



2016 Top Markets Report **Media and Entertainment** Country Case Study

India

India's vibrant M&E industry, known as Bollywood (which technically refers to the North Indian film industry but is used universally to describe India's entertainment industry), is expected to grow to \$41.4 billion (10.5 percent CAGR) by 2019, led by digital sectors. The country will outpace M&E spending across the Asia Pacific as well as globally through 2018, due to Internet advertising, video games and Internet access growth (but surprisingly not as much from content spending) – as well as a robust book publishing sector. Nominal GDP in India will grow at 14 percent during the same period, thanks to a growing economy and middle class, with rapid urbanization (35 percent of the population will live in urban areas by 2017), which creates demand for M&E services. Bollywood (the Hindi language film industry based in Mumbai, India) and Kollywood (the Tamil language film industry based in Chennai, Tamil Nadu) outshine the rest of the world by producing the most films globally, although the U.S. exports the most movies.

Overall Rank

4

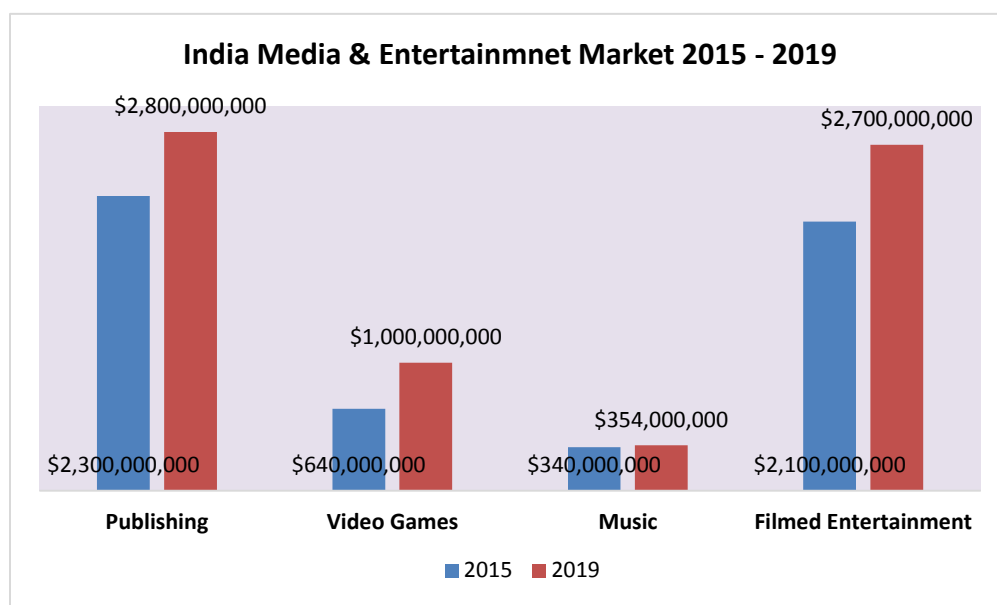
Ranking of the India M&E Sectors 2016

1. **Filmed Entertainment**
2. **Video Games**
3. **Publishing**
4. **Music**

India ranks fourth on ITA's list of top M&E export markets and is expected to show robust growth in all subsectors, with one exception, online video games, which will grow but not at the same speed as the other sub-categories discussed here. Although Bollywood is a major entertainment industry power player and a generator of a lot of popular music in India, it is not as easy for foreigners to break into the Indian marketplace. There is tremendous demand for U.S. content, but many access it for free. There are many languages and regional dialects in India, and Indians predominantly seek out local content, but there is robust demand for anything associated

with American M&E sectors.

The over-the-top streaming sector is developing rapidly and presents excellent opportunities for U.S. companies that can hire a local agent who speak the language(s) and will handle the A-Z's of doing business in India. There are opportunities in the market, but it will take significant expertise to protect your investment and monetize the growing middle class consumer population. Global investment analysts contend that the Indian market will experience excellent growth, which signals investor confidence in the market, yet for the creative sectors to benefit, there must be robust copyright protection. Opening the sector to further FDI would bring in new capital, technology and content, improving the market for the consumer and industry.



* Data Sourced from PwC Global Media & Entertainment Outlook 2015-2019

Overview of M&E Market

The \$25 billion India M&E industry is dominated by film, television and Internet access and is expected to grow at a 10.5 percent rate between 2014 and 2019. India has the third largest Internet market after the United States and China, with 302 million Internet users, but reigns supreme with 900 million mobile users. Television penetration is at 65 percent today and will grow another 7 percent by 2017 and, along with AGV (animation, gaming and VFX – visual effects) will lead industry growth. India has digitized cable TV, and direct-to-home (DTH) subscriptions are rising.³⁸

Movie-going is the national pastime next to watching cricket, and multiplexes are being built at a rapid rate. Radio and music remain a prominent source of revenue, and future growth is likely to result from digitization of distribution methods as a means to reach a larger number of consumers more efficiently. India’s Prime Minister is dedicated to a ‘Creative India; Innovative India,’ a slogan used in the forthcoming national IPR policy; and creating a ‘Digital India’ by 2019.³⁹

However, some experts caution that innovation in India will not only come simply as a result of increased capital investments but with institutional change that addresses corruption, educational levels, intellectual property protection and high taxation.

In the 2014 Global Innovation Index Report,⁴⁰ India scores low points on government effectiveness, regulatory quality and ICT access.⁴¹ So while FDI is increasing, the infrastructure and human capital to translate this into an innovation economy still needs development and intervention by the government.

There is incredible growth in digital sectors, but it remains to be seen how robust the opportunities will be for U.S. exporters over the long haul due to inconsistencies in how the Indian market operates and the inability of the government to stem piracy. Nonetheless, there is a lot of enthusiasm in the Indian business community to trade with U.S. companies, and U.S. content is ever popular among millennials and middle class with purchasing power. The Government of India notes that increases in FDI, higher broadband penetration, and the increased use of 3G and portable devices will spur growth in M&E sectors.⁴²

Opportunities for U.S. Companies

Filmed Entertainment

Filmed entertainment will grow 8.1 percent to \$2.9 billion in 2019.¹ There are opportunities for joint projects and local language content across India. Box office revenues and movie attendance are rising, and multiplexes continue to be built while 3-D and animation skills are needed, offering very good opportunities for U.S. firms with new format expertise in the film sector. Home video such as

over-the-top (OTT) streaming and subscriptions for TV and e-videos are rising dramatically, offering U.S. licensors tremendous opportunity if they can navigate the licensing regime and rampant piracy.

India's TV market is set to expand to 165.3 million households at a rate of 1.9 percent by 2019, expanding from the current 150.1 million subscriptions in 2014. The country has a robust and large broadcasting and distribution sector, with approximately 796 satellite TV channels; 6,000 multi-system operators; 60,000 local cable operators; 7 DTH operators and 4 IPTV service providers. TV penetration in India is about 65 percent and is expected to reach 72 percent by 2017,⁴³ and with the digitization of cable TV in India which was just finalized over four-stages, the direct-to-home (DTH) subscriptions are growing rapidly, driven by content innovation and product offerings, offering very good prospects for U.S. licensors.

The greatest growth in the filmed entertainment industry will come from OTT movie-streaming services. Local OTT providers include BIFFlix, Spuul, BOXTV, and ErosNow. India is emerging as the teleport hub of Asia, and 86 teleport permissions have been issued by the Ministry of Information and Broadcasting.

The Government of India has supported the growth of this sector with various initiatives, such as digitizing the cable distribution sector to attract greater institutional funding and increasing the FDI limit from 74 percent to 100 percent in cable and DTH satellite platforms. Today, 100 percent FDI is permitted in film and advertising as well as TV broadcasting.

Music

Live music (14 percent), digital downloads (2.0 percent) and streaming (4.2 percent) have strong growth trajectories, but sales of physical music are declining heavily. Overall music revenues will reach \$354 million (0.86 percent) by 2019, and there is plenty of room for growth, including in live music performances. Although live music is growing, neighboring countries draw larger and more frequent acts, such as in Singapore, Malaysia and Japan. The market could develop more music arenas and music festivals, and this is a potential growth area for U.S. investors.

Large brand names are targeting younger consumers with music online. There are concerns regarding illegal file sharing due to low income levels and a proliferation of content online that is easily accessed. Weak IPR laws and copyright enforcement contribute to the challenges, which have led to dramatic increase in illegal downloading of music. However, there is also an upside for legitimate distribution and downloads.

Although the FM radio sector has expanded by opening 338 licenses for private investment, only 24 percent FDI is permitted in the radio broadcast industry. The government has implemented e-auctions for FM radio licenses, and there is a multi-year process underway to implement new FM radio channels, which could offer market opportunities for new entrants from the United States.

Video Games

Video games will grow 12.9 percent to \$1.02 billion, with the highest growth in mobile, consoles and advertising.ⁱⁱ App-based game revenues will reach \$473 million by 2019 (17 percent), constituting 46 percent of India's total game revenues, and continue to be the fastest growing game segment.ⁱⁱⁱ Rapid smart phone penetration has been a major driver of mobile and online games. There are good opportunities for U.S. game developers to enter this market segment and forge partnerships with Indian game developers. Sony and Microsoft dominate the console and PC marketplace with PlayStation and Xbox 360.

Mobile Applications

The rapid expansion of the smartphone market is an important factor to consider when analyzing the export potential for M&E content to India. Smartphones in India are slowly becoming affordable with prices dropping to less than \$100. By 2017, smartphones will constitute 60 percent of the Internet-enabled device market. The proliferation of 4G technology will allow for greater access to mobile Internet platforms and better content quality.

Publishing

The Indian book publishing market is set to grow to

\$2.85 billion at a 5.3 percent growth rate through 2019.^{iv} The market for publishing shows excellent growth potential for publishers, and unlike in many other markets, print book publishers will continue to see opportunities in the Indian market. Consumer print books will increase from \$215 million in 2014 to \$259 million in 2019 at a steady 3.9 percent rate, contrary to the trend of negative growth observed in many other markets. The reason for this trend is that tablet penetration is still low but will rise from 1 percent to 8 percent of the population from 2014 to 2019. Currently, e-books only account for 4 percent of consumer book revenues.^v

A small e-book market can be attributed to the fact that credit card ownership is not common, and the typical mode of purchasing e-books is with a credit card.^{vi} Nevertheless, e-books for consumer, profession and education will all realize growth throughout the forecasted period. Consumer e-books will increase from \$23 million to \$219 million at an astounding rate of 57.5 percent per year.^{vii} Professional e-book revenue is predicted to grow from a 2014 market value of \$13 million to a 2019 value of \$21 million at a rate of 11.2 percent.^{viii} Educational e-books in 2014 were \$17 million and will grow to \$68 million at a rate of 32.9 percent.^{ix} These statistics show a very young and small e-book publishing market set to grow at a fast rate. However, because the market began so small, it will not contribute to more than 10 percent of total publishing revenue in 2019.^x

The Indian publishing market is composed of 19,000 publishers that produce 90,000 books each year and are typically small, mom-and-pop type businesses.^{xi} Notable large publishing houses include Penguin Random House India, Hachette India, Harper Collins India, Tata McGraw-Hill and Rupa & Co.^{xii} As India's middle class continues to expand, publishers can take advantage of this growth and of an English speaking population that is educated and begins to crave content on-demand more and more.

The market will continue to present good export opportunities for publishers. However, as with many other markets, piracy continues to plague the print and e-book publishing market, as Indians can access many titles by illegally downloading copies on the internet. Illegal downloading hurts both the print book and the e-book market. Finally, as is common in other top market prospects, the print book market will begin to see consumers migrate to e-books,

which will cause the print book market to suffer reduced rates of growth over the forecasted period, a trend that is unlikely to subside going forward.^{xiii}

Challenges Facing U.S. M&E Exporters

There is a commitment from the highest levels of government to the digital economy. While exporters can do business in an environment rife with piracy, a weak professional and distribution infrastructure, and sometimes questionable financial transaction dealings, anyone working there will learn to appreciate that India will remain a land of contrasts. The country is growing and wishes to correct piracy, yet enforcement is inconsistent and the laws are not keeping up with global standards. International Intellectual Property Alliance (IIPA) member companies report serious online and mobile piracy, illegal file sharing of music, camcording in theaters, and rampant signal piracy of pay TV content.⁴⁴ Market access barriers abound as well. Yet, it is a huge marketplace. In this market, it will be important for U.S. exporters to avail themselves of IPR tools and local representatives who speak the language(s) and are well-connected in the relevant industry sub-sector.

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in India.

- Typical buyers, licensors and distributors of M&E in India might include state and federal government, small and medium sized private companies, and large private companies.
- Preferred business strategies to enter/expand in the market might include identifying local distributors and partners and setting up an office in country.
- Common trade barriers to enter/expand in the market might include that most multinational vendors have set up their own regional or local office in country. Companies should expect some significant competition from local vendors, and piracy is a perennial threat.
- U.S. Department of Commerce Country Commercial Guide:
<http://www.export.gov/ccg/india090814.asp>

Industry Trade Associations

- Confederation of Indian Industry

- <http://www.ciionline.org>
- Federation of Indian Chambers of Commerce and Industry <http://www.ficci.com>
- Broadcast Society of India <http://www.besindia.com>
- Cable Quest <http://www.cable-quest.in>
- Broadcast & Film <http://www.broadcastandfilm.com>
- Association of Publishers in India (API): www.publishers.org.in
- Federation of Indian Publishers: www.fipindia.org
- Federation of Publishers' & Booksellers' Associations in India: www.fpbai.org
- American Chamber of Commerce in India: <http://www.amchamindia.com/>

Government Agencies

- Ministry of Information and Broadcasting: <http://www.mib.nic.in>
- Telecom Regulatory Authority of India: <http://www.t.rai.gov.in>
- National Library: www.nationallibrary.gov.in
- Deputy Registrar of Copyrights: www.copyright.gov.in
- Indian Reprographic Rights Organization (IRRO): www.irro.org.in
- National Book Trust: www.nbtindia.org.in
- Department of Education, Government of India: www.education.nic.in
- Directorate General of Foreign Trade (DGFT): www.dgft.gov.in
- Central Board of Excise & Customs: www.cbec.gov.in
- The Central Board of Film Certification (often referred to as the Censor Board) is a statutory censorship and classification body under the

Ministry of Information and Broadcasting, Government of India. It is tasked with "regulating the public exhibition of films under the provisions of the Cinematograph Act 1952". It assigns certifications to films, television shows, television ads, and publications for exhibition, sale or hire in India. Films can be publicly exhibited in India only after they are certified by the Board, including films shown on television. <http://cbfcindia.gov.in/>

Trade Shows

Filmed Entertainment

- Broadcast India 2016, Mumbai - October 20-22, 2016, <https://www.broadcastindiashow.com>
- FICCI Frames, Mumbai - March 2017 (DatesTBC), <http://www.ficci-frames.com/>
- Indywood Interactions 2016, Hyderabad – September 24-27, 2016, www.indywood.co.in
- Convergence India 2017, New Delhi – February 8-10, 2017, <http://www.convergenceindia.org/>

Music

- Music Export May 2017 (Dates to be Confirmed)
- Palm Expo May Mumbai June 1- 3, 2017 <http://www.palmexpo.in/>

Publishing

- New Delhi World Book Fair, Jan. 9-17, 2016, www.newdelhiworldbookfair.gov.in
- International Kolkata Book Fair, Jan.27 – Feb.7, 2016, www.kolkatabookfair.net

Video Games

- Indian Games Expo, Mumbai, November 14 – 15, 2016 <http://gamesexpo.in/>

ⁱ Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

ⁱⁱ Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

ⁱⁱⁱ Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

^{iv} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

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^{vi} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

^{vii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

^{viii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

^{ix} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

^x Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

^{xi} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

^{xii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.

^{xiii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.