Profitable but under threat

India's DTH Operators need a leap of faith

With Sun Direct reporting its first full fiscal net profit in July 2017, the majority of India's DTH industry has moved out of the red. However, ARPU has not risen substantially and remains a cause for concern. Additionally, India's telecom regulator, TRAI numbers indicate subscriber additions have halved over the past 12 months while the inactive subscriber ratio lingers around the 40% mark. In rural Indian TV homes, Free-to-Air DTH services continue to gain ground, both in users and in carriage fees from broadcasters. Despite positive effects of GST, if subscriber additions and ARPUs remain flat, what option does that leave DTH companies to grow?

Option 1: Consolidate to achieve economies of scale

Quite clearly the DishTV and Videocon d2H merger is about the whole being greater than sum of the parts. The combined DTH behemoth can potentially command better content deals, equipment costs and operational efficiencies thus improving the bottom line. This leaves other operators little choice but to explore similar synergies or risk losing their competitive edge.

However, consolidation comes with its own pains and not all efficiencies can be realized easily. For example, sharing satellite bandwidth may not be technically or economically viable in all scenarios. And consolidation needs not be limited to DTH providers alone. Cable networks, telcos and even broadcasters joining hands suggests a maturity in the market. Disruptive forces such as the launch of Reliance Jio in the telecom world have now set their sights on the television world as well which doesn't bode well for churn and ARPUs.

Option 2: Ensure presence on every screen

Almost every DTH operator now has an OTT service, especially those with sister companies that also produce content in-house. Be it SVoD, AVoD or any other flavor, the offering to the viewer is that of providing similar content across multiple devices. Video consumption trends indicate viewers are watching more hours of video than ever before. So having a variant of their DTH service at home, on their mobiles, tablets and desktops is now more a necessity than a novelty.

However, competition here is fierce with international giants, multiple media houses and just about anyone with an app in the fray. Furthermore, exclusivity is possible which makes each one believe they have an edge that will eventually monetize. Net result is that OTT has become the new battlefield and DTH operators need land grab strategies similar to what they did with cable TV homes a decade ago.

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Option 3: Expand into allied services

The infrastructure being used to provide DTH, be it on the ground or satellite capacity, could potentially also be used to provide Internet access. This aligns with the broadband push through Digital India and leverages the remote subscriber base that DTH companies have built up over the years. Since the set-top-box (STB) is already in the viewer's home, why not leverage its capabilities to serve as a multimedia hub for the household.

For premium subscribers longing to relive the magic of the HD, genres such as travel, sports and movies are becoming available in Ultra High Definition or 4K format. DTH operators need to view this with the same lens as HD was during the 2011 Cricket World Cup i.e. an investment today but a key differentiator for the future.

Bottom Line

DTH operators in India have progressed from growth to maturity stage of the industry lifecycle. As a result, strategies also must evolve to sustain and improve business performance. While building new digital platforms is necessary, leveraging existing infrastructure further strengthens the offering. To capitalize on the entry into the viewer's home, there needs to be a leap of faith in one form or another. For viewers, it is the content and quality of service that will pull them into paying for where they see value, irrespective of the type of screen being watched.

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