models across content, users and revenues that work for home markets of international companies will not work as a baseline for India.
8. **Revenue Diversification:** Advertiser led revenue models alone is not sufficient especially for niche and for English only players. Building and leveraging your loyal audience base and brand to build strong subscriber driven revenues for the core service and building ancillary revenues through new services and experiences is critical.

In the News segment, subscription revenues will remain a challenge in India, as it has been commoditised by the oversupply of players and has been free to its consumers across platforms. Till now the experiments in subscription revenues have been limited to business periodicals like moneycontrol, CNBC, ET Prime, Bloomberquint and international news media organisations like the New York Times, Economist, Time Magazine. Over the next one year, India can expect all of the English dailies to launch their subscription programs and go behind the pay wall. Just like the OTT Space (Over-the-Top), we are likely to see a mix of the metered model (like the New York Times) and the OTT like freemium model. We can also expect a lot of bundling of services with telcos, audio and video streaming players and international players.



9. **Partnerships:** A cultural due diligence of partners is more important than the business due diligence for evaluation of long term partnerships. Most partnerships have failed due to inability of partners to work together, leaving most international players with a feeling of disappointment about the market, even before they effectively engaged with the consumers.

### **In conclusion**

1. Given the disruption in business models when all traditional media companies are grappling with the digital environment, international companies should come in solo.
2. For scouting distribution partners, companies should be prioritised in favour of digital platforms and content start-ups. Today digital start-ups in surface transport, digital payments, e-commerce platforms, service deliveries and online content media are influencing lives of consumers more intimately than traditional media brands. Digital-first partners have agility, aggression and energy to challenge the status quo. It is imperative to find a partner entity that is young, quick to adapt and will work in tandem with targets.
3. It is critical to prioritise partnerships after studying nuances of the Indian consumer online habits versus that of the home market. Multiple consumer researches including the Reuters DNR 2019, show that the choice of and consumption patterns across platforms for Indian consumers are very different from that of the US and European users.

*“India is a gateway to the other developing markets. As the way of thinking here helps you succeed in other markets.” - Director India, International Publisher*

Complexities aside, the Indian media industry should be assessed, explored, tackled through the twin pillars of numbers (i.e. large market) and local culture (i.e. diversity, ethos, demography, literacy, lifestyle).

To succeed in India, there is a need to re-assess and re-imagine the opportunity with a fresh perspective on localisation of management, content, business models, metrics and partnerships. Else, established global models may perish, leaving in its trace corporate discontent and brand dilution.

## II. Why India?

### Macro Economics

### Media Industry

#### Exhibit 1: Indian Media Industry

Sector	2017	2018	2019E	2021E	CAGR 2018-21
Television	9.3	10.4	11.5	13.5	8.80%
Print	4.3	4.3	4.5	4.8	3.40%
Digital media	1.7	2.4	3.1	5.0	28.00%
Online gaming	0.4	0.7	1.0	1.7	35.40%
Total	20.8	23.6	26.6	33.1	12.00%

Source: All figures are gross of taxes (USD in billion USD 1 = INR 71) for calendar years | EY FICCI FRAMES 2019

The global media industry is set to grow at 4.3 CAGR (Compound Annual Growth Rate) from USD 2.2 tn (trillion) to 2.6 tn by 2023. China will overtake the US to gain the top spot. India will leap ahead of UK and Japan.

The Indian media and entertainment (M&E) sector reached USD 23.9 bn, a growth of 13.4% over 2017. With this current trajectory, it is estimated to grow to USD 33.6 bn by 2021.

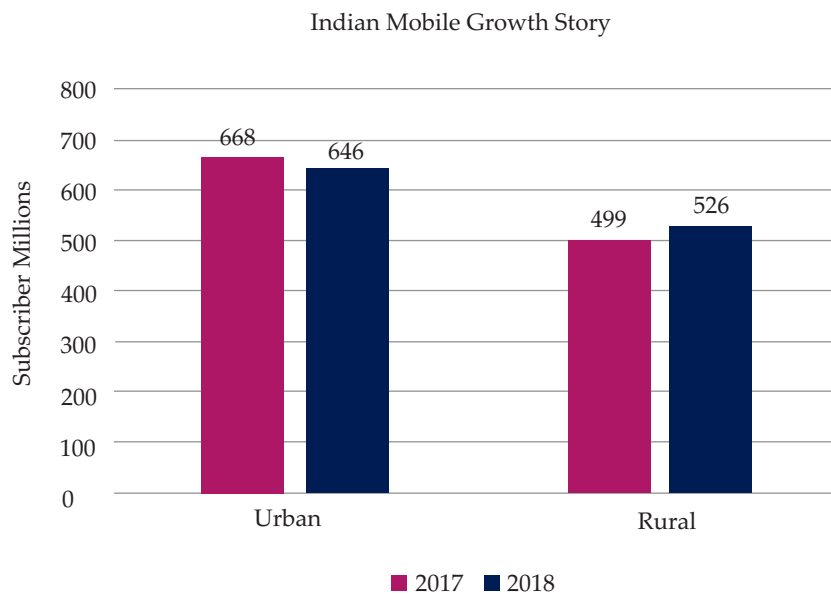
While digital media is the fastest growing segment, it currently comprises only 15% of the total media pie compared to the global 51.4%.

India is at the cusp of growth led by a young audience, unprecedented mobile penetration and wireless internet adoption, growing economy, rising consumerism and an under indexed ad-spend to GDP Ratio. Ad-spend is still only 0.39% of GDP compared to global average of 0.60% of GDP.

## Key Global Trends

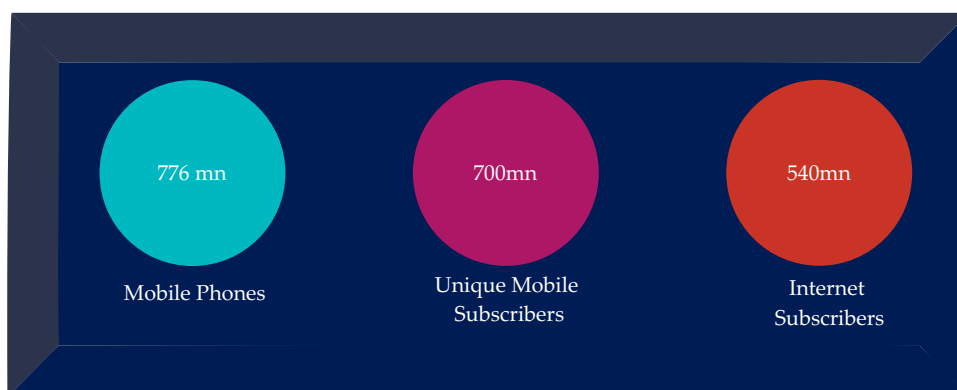
1. Mobile Internet will dominate by 2023 and will make up 61.6% of the total industry - bolstered by gains in internet advertising and data consumption.
2. Smartphone will remain the most favored mode of media consumption.
3. Personalization of content experience will become key.
4. Data and Analytics will become core drivers of growth, creating nuanced content, experience and advertising.
5. Rollout and adoption of 5G Cellular technology will enable growth in VR and Video Gaming.

## Exhibit 2: Growth in Rural Mobile Base in India



Sources: TRAI and Ernst & Young – M&E Report, 2019

## Exhibit 3: Mobile and Internet Subscribers in India



Sources: TRAI and Ernst & Young – M&E Report, 2019 and Statista - <https://www.statista.com/statistics/257048/smartphone-user-penetration-in-india/>

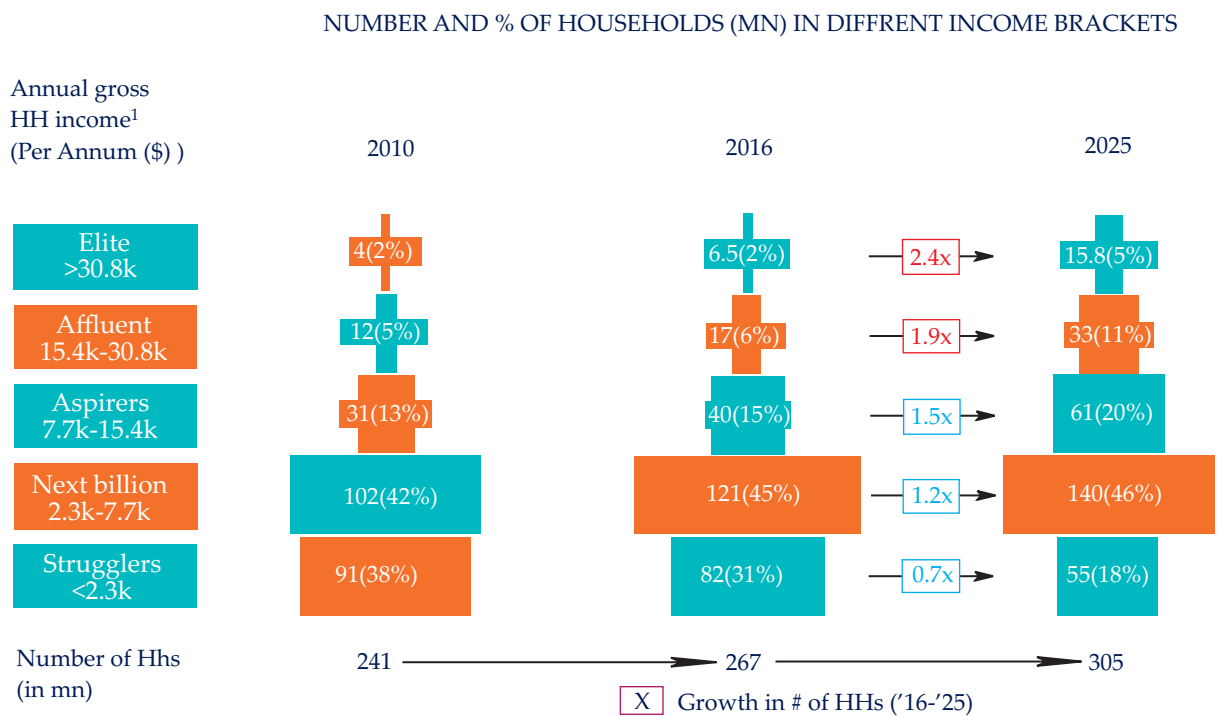
Globally, in 2018, mobile subscribers grew at 79% reaching 7.9 bn subscribers. India crossed 91% tele-density in 2018 with 1.7 bn mobile subscribers, making it the primary platform for information and entertainment for the nation.

2016 saw the entry of Reliance’s service (Jio Telecom) in India offering free mobile and wireless data services to customers.

This led to a wave of telco adoption in lower income groups and rural areas and led to a 10X growth in three years for mobile internet data consumption.

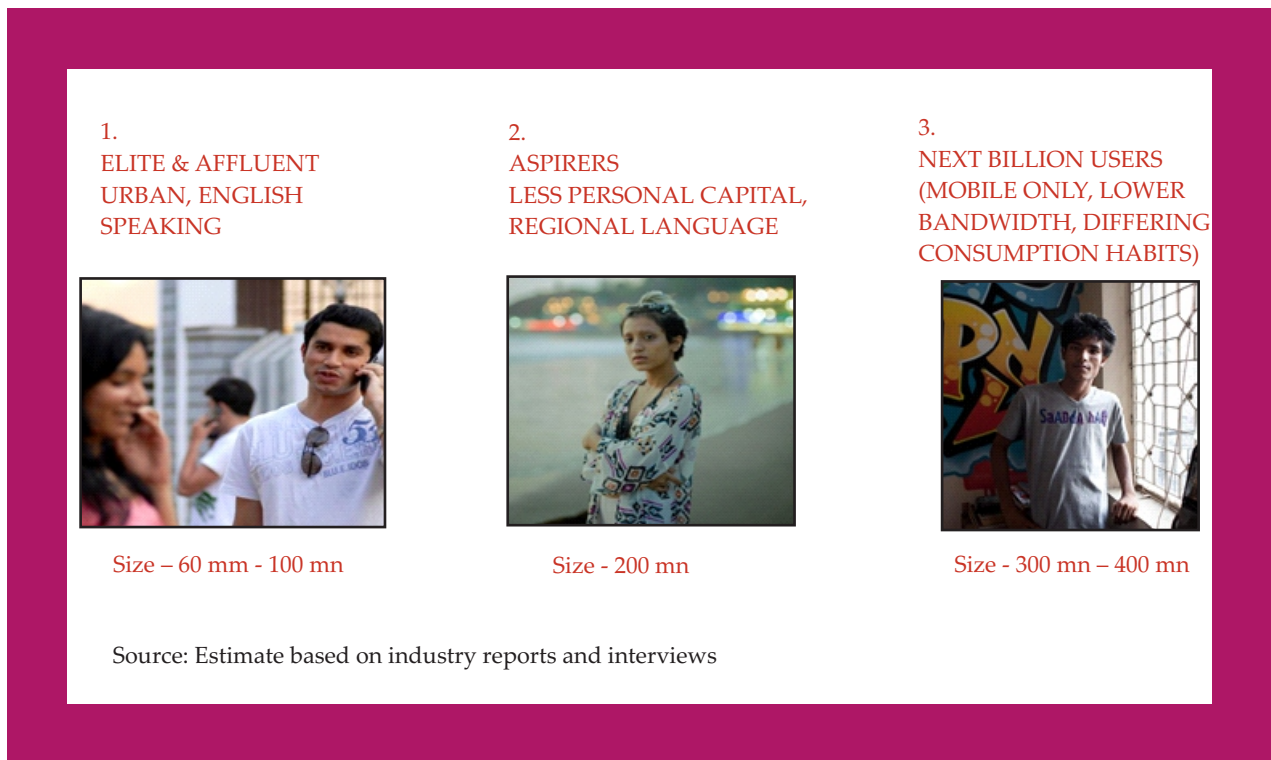
90% of 570 mn internet subscribers in India are serviced by wireless broadband, riding on the back of near-free access. Jio enjoys 54% market share in wireless broadband services with near-free pricing (USD 0.05 per GB). Data consumption reached 8 GB per month per user in 2018.

**Exhibit 4: The distribution of Indian Households across different Income brackets**



Source: CCI City Income Database 2016, BCG CCI analysis  
HH income distributions on 2015 prices<sup>1</sup>

## Exhibit 5: Indian Consumer Segments



### The India consumer base is extremely fragmented across languages and socio-economic strata

India has the second largest population of internet users in the world. Around 40 mn new users come online in India every year, and not just from metropolitan centres, but increasingly from rural areas as well. And they're no longer predominantly men. In the next three years, it is expected that 45% of internet users in India would be women. This rush of new users of the internet in India has greatly transformed the Indian economy and culture, from the rise of local start-ups to the growing use of e-commerce, digital payments, ride sharing, and online video by people across the country. A significant characteristic of the growing new internet users is that a significant proportion is illiterate and almost 95% are non-English speakers. They are using internet through voice searches and regional language keyboards. They are primarily using internet for video entertainment and search. Many of them don't have bank accounts and are using only mobile payment systems like Google Pay and Paytm.

## Digital Explosion

### Exhibit 6: Internet Usage Patterns in India



Sources: TRAI and Ernst & Young – M&E Report, 2019 and Statista - <https://www.statista.com/statistics/257048/smartphone-user-penetration-in-india/>

The majority of internet users in India today are regional language users, and this number is expected to reach 500 mn (of the estimated 700) in the next two years.

Factors driving adoption amongst rural audience base are:

1. Access to low cost smart phones, priced between USD 20 to USD 30.
2. Continued low prices of internet access.
3. Improved Rural Connectivity.
4. Simplified language keyboards.
5. Voice enabled utilization of the internet, mainly for entertainment, search and maps.

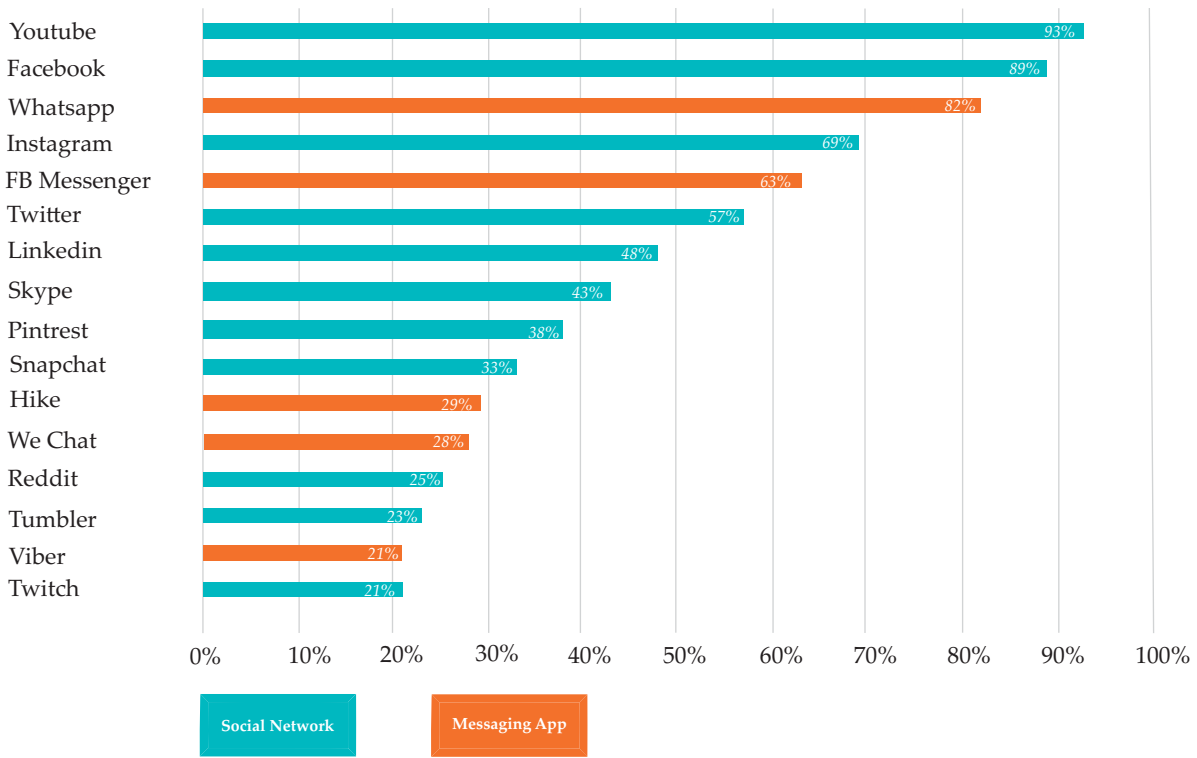
Smartphone penetration coupled with more OTT platforms enabled tier-II and tier-III cities to access content online - both on YouTube and large OTT platforms of broadcasters.

Online video viewing grew at 25% to reach 325 mn and 200 mn (60%) subscribers accessed digital content through telco bundles, thus making them free to consumers.

Digital subscription grew to around 12 to 15 mn in 2018. But remains at <5% of total video subscription and <1% of the music streaming subscription.

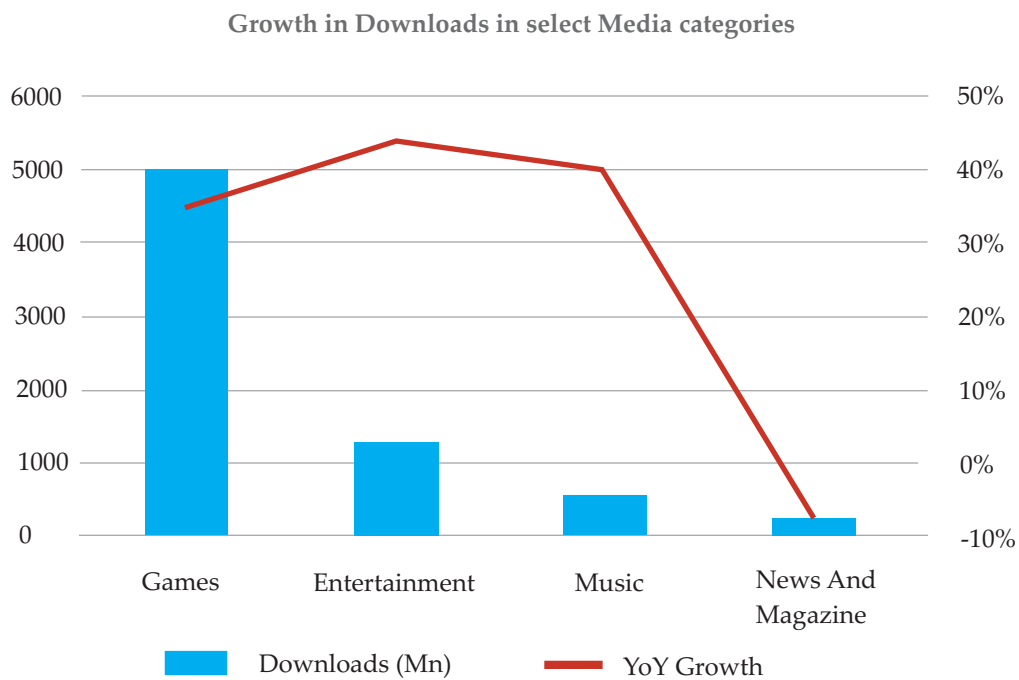
90% of the video content consumed on YouTube is in regional languages. Growth of digital content consumption in India has created a significant opportunity for broadcasters and OTT platform providers. These players are increasing investing in regional language content, not just in Hindi, but other Indian languages like Tamil, Telugu, Malayalam, Bengali, Punjabi and Marathi.

### Exhibit 7: Social Media and Chat Apps in India













Source: GlobalWebindex (Q2 & Q3 2018) | Ernst & Young – M&E Report, 2019

### Exhibit 8: News & Magazine Download trends



Source: App Annie Survey for Ernst & Young – M&E Report, 2019

## Exhibit 9: Top News Apps in India

1.  Twitter
2.  Dailyhunt
3.  Times of india
4.  Inshort- News in 60 words
5.  UC News
6.  The Economic
7.  NDTV
8.  Flipboard
9.  Google News & Weather
10.  The Hindu

Source: Appannie.com

India has become an aggregator led news consumption market with 6 of its top 10 news apps being aggregator platforms including Twitter which has listed itself as a news app in the India Google Play store. A typical low-end smartphone in India does not support more than 7 apps. Thus, many news publishers are not investing in creating their own apps and instead opt for creation of audience loyalty within existing apps and user habits.

This is commensurate with the trend where in 2018, India saw a decline in news and magazine app downloads by 7%. However, the time spent, per user, on news and magazine apps increased at a staggering 22%.

The rise of the news platforms has been on the back of their ability to cater to diverse consumer segments by integrating, formats (video, audio and text), variety of regional languages and aggregate trusted news brands across each segment on single platforms.






TV news continues to be advertiser led. Only few investigative news magazines premium business news brands like The Caravan (political long form magazine), The Ken and Bloomberg are now focusing on subscription revenue.



## Business Models adopted by International Companies in India

FDI regulation in India has necessitated partnerships for news media companies to enter and operate in India. Here is a look at the various models that have evolved over the years across print, television and digital media platforms.

### Exhibit 10: Types of Business Models that International Media Companies opt for in India

Models	Investment Required	Examples	Editorial Control	Constrains	Business Objective
Brand Licensing	Low	CNN and CNBC HuffPost, Wattpad, Business Insider, Tech Crunch		Limited capacity to invest in a localised product.  Short Term Profitability Focus	Monetisation of existing Brand or service with no investment in localisation.
Minority Stake	Low	Quint Bloomberg		Profitability Focus, Limited investment capacity	Development of brand in the Local market without any operational responsibilities
Agency Relationships for Sales and Marketing	Low	International Media Brands with limited localisation		International Media Brands with limited localisation.  Profitability Focus, Limited investment capacity	Testing the market for product fitment, revenue models with low core product customisation. Usually preferred by digital platforms or International Content companies looking for monetisation of a standardised global product.
Equal or Majority Stake	High	Vice Media India Viacom 18 till 2018		Ability to invest in localisation of product, Ability to create and sustain a 7-10 year vision for India.	Active business creation; with local management leveraging the strengths of local entrepreneurs.
100% Owned Subsidiary	High	21 <sup>st</sup> Century Fox, Sony Pictures, Discovery, Netflix, Amazon Prime Video, Facebook, Google		Create an organisation vision and investing capital in brand building.	Long-term value creation for India and its global businesses.

### III. Doing Business in India

*“India is a gateway to the other developing markets. As the way of thinking here helps you succeed in other markets.” - Director India, International Publisher*

The complexity of the Indian market can be imagined with 1.4 bn people fragmented across 22 major languages with numerous regional variations and 5 well defined socio-economic consumer segments differing in their literacy levels, sophistication of media habits, quality of internet and media access and their online transaction behaviour, the learnings of doing business in India which necessarily mandate constant innovations and adaptations are changing the way global companies service their consumers worldwide.

#### **Key Factors that have contributed to the success of international players in India**

1. Disproportionate investment in local entertainment and sports content.
2. Technology investment for high quality user experience and distribution.
3. Creating a powerful local leadership team with autonomy and authority to drive the business.
4. Focus on long term value creation; evolving local revenue models designed for the Indian market.

In this section each of these aspects will be assessed in detail through experiences and strategies of different media companies in:

1. localisation of content and services delivery
2. localisation of organisation structure and autonomy
3. localisation of revenue models
4. partnerships

## Localisation of Content and Service Delivery

*“My home strategy is not my India strategy. In India only localised businesses thrive.”- CEO, India for an American media company*

### Let's start with defining what localisation really means.

For many organisations, localisation is just about building a cultural context but they tend to ignore language, format and platforms.

**Language** – preferred local language or if it is English then adjusted to a level of colloquial simplicity (of the targeted consumer).

**Format** – content pieces created in preferred storytelling (fiction, gaming, VR, animation, documentaries) and technical formats i.e. video, voice, text (including length)

**Platforms** – delivery of content across regional and global social and aggregator platforms of choice in the local market, VOD, television

**Subject / Cultural Context** – creating content around the local cultural moments that matter to the audiences and approaching it from the point of authority as an insider and a cultural leader.

As discussed earlier, India is a mix of 5 key socio-economic audience segments with acute fragmentation within each segment arising out of language preferences.

Let's look into a few case studies of success and failures led by localisation of content:

1. 21<sup>st</sup> Century Fox – Walt Disney
2. The Weather Channel
3. The Economist
4. A youth media company hereinafter referred to as 'YMC' (details withheld due to confidentiality obligations)

## 21<sup>st</sup> Century Fox

Long term value creation through disproportionate capital investment in creating a high quality truly local content has been the key to 21<sup>st</sup> Century Fox's success in India.

In India entertainment companies such as 21<sup>st</sup> Century Fox (now Walt Disney), Sony and Viacom have captured the regional and international TV and digital entertainment market.

These international players entered the market with a view of long term value creation through disproportionate capital investment compared to the market at that point in time.

The success of these networks have been driven by their commitment to creating local high quality content, focused across mass audiences.

They have steered the market towards higher investment in content led by TV reality shows, movies, drama, and live sports.

In 2001, 21<sup>st</sup> Century Fox's fortunes were looking very dull in India. The mix of international and limited Indian programming had not really borne fruit.

James Murdoch's decision to invest in "Kaun Banega Crorepati" (KBC), a franchise of Who Wants to be a Millionaire<sup>1</sup> changed the fortunes for the group in India. For KBC they created a disruptive premium positioning for the network by:

1. Innovation in format: Indian television had not seen any big international formats come into India with high quality productions.
2. Investing in leading talent: bringing in Amitabh Bachchan (a leading actor of Bollywood, the Indian film industry) on the silver screen (this had never been done before on cable television).
3. High quality production – cost of production for each episode of KBC was estimated at close to USD 13000 to USD 15000 per episode, whereas the norm was close to USD 2000 to USD 3000 for regular drama programs.



PC: Mythical India

Alongside KBC, they invested in high quality soaps in Hindi. It successfully managed to cross pollinate its audiences by programming KBC in the middle of primetime slots between its most popular high quality drama shows. With this StarPlus became a 24 hour fully local content channel in Hindi and also the undisputed leader in General Entertainment Channel.

*"James Murdoch is the reason why Star is successful in India. 20% of 21<sup>st</sup> Century FOX's revenues are coming from India. It is the vision that makes all the difference."- Senior Manager, 21<sup>st</sup> Century Fox*

With the success of KBC, FOX continued to invest in content and built a strong local language portfolio going well beyond Hindi into other regional languages. It went on to launch multiple channels in regional languages.

In the OTT Space as well, FOX took the leap before the launch of international players like Netflix and Amazon and launched Hotstar. With best in-class investment in technology and advantage of access to TV content library it started its OTT service in India with a Freemium model. Where only certain parts of the library were behind the paywall.

In 2018, FOX made a consolidated bid for TV and Digital IPL cricket rights at a whopping USD 2.2 bn with TV and Digital streaming rights, beating Facebook, Sony and Times Internet who had bid for either digital or TV rights. This established Hotstar as the most important player in the Indian OTT market helping them onboard new users.

It is reported that its success in India was one of the key factors for Walt Disney's acquisition of the 21<sup>st</sup> Century Fox.

The Walt Disney Company had a huge brand advantage in India as its content was licensed and broadcast by the public broadcaster in India even before private cable was opened up in 1993 and Mickey and Minnie Mouse were a household name.

*“The inability to walk away from the comfort zone of the way of doing business [as they do in their home country] leads to the failure in localising in emerging markets with strong cultural preferences like India.” - Senior Business Journalist, India*

However, Walt Disney could never create a significant business model with local content and local business models. An industry veteran argued that “The fact that Walt Disney does not own a single Theme Park in India after 30 years is proof that it has failed to create any impact. This is primarily because the company did not want to go beyond their comfort zone of doing business”.

And so in India they have gone the acquisition route. It first acquired UTV (a local youth content film and television business) to create films and now it has acquired 21<sup>st</sup> Century FOX. Walt Disney has decided to adopt the FOX model for its growth in Asia.

## The Weather Channel

Not all companies are looking to invest in new markets. Many managers are entrusted with the task of expanding to new markets with the objective to monetise the existing product, service and brand with minimum or no additional cost of operation.

*“Generally speaking, companies will say no to localising for one single international market if localising takes a lot of engineering / technological resources and there is no immediate ROI / impact on user engagement.” - Head of Partnerships, an Indian Media Investment Firm*

The Weather Channel (TWC), during its entry phase in early 2017, looked at India as a pure revenue play. Its partners advised them to create a new product altogether using the same brand with a focus on air pollution as a key differentiated service in addition to the weather service, as they were late entrants to the market.

The team was hesitant to make an investment in product localisation for just one single market. However after identifying the same need in other emerging markets, and with encouragement in India with rising traffic and better monetisation with the local partner, it launched a strong pollution tracker for a set of markets.

## The Economist – One Product for the Global Discerning Audience

The Economist is known for its global unique standardised view delivered to its audience worldwide. Its decision to maintain its premium subscription pricing for print and digital has restricted its growth in price sensitive markets like India.

75% of its audiences are in North America and UK. China and India barely contribute to 2% and 1% of its readership respectively.

While commenting on localisation, executives shared that the unique proposition of its service was delivering a comprehensive view to its audience interested in global events and affairs. Most importantly, the organisation was not built with a vision for developing local content for each market.

The premise of this one product model is viable for premium consumer led products and services which can capture the 1% elite from across the global markets demonstrating similar behaviours across geographies.

However, this has not stopped The Economist from experimenting with new solutions. Understanding the premium perception of its brand and the quality of its language and journalism, The Economist launched a bilingual product in China for MBA students who have aspirations of studying abroad and have a global career.

*“In our experience with China, they [audience] do not want local politics, but a global product.”- Deputy Editor, a global business magazine*

The bilingual product is focused on finance, technology and business article. It is a tool for teaching them English and bring them up to speed on business issues. This solution alone has given The Economist over 21K subscribers and is rapidly gaining popularity.

The New York Times is also of a similar view. The core of the solution is focused on developing and growing its base in the United States. The focus of expansion on the global markets is to capture the discerning US educated international reader.

## **YMC**

It is critical to involve the creative leadership and business teams in both the headquarters and the regional offices to devise a cohesive go to market strategy.

*“Isolating the creative people from the business agenda is the start of the problem.”- Head of Content, Asia of a global youth media company*

Armed with an ambitious vision for becoming a key player in youth media space in India, YMC launched its digital operations and went live in India in the latter half of this decade.

With this intent it set out to create a local content led company but it did struggle through its initial phases for three key reasons:

### **1. Staffing and content strategy not aligned to India business goals**

Under the guidance of YMC’s home country’s editorial and video content teams, the local team in India created a content strategy that mirrored the home country’s content strategy of having 2 distinct identities of YMC News and YMC (the culture focused content vertical). This led to over investment in YMC News, which was not a part of the core positioning.

*“I think this happened because even the HQ team did not know the clear strategy for India. So they just did what they knew.”- Editor in Chief, India*

## **2. Content format not aligned to local tastes and preferences**

The content strategy was created with an aim to retain the quality of English, long-form articles with in-depth analysis formats of 800 to 2000 word articles and YMC documentary style video story telling.

However in India by mid-2017 digital news publishers were moving toward 60 to 100 word summary due to growing youth audiences, who were (at the very best) comfortable with very basic English and struggling with reading speeds.

This difference in content consumption trends in India ought to have been the key differential in creating the strategy but the instead in designing the India Editorial offering was led by home country templates.

While the business side of YMC in India was gearing up to launch a mass urban youth brand, the content strategy was preparing for a launch catering to niche urban elite audiences.

This disconnect between the business and editorial strategy also led to YMC initially hiring a team with a mismatch of skill sets, i.e. it was over invested in political editorial team while it needed a team oriented more toward lifestyle and youth. Consequence of this was that the YMC management found itself investing heavily in reskilling and hiring of new resources to align YMC content with its vision for the target audience.

## **3. Video Content Strategy – setting the cultural context**

YMC is globally reputed for its ‘edgy’ documentary style content around sub-culture topics like identity, food, LGBTQ+, sex, drugs, fashion, women, travel, gaming, technology and many others.

In an effort to maintain the YMC Identity, the Indian content was prioritised around topics like ‘Gender & Sexuality’ and Music and Drugs with a preference to align with the global brand.

YMC India launched its first long form documentary in India about sex education and the sub-culture in India. This was a four part series on exploring important issues around sex education, sex toy industry, BDSM culture with an objective of talking about issues that are taboo. When launched on YMC website, it became an instant hit with the urban audiences.

It was brilliant content, of direct relevance to much of India’s youth, but it was perhaps too early in its life-cycle in a new market.

Three problems that YMC India encountered, contrary to their experience in the home market:

1. Limited Third Party Distribution Uptake: leading social media, advertiser led OTTs and news aggregator platforms declined to carry the content for reasons such as: “sensitive subject”, “may hurt public sentiment” and etc.



2. Lack of Advertiser Support: the advertisers refrained from backing the series as it was a bold subject for India. And YMC India was a new player; who was yet to establish its tonality and audience
3. English Language Barrier: as the content was produced in English, it did not give traction in the second level towns of India to gain new audiences.

The documentary should have been YMC's third big documentary, not its first documentary.

The format and the language of the content were critical and lessons had to be learnt from the consumption trends in India. With every new release by YMC, two things became clear, firstly, fictional, more dramatic documentary formats were gaining more acceptance in India; and secondly, anything in local language content got at least 5X views than English language content.

However, the initial English language heavy content strategy inspired from the success in the home country, created a version of the home country YMC in India. It thus ended up catering to the very same audiences / demographic which was already consuming the 'parent' YMC content.

Only when YMC created two Hindi language documentary pieces which attracted 90 mn and 25mn views did it finally expand its user base significantly.

This case study highlights the following learnings:

1. Engage creative team in development of the business vision: positioning, audiences and strategy.
2. Undertake consumer research in local region (beyond the analysis of current audience consumption trends for the international product).
3. Let the local team lead the creative vision for the region and take complete responsibility of creating relevant audiences for the local service.
4. Educate and inform the commercial team of the editorial plan to enable revenue teams to support the editorial.

Local Consumer Preferences and Sophistication Driving the Scope and Quality of Journalism

Content localisation is always tricky and the custodians of brands are sitting in a market many steps removed from the local environment.

*"As an International English News Company you need to localise upto a point. In India you cannot compete with TOI or Hindu. You have to find the balance. Your special salience, it could be environmental or investigative journalism. Might be the gap in the market. Or stories you cannot understand in local terms...combine local with international." – Alan Rusbridger, Retired EIC, The Guardian*

Editor In Chief of a leading national digital news publication in India shares that 50% of their total daily content is local news and entertainment. While entertainment is only borderline journalistic, it helps them attract new customer and then engage them with quality journalistic content to build a loyal customer base.

*“So on the outside it may look like we are creating poor content, but we are truly placing the audience’s preference in the heart of our offering.”- Editor in Chief of one of the largest Indian English news dailies.*

This is a strong trend observed in India, that is, of entertainment led audience onboarding due to the expansion of first time internet users from small towns and rural parts of India who are using the internet primarily for entertainment.

Even the HuffPost has made an exception for India. Led by inputs from their local Editor in Chief, HuffPost has replaced its ‘lifestyle’ section with the ‘entertainment’ section. Making this format level change has been a big step for them led by local team and their learnings.

### **In conclusion**

Product localisation is always tricky as the custodians of brands are sitting in a market many steps removed from the local environment.

For news media companies, where the goodwill and trust in the brand is core, most international brands become local versions of the international brand instead of developing a localised brand which immerses itself in the local culture and becomes a true representation of the local market.

## Localisation of Organisation Structure and Autonomy

*“If the team cannot be reasonably Indian you are in trouble. You have to start with local leadership. Give autonomy to develop the local business framework; and quick decision making to adapt to the unpredictability of the environment.”*

*- Executive Board member and investor*

Most international media companies start with constituting a local team to run the operations. However, it is the right balance of autonomy to take decisions which actually impacts business growth.

Most local country managers / CEOs and editors alike related to the issue of lack of trust and autonomy specially in the initial stages of setting up the company in the regional leadership and autonomy provided for decision making.

This often leads to friction between the head office and the regional office, leaving both parties exhausted and bruised. And in some extreme cases attrition of key leadership talent.

The most successful international companies in India, like 21<sup>st</sup> Century Fox, Sony Entertainment Television, Amazon Prime Video and Google have all been known for having strong local teams including a CEO with significant autonomy.

### **An Indian Executive’s Perspective - Some Causes of Conflict**

1. Approach to decision making: the developed markets are driven by data for decision making. In an evolving market like India, decisions are taken based on emerging opportunities and not all of it can be backed by the same level of empirical or market size data.

*“The American approach is: give me the rationale and show me the numbers. Ability to translate whatever you say in numbers is vital. You need to back everything with data.”- Director, Asia of an International Digital Publisher*

2. Lack of Empathy: lack of cultural exposure and understanding of doing business in India limits the ability of international managers to appreciate difference in operating styles of local workforce, complexity of the market place and the consumer segments.

*“I realised the International Board members had been coming to India for years and staying in the same hotel in Mumbai. For them this was their only view of India.”-  
Group CEO of a large entertainment media company (American-Indian JV)*

3. An **International Board** with limited understanding of the complex local business practices and layers of regional partnerships Many a times there is no special Board for India. Some of them do not have the willingness and emotional capacity to do this. Each personality is different. If they are looking at 10 countries they are typically not interested. Just show me the numbers and move on.
4. **Choosing international managers for their Indian Origin:** Through the interviews one of the counter intuitive trends that came out strongly was that having International managers of Indian origin, who have been away from the local market for a long time or in many cases never worked in India before, only adds to the discordant voices in the boardroom.

*“Managers who have lived outside India for over a decade, may hold very dated views of the country and not be able to appreciate just how much the country has changed. It would be better to choose either someone who lives in the local region, or someone who is a complete outsider who will see things with a fresh pair of eyes and would be willing to get on board local expertise.” – Country Manager, International Media Company*

## **BBC News World Service**

BBC is arguably the leading international news company which has invested heavily in India with exposure in over 5 local languages and a base of 50 mn (as per BBC’s own survey results in 2019; up from 28 mn in 2018) unique across platforms and partners.

Indushekhar of BBC shares “the success of BBC in India can be attributed to the focus on not just creating local news but also relooking at international events from the point of view of the local audiences.” With a target of 500 mn unique subscribes across the globe by 2022, BBC in India has chosen to invest in more than 5 languages in India alone across TV, digital and radio platforms.

The management team believes that BBC has been able to make significant impact in India due to the following reasons:

1. Investment in localisation of content and reporting with four additional languages.
2. Standardisation of staff training and management control systems; removing subjectivity and uncertainty thus reducing any miscommunication that may occur due to distance or language.
3. Autonomy of the local management to take decisions.

4. Forge strong partnerships with regional news TV players for one hour branded slots of news and leading local digital news aggregators platforms which are relevant for the market.
5. Prioritisation of digital distribution partnerships with players like Dailyhunt and WhatsApp, in-line with habits of Indian consumers.

## Localisation of Revenue Models

*“Do not try to understand India. It is a crazy market. There is scope for every offering in this market.”- Senior Journalist (Independent), India*

India is and will remain a predominantly advertiser led market across print, TV and digital platforms. With little subscription revenues and low realisation rates for advertising, India is an extremely challenging market which requires localisation of the business models.

The media industry has always been dependent on advertiser revenues in India.

The news print and television market is 100% advertiser led and the entertainment cable television has only 20% contribution from subscriptions. Unlike the US where the cost of cable television is high leading to cord cutting, India is a near free market in cable and therefore does not expect to witness a decline in TV subscribers due to the rise of entertainment consumption on the internet.

The movie business is the only ‘direct to consumer’ business where the receipts are directly linked to consumer footfalls.

The entire argument of unbundling of audiences leading to lack of consumer data in the digital scenario is flawed. Due to the limitations of traditional distribution channels (in print) and poor measurement systems in non-digital cable, television players hardly ever have consumer data.

*“The Indian market needs at least 7 to 10 years break-even profitability outlook.”- Independent Board member and Investor in multiple media companies*

In the digital environment there is the rise of technology and data companies which are leading the way and building ‘direct to consumer’ businesses like Google, Facebook, Netflix, Hotstar and Amazon Prime.

With 325 mn subscribers streaming video online, mobile has become the first entertainment screen of the country. However, 200 mn subscribers are being subsidized by telco bundles.

The early trends of subscriber led (SVOD) OTT platforms like Amazon Prime Video, Netflix, EROS and Hotstar are encouraging but we have a long way to go in developing the scale of paid users.

With the telco subsidizing the content costs right now (to over 200 mn subscribers), it is a difficult time for media companies to develop a premium subscription model. As the market needs investment in content localization, brand building, customer acquisition and technology customization with a long gestation period.

*“India is a scale led value market and not a premium high margin market.”-  
Country Director, an International OTT*

To be a large-scale player in India, companies will have to take a long-term view for value creation in relation to consumer business in India.

For companies driven by short term profitability or dominated by a home country agenda, it is more advisable to focus on the international brand goodwill and either license the brand or develop a B2B servicing the large consumer media businesses.

### **Subscription Models for Premium Audiences also need Local Pricing**

**Netflix:** With strong investment in high quality local content and a strong marketing, Netflix is still at under 1 mn paid subscriptions in India. It has always maintained that it is interested only in the premium layer of customers. It is now considering a service priced at 50% of its current basic pack for the mobile only audience to gain greater outreach.

### **The Economist**

The Economist is one of the most respected international news brands in India amongst the media elite and offers its subscription at a price which is 33% lower compared to any other market in the world. Recently it even tried bundling of subscription with Harvard Business Review, however, it still has not managed to cross more than 20K subscribers in India.

### **Invest in India With a View for Long Term Value Creation (5 to 7 Years Gestation Period is Realistic Expectation)**

Discovery Channel Network (DCI) had an early start advantage in India when it launched in 1995 with its flagship channels – “Discovery”.

It established a successful subscription plus advertising revenue model in India on the back of its premium international infotainment offering (dubbed in several Indian languages) and a strong distribution alliance with Sony.

'Discovery', over the years brought its key international portfolio to India, but unlike Fox or FOX or Viacom never attempted a fully local television channel.

Primary Reason: Discovery has always been led by short term profitability while leading expansion and not the long term value creation in foreign markets.

*“That while you believe that there is investment growth potential, but short term loss control is more important than the long term value creation view. If you want to enter India you need to have a large risk appetite and a long term vision”-  
Former senior executive*

In 2016 - 2017 with digitisation of cable TV, onboarding of small town and rural audiences and change in TV audience share measurement systems (from TRP to BARC) the share of television viewership for the English category and thus Discovery dropped significantly in India.

Discovery explored multiple options of expansions and finally decided to attempt a fully localised native Hindi entertainment channel only in 2017-18.

'Jeet' was launched as local entertainment Hindi language cable channel which is one of the most competitive categories in cable television. It did not meet with expected success in India and was withdrawn from the market within 2 quarters of being live.

**Primary reason:** the channel met with little success in the extremely competitive general entertainment Hindi content market. This meant that Discovery would have to invest more and the company would have to reimagine the content strategy to connect to the audiences. However, Discovery decided to withdraw the channel and let go of the staff, as the priority was cashflow stabilisation and not long term value creation.

### **Diversification of Revenue Streams**

YMC India, profitability focused and driven by its brand of content, its leadership was clear that it wanted to build business on the back of premium content. Given the low advertising realisations and no clear subscription model worldwide, its positioning and launched itself in India as a best in class youth content player and invested in a strong local talent pool. The company focused on 1) native advertising revenues bringing in sponsors for its flagship series and even co-developing series; 2) developed a content studio business with local capabilities catering to the rising demand of content by OTT players in the Indian market; and 3) launched

its design agency business VIRTUE in India, catering to design and delivery of brand communication and experiences in the urban youth segment market.

### **CNN's Licensing deal with Network 18 (A Reliance Jio Company)**

CNN and CNBC entered through a licensing model in India. There is disagreement between the editors and management on the impact of this model on the brand itself.

For the business this is an effective way to monetise their brand in a large market like India where ability to create long term value is restricted for news players due to FDI regulation. Further this model also let the brand franchise grow in the largest democracy.

From an Editorial perspective, there is a dilution of its brand and perceived journalistic standards its partners across key markets like Turkey, India and China have necessarily aligned to any of its global editorial views.

Some of the media experts, favour this model and look at it as simple servicing of different customer segments. In India CNBC TV18 (the local Licensed channel) and CNN International are both broadcast

### **In Conclusion**

To succeed in a market as diverse and complex as India, a company needs to create a strong local leadership and enable them to decisions and grow the company in a model best for the market.

India's business practices are very unique owing to media landscape dominated by promoter led businesses, evolving market with lack of big data for decision making, and difference in cultural operating practices is difficult to come by making it very hard for international managers / Boards to appreciate the decision making process. Adherence to strict global practices will affect the pace of growth of a company and its agility in the market.

Organisations must be careful to localise their content offering with emphasis on not only the cultural context but also an equal emphasis on language and platforms.



## Partnerships

### Genesis of Partnerships

Partnerships have played a very critical role in the growth of international media companies in India, due to the controls put in place by the government on Foreign Direct Investment (FDI).

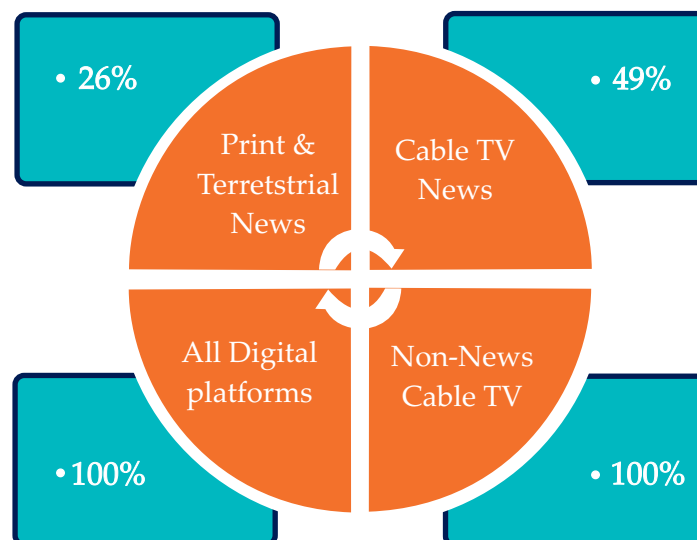
The news industry today across print and television sector is completely controlled by the local media houses. The entertainment TV industry has seen mix of international media companies and local media companies through a web of complex partnerships.

### Regulatory Framework

Indian government has restricted FDI in TV and Print news industry to 26%

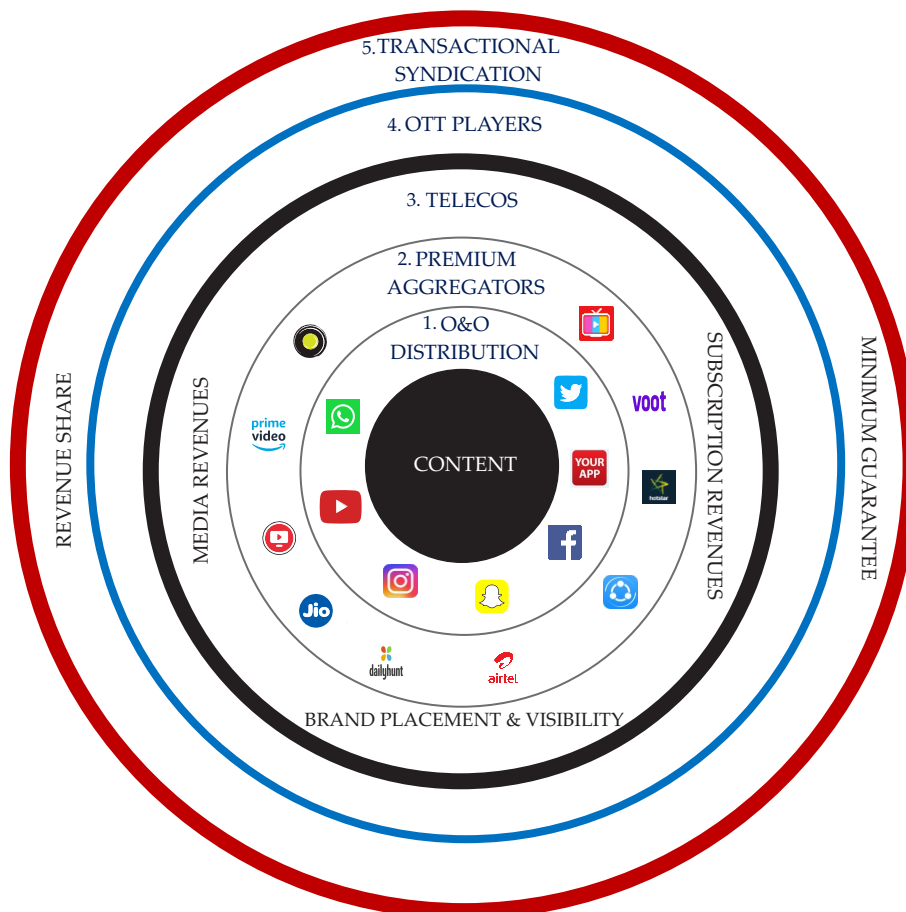
In Television media India only recently allowed 100% Foreign Direct Investments in Cable and DTH businesses (up from 74%) and up to 49% in news (up from 26%). Given the regulations, Foreign partners necessarily required local partners to operate in India

### Exhibit 11: FDI in India



## Rise of the International Media companies in the digital ecosystem

**Exhibit 12: Integrated circle of Partnership led Reach and Monetisation Models: Telcos, OTT, Aggregators Social, Surface Transport, Open Platforms**



Source: Primary Research and Analysis Legend: O&O= Own and Operated platforms

This exhibit articulates the complexity of a digital distribution network required to build reach and engagement. All specific companies mentioned here are for reference only and not intended to be exhaustive. Strategies for each company will be dependent on their content genre, format, intended audience and monetization strategies

Digital ecosystem had no FDI restrictions in ecommerce or entertainment; thus allowing a lot of freedom and encouragement to global players to enter early and invest in the market for development. The technology native platform companies have led the market development in the digital ecosystem.

This can be seen in the dominance of international platform companies in India across social, entertainment and chat platforms as shown in Exhibits 7 and 8 . These platforms with best in class global products have invested heavily in market development through:

1. Personalisation of user experience to cater to a heterogenous market base.
2. Multi-lingual interface with up to 12 languages supported for some platforms.
3. Creating revenue models for the local market and investing in education the advertisers and the consumers.
4. Innovations in format for enabling access to low-end smartphones and feature phones and low bandwidth access solutions.

The technology platforms have been developing an online ecosystem and audience habits through social and chat platforms and UGC content. They have relied heavily on traditional media companies to develop loyalty for their own platforms. On the other hand, only a few traditional media companies like Times Internet, India Today group, Dainik Jagran and Dainik Bhaskar, to name a few, have managed to leverage their offline brand strength to develop largescale online audiences on their independent digital platforms.

*“3 out of every 5 people consume BBC off platform. For many publishers the numbers are a staggering 95%.” – Indu Shekhar Sinha, BBC Asia Pacific*

This coupled with the multiple content streams through social, chat and open content streaming platforms across multiple devices has led to an unbundling of audiences for publishers across segments.

The other key players that have emerged in the digital ecosystem (like the international markets) are the local telco players that are investing heavily in news and entertainment content apps for retaining customers on their platforms. Leading the telecom investments are Jio and Airtel through their multiple content apps.

The primary sources of traffic for news publishers is social, chats, news aggregator platforms (refer to Exhibit 8 for leading aggregator platforms in India) and telco led apps.

*“84% of our content consumption of our social and entertainment news happens on Facebook instant articles.– Head of Content for a leading Indian lifestyle news network.”*

Even for strong media brands 60% to 85% of their traffic consumes their content on aggregator or social platforms. This trend is more acute for social content or entertainment content which relies more on virality and shares for reach.

For a comprehensive digital presence today, the publishers have to approach the audience through multiple touch points across platforms. The drivers of partnership are:

1. Influence: Goodwill and Trust;
2. Audience Reach; and
3. Revenues

They Key challenges that media; specially news companies face in this new ecosystem of rented audiences are:

1. Journalistic independence curtailed by the policies of the platform.
2. Audience access dependent on the algorithms of the platform.
3. Continuous paid investment for eyeballs.
4. Limited advert monetisation of audiences across these platforms.
5. No ability to charge subscription on rented audiences.

Due to this, it is important for Media companies to forge long term partnerships with fewer platforms and develop a mutually beneficial relationship allowing editorial control and enabling monetisation of the content.

*“Undertaking a cultural due-diligence of a potential partner is as important as business due diligence.”- CEO, India’s leading domestic news group*

In conclusion, to choose a long-term partner in India, one must undertake a thorough cultural assessment beyond just business parameters. Some of the questions that the international managers must ask are:

1. Business plans of the partner and its relevance to your product / service.
2. How does your brand fit into their business plan? How important will your service be to them?
3. What is the current market share and quality of platform of the partner?
4. Map the history or reputation with international or domestic partnerships.
5. Ascertain the willingness to invest in promotion of your brand.
6. Understand the conflict of interest (if any) of any of their portfolio companies with your brand.
7. Establish influence of existing networks and relationships of your own company or group with their investors or promoters.

## IV. Analysis

### Developing a healthy ecosystem

India needs to build a healthy ecosystem to attract international news media companies to India.

*“India, like the rest of the world is going through a crisis of information. With polarisation of its local media, there is a big opportunity for International media companies to develop a truly independent voice of journalism, but there is no willingness to invest in India.” - Editor in Chief, leading domestic news publisher*

The FDI regulation has not allowed the leading media brands to invest in India and create long term value. These two factors have limited the pool of partners available to international media companies.

Most leading international news brands, opted for syndication, licensing of brand or at best minority stake with no active involvement in building the local business and its editorial strategy.

The news media companies evaluating India entry at this point in time are focused on 2% to 5% of the elite and affluent audiences for their international product, or with solutions localised in English.

The key concerns echoed by international GMs holding back from India are outlined below:

1. **Big Deterrents:** The failures of NBC Universal with NDTV in the general entertainment television space, HuffPost with Times Internet in digital news and Walt Disney’s acquisition of UTV youth television and movie business, amongst others, have deterred many companies from investing in India.
2. **Limited Trust in Local Partners:** Many Indian entrepreneurs in the media sector have come under the scanner for their irregular business practices. This coupled with the big failures has held back players from developing long term partnerships in India.
3. **Perceived Government influence and regulatory control in news media.**
4. **FDI Regulations favouring local players and mandating partnerships.**
5. **Lack of a robust subscription led business model.**
6. **Corruption in the advertising ecosystem.**
7. **Lack of a developed law on damages and the high cost of litigation.**

## The Common Mistakes made by International Companies

The common mistakes that international companies make while devising their India entry strategy

1. Setting the wrong metric (key measures of success): one of the primary reasons of the failure of international businesses in emerging markets is the application of incorrect metrics. Companies apply the same metric that are used for evaluation of success in the home country / HQ, without understanding the local market ecosystem.
2. Entrusting mid-level managers or people who have limited understanding of the region market to assess and create market entry strategy.
3. Not undertaking a cultural due diligence of Partners before investing and creating a corporate structure.
4. Focused on global business models: driving entry with an objective of maximisation of existing product, brand and service. Essentially assuming that the home country strategy and revenue model is the right global strategy.
5. Lack of willingness to make customisations to the product, service, audience set, pricing or and / or brand for the Indian market, e.g. The Weather Channel and Huffington Post.
6. Lack of empowerment of the local executive, thus limiting market adaptability and on-ground agility to do business in the local country. (Same as 3)
7. No Long Term Value Creation: driven by the HQ P&L, many companies are focused only on Annual P&Ls and thus demonstrate a limited investment appetite for capturing local market opportunities. (YMC and Discovery)

## How to Build Trust: Managing an International Board, a CEO's Perspective

Indian entrepreneurs do not have a long term plan or do not want to share. It is critical for the professional CEOs to develop a common vision with their international Board in order to build trust and enjoy autonomy.

*“The biggest challenge of multiple voices on a Board is aligning all parties to a common vision and priorities to achieve common goals.”- Group CEO of a leading entertainment JV in India*

1. Create a long term plan for the board and align them along a vision and create measurable goals across
2. Create a strong operating plan and measure progress against vision goals
3. Keep the board involved – give full insight into operations
  - i. Meet 3 to 4 times a year.
  - ii. Update the board about changes in business environment.
  - iii. Take the international Board across different parts of the country to sensitise them about the diversity of the country.
  - iv. Invite external speakers to share insights with the Board to build empathy.
4. Create a diversification and expansion plan backed with full investment requirements, projection of cashflows and debts and project funding requirements.
5. Capacity Building: Build a strong management team, invest in system, process and develop a unique culture which fosters creativity and entrepreneurship.

## V. Is There a Future?

### **Building a Successful Internet News Media Company for the Future in India**

*“There is a trillion Dollar opportunity in creating a Multi-media News company however, we need to fundamentally change the way we approach our craft and business. Media companies need to start thinking like consumer tech companies.”*

*– Rajiv Bansal, Former CEO, HT Digital and Founder of Opoyi*

The digital business environment in India presents intense complexities and opportunities which cater to diverse audience sets across languages, literacy levels, sophistication of access to technology and socio-economic conditions.

Traditionally news brands like The Times of India or The New York Times were created for a city or like The Sun or The Guardian for a country in the UK. However, now the brands have to deal with national and international audiences from the very start.

Currently in India less than 1% of audiences are paying for content. It is essential for media companies to look beyond a 100% advertiser funded model and create a healthy balance of subscription and advertiser led revenue streams to create a sustainable business.

The key to creating a subscription model will be based on the ability to build a trustworthy news business at scale.

### **Building a strong Digital Product: Focus on Audiences and Personalisation**

*“Culturally media companies have had no focus on engineering. Due to this we have outsourced our homepages to Google and Facebook.” – CEO of a large content sharing platform*

To build loyalty and engagement you need to personalise. Technology is as important as editorial in the digital ecosystem.

Media companies are in crisis today because they are not investing in personalisation, engineering and consumer research. The only media companies which have got personalisation right are Facebook and Google. And now the distribution technology platforms are focusing on it.

It is critical for companies to invest in understanding audience personas and enable personalisation of user experience based on language, interests, demographics and app personas / online behaviour.

### **Language - Language - Language**

All audience coming online are native language audiences. Companies need to create the right content and format for these audiences. These audiences are different from the English and Hindi audience. A vast part of the next billion users are illiterate.

There is huge room for market development. However, there are no clear monetisation strategy yet nor benchmarks or programmatic advertising revenues chasing the market.

### **Video - Video - Video**

With a majority of the audience struggling to read and a small screen size, this is the only way forward. However, it is an expensive set-up and therefore a strong monetisation strategy is key.

The issue with video news is that it has a limited shelf life, and has heavy dosage of sex and violence. Thus news companies do not make money on it.

For video to succeed, news companies need to expand into borderline journalistic genres like lifestyle and entertainment; and develop episodic formats with brand opportunities like VICE, BuzzFeed and other digital media companies.

### **Podcasts**

Podcasts sit in a space of their own. Akin to radio for the digital generation, relevant to news as allow for in-depth experiences, with a range of tonality and topics rarely found anywhere else.

Podcasts enjoy great relevance due to versatility and engagement of audio format, coupled with breadth of content. It is a versatile gateway for Gen Z to every imaginable type of content

The Reuters Institute's Digital News Report (2019) lists reasons for listening podcasts. The main reasons for listening are to keep updated about topics of personal interest (46%) and to learn something new (39%). Other motivations include to fill empty time (25%) and as a change from music (22%).

Reasons of listening differ across age groups: Young listeners are looking for podcasts that entertain them or fill empty time, whereas older listeners are more interested in keeping updated.



Podcasts will be critical tool for experimentation and engaging with the youth audiences who are looking to engage with news and media beyond what they “should” know, to what is “fun”, “engaging” and they would “like” to know. Specially, given the lower costs of production compared to videos.

## Depth and Innovation in Storytelling

*“If your content is similar to what turns up on a google search, the consumer is never going to pay for it.” – Editor in Chief, Leading News Platform in India*

Digital platforms and audience interactivity is creating huge opportunities in doing quality journalism at an unprecedented scale and pace. News companies are investing in:

1. Data led journalism.
2. Interactive story telling.
3. Investigative journalism: in-depth research and breaking stories.
4. Local news to defined audience segment communities.
5. Inclusion of entertainment content (which is only borderline journalistic) in your core offering for onboarding new audiences.
6. Format innovations suitably catering to diversified audiences: audio, text, video, virtual reality.

## Metric

*The fundamentals of success in each market remain the same: segment the audience and cater to that segment the best you can. Global models work for their segments and customization is critical to succeed with other segments. – Ashish Pherwani, Partner, Media and Entertainment, Ernst & Young*

There is an acute demand that exists for the international quality journalism. Where the whole enterprise falls down is the business model.

The primary reason of the failure of international businesses in emerging markets is the application of incorrect metrics. Companies apply the same metric that are used for evaluation of success in the home country / HQ, without understanding the local market ecosystem.

Let’s look at the category of International English News weeklies, most of the leading brands struggle between 10K to 15K in circulation. One of them weeklies which has been around for 15 years has remained stagnant at 30K to 40K subscribers over the last decade. What is important to note is that, the international managers are satisfied with this reach, as the metric is profitability and margin as defined in the home market.

In a dynamic environment like India, It is critical to create room for innovation and failures. This needs to reflect in the goal setting and the evaluation metric for the businesses. The metrics, and models across content, users and revenues that work for the home markets will create a relevant baseline for India.

For instance; Annual ARPU from users, website visitors to paid subscriber conversion ratios, ad realisations (CPMs / CPCs) are not even comparable. It is critical for companies to empower the local management to build models that are sustainable for the India market.

Profitability can be achieved in India in under five years, if the business is focused on a niche and / or high end consumer segment. However, if the intent is to build a mass media business, a company will have to take long-term positions in the business with heavy investment in creating and capturing the market. Break-even can be expected at a 7 to 10 years horizon, if not longer. Take an example of 21<sup>st</sup> Century Fox (Now Walt Disney in India) or Amazon in the digital arena. Both companies have invested heavily in developing the market, educating the customer and then slowly raising the pricing to build sustainable and profitable business models.

### **Diversification of Revenue Models**

As traditional advertising revenues are under pressure and subscription revenues have not yet made up for the deficit of decline in TV and Print revenues, it is important to diversify revenue streams. Here are some of the key areas that have been successfully explored:

1. Innovation in advertising revenue formats native advertising, co-created content with brands.
2. Subscription Revenues
3. Third party studio services: focusing ability of content creation and monetising it for content starved platforms like telcos and premium OTTs.
4. Experiences: creating exclusive experiences for building engagement and servicing needs of the audiences like skilling, entertainment and education.
5. Talent management: influencers are a key part of the news ecosystem today. Building and monetizing access to them for your own editorial requirements and for third parties.
6. Consulting services: using the expertise in core areas/ USPs like design, storytelling and engagement with loyal audience sets in the market. For example, the VICE globally launched a full service creative agency business VIRTUE, leveraging its creative strength to engage with youth audiences. On the other hand, The Economist, provides business consulting services to its clients to help them understand the socio-economic environment of new markets they are evaluating for business expansion.
7. Merchandise: This is specially applicable to lifestyle content brands; which are deeply engaged in the online social personas of their audiences.

## Partnerships

For a company looking to create long term value in India, in the digital environment, it is recommended to set-up a 100% own operation. However, it is critical to invest in long term distribution partnerships. Interviews revealed that perception amongst international managers is that approach of some of the traditional Indian media companies has been dishonest. This has discouraged many leading brands to invest in India. Many managers interviewed in fact said that “The intent of the partner was like an embrace to kill”.

Cultural due diligence of partners is as important as the business due diligence for evaluation of long-term partnerships. Most partnerships have failed due to inability of partners to work together, leaving most international players with a feeling of disappointment about the market, even before they effectively engaged with the consumers. In the digital environment, international players for the first time have an opportunity to build an ecosystem of transactional and strategic partnerships for distribution and monetisation.

As legacy assets (of brands) play little or no role in capturing the new digital audiences. There is no inheritance by consumers of traditional media habits as the youth have very different consumption patterns, mostly digital. Therefore to achieve their targets, international media companies must prioritise agile, aggressive start-ups and digital partners over legacy brands.

### Exhibit 13: Operating Models Optimum for Various Company Goals

Company Objective	HQ Expansion Mandate	Model
Short term Revenue Focus	Limited capacity to invest in a localised product.  Short-term profitability focus	Licensing only distribution and marketing partnerships
Mid-term revenue focus to create a footprint in India	Profitability focus, limited investment capacity	Start with a B2B model with international relationships supporting India entry
Long term value creation for India and its global businesses	Ability to invest in localisation of product, Ability to create and sustain a 7-10 year vision for India.  Create an organisation vision and investing capital in brand building.	Fully owned subsidiary or JV with a clear path to acquisition and ownership.

## VI. End Note

Analysis aside, my personal experience of having worked with various segments of the Indian media over the last two decades echoes the experience of many of those interviewed for the purposes of this report.

If this is the collective experience of so many Indian and International managers, then it cannot be ignored.

Sometimes, these experiences are like stray strands and for lack of cohesive research do not get integrated in a whole.

This report humbly attempts to fill that gap. Some views expressed in this report may be subjective and personal, but the attempt has been to retain objectivity as far as possible.

In a complex society and market like India, it is difficult to have a fixed, permanent view and opinion, which may survive the flow of time. Some of these experiences, as analysed in this report may change as the Indian consumers evolve in a developing market. But the critical anchor, for any media company should be the realisation of atleast all these elements: localisation, culture, demographics and segmentation.

Since the very nature of media is dependent upon an individual's preferences, managers must weave in this sensitisation as critical element of business strategy. In other words, to reiterate, these are not soft elements but are crucial. Needless to say, this sensitivity has to percolate in governmental regulation as well.

## VII. Bibliography

### Primary Sources

This report is derived from primary sources and the views expressed by the author are derived from or quoted from over 35 interviews with senior management executives of numerous multinational media companies. These interviews were conducted from January 2019 to July 2019. Many of these interviews have been conducted with an agreement of complete confidentiality and therefore details are withheld. Few executives, who have agreed for their details to be disclosed are enlisted as under.

### Interviewees in India

Ashish Pherwani, Partner, Media & Entertainment Practice, Ernst & Young India  
Devashish Sharma, Country Manager, Wattpad India  
Dilip Chenoy, Secretary General, Federation of Indian Chambers of Commerce & Industry (FICCI)  
Haresh Chawla, Partner, True North Co.  
Hosi Simon, Executive Managing Director, Head of International at VICE  
Karam Malhotra, Global VP & CEO, India - SHAREit  
Raghav Bahal, Founder, Founder at Quintillion Media Pvt Ltd  
Rajesh Jaggi, Managing Partner, Everstone Capital  
Rajiv Bansal, Founder & CEO, Opoyi, Former Chief Digital Officer, HT Media  
Rishi Jaitly, CEO, Times Bridge, Former Twitter VP Asia Pacific/Middle East  
Sanjeev Shah, Executive President, Corporate & MnA at Bennett, Coleman & Co. Ltd.  
Nilesh Zaveri, COO & CFO, Asia Pacific at VICE Media  
Vanita Kohli-Khandekar, Columnist and writer Business Standard, ContentAsia  
Viral Jani, Senior Vice President, Times Bridge  
Indu Shekhar Sinha, Head of Business Development, BBC Asia Pacific  
Stanley Fernandes, Sales Director, BBC Studios  
Sanjay Salil, Managing Director, Media Guru Consultants  
Alan Rusbridger, Chair, Reuters Institute for the Study of Journalism, Retired EIC, The Guardian Newspaper  
Stephen Dunbar Jhonson, President, International Business, The New York Times  
Tom Standage, Deputy Editor and Head of Digital Strategy, The Economist  
James Montgomery, Director of Digital Development, BBC News and Current Affairs  
Turi Munthe, Venture Partner, North Base Capital and Founder Parli  
Eduardo Suárez, Head of Communications at RISJ and co-founder of Polibot and El Espano  
Juan Senior, President, President, Innovation Consulting  
Dr. Nalin Metha, Executive Editor, The Times of India-Online

The Podcast section is based entirely on the research undertaken by Aura Lindberg, Journalist Fellow 2018-19 at the Reuters Institute for the Study of Journalism (RISJ), University of Oxford, research findings of Nic Newman, Senior Research Associate, RISJ for the Digital News Report 2019 and Digital News Report 2019, RISJ

Please note this is not an exhaustive list of interviewees. Many names have been held back on request of anonymity.

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Chanpreet Arora is an Independent Management Consultant and was a Journalist Fellow at Reuters Institute for the Study of Journalism, University of Oxford in 2019. She was the CEO of VICE Media India and as its CEO, she launched the leading global youth brand as a full-scale media company in India.

Chanpreet is currently consulting the New York Times and has held leadership roles in Times Internet (Bennet & Coleman), Ernst & Young - Media Advisory Practice and Buddh International Circuit (Formula One in India). As a consultant and leader, she has authored multiple articles published in leading business papers and Industry Reports for government and leading private institutions such as TRAI, Prasar Bharti, USIBC and Ernst & Young.

Chanpreet specialises in media strategy and has experience in introducing new concepts, ideas or brand targeting the youth and helping media brands build a resonance in a new market. She is regularly invited to address industry events and leading universities to share her experiences with industry professionals and students. She has addressed audiences at FICCI Frames, Digipub, University of Oxford, Mudra Institute of Communications Ahmedabad, Gujarat National Law University among others.