

Business Projections for IPTV

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Current scenario

Television is a very effective medium for news and entertainment. Today in India, there are 100 million TV homes as compared to 40 million landline telephones and 25 million personal computers. Presently, TV homes are dominated by cable TV with 80 million and Pay TV with 14 million (DTH 7 million + CAS 7 million) subscribers.

Emergence of IPTV, as another medium for TV viewing, has provided consumers with more choice. IPTV services can be delivered by telecom service providers, cable TV operators, or Internet service providers. The lead in this direction has been taken by telecom service providers as it is a natural medium for them to deliver TV services. The phone lines that come to customer homes can effectively deliver voice, data (Internet), and video, which leads to triple play service.

IPTV service scenario in India

It is expected that IPTV service will increase the user density across the

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country by being able to extend the benefits of broadband to television sets in one million homes by 2010. BSNL and MTNL have launched IPTV services on their networks with their franchisees. Targeting 53 cities across the country, Bharti has launched its commercial service in NCR Delhi in January 2009, and will increase its reach in all its points of presence in the country in a phased manner. Reliance has launched friendly trials but is yet to start commercial services.

IPTV business challenges in India

IPTV has to compete with the existing cable TV and DTH services, which are growing at a much faster pace. Telecom players are not very aggressively pushing triple play, which can increase their penetration of basic telephony. TRAI performance indicator report shows a declining trend in 40 million basic telephones, whereas mobile phones have been increasing multifold to reach 350 million subscribers.

Television is driven by content which comes from broadcasters, who view IPTV to be in a nascent stage and for a niche market. They therefore demand high content fee due to a low subscriber base. Regulation and policy framework for IPTV is still evolving with the announcement of IPTV policy guidelines and amendment to the guidelines for downlinking feed to the IPTV platform. Currently, it is restricted to only regular satellite feeds and there is no room for Internet-based channels due to lack of monitoring/censorship.

IPTV services require a sizeable up-front investment for setting up network operating centers for content



delivery. To launch premium services, operators will have to invest in content. Since it has to compete with cable TV and DTH, the ARPU is very low and therefore return on investment has a long gestation period.

For IPTV service to reach homes, private telecom operators require *rights of way* (RoW) permission which is not easily given. The RoW permission requires high fee as demanded by the local municipality. The last mile local loop unbundling is not permitted by the government resulting in slow progress in broadband access. Currently, broadband users are only 4.3 million and the government targets to achieve 20 million by 2010, which is a Herculean task.

The key driver for IPTV business is that it is considered as a potential revenue earner in the next couple of years. The target set is one million subscribers by 2010, ARPU of Rs. 350, and total revenue of Rs. 35 crore. IPTV will emerge fast as a premium service provider and would be in a position to attract top line subscribers in top 6–7 cities, which will further boost revenues. IPTV can be coupled with other services such as video conferencing, VoIP, e-Learning, e-Governance, home surveillance and

disaster management. Availability of niche content due to its interactivity services like video on demand, gaming, user-generated content, and social networking will add to its unique advantage.

IPTV service can be seen as a clear differentiator as it can easily combine TV viewing with walled garden services and provide best of both. The individual experiences from lean back to lean forward position with personalization, interactivity, and other customized services. This would add to assured revenue for content providers.

Piracy cost pay-TV operators and broadcasters in Asia USD 1.75 billion (Rs. 8750 crore) in lost revenue for the year ended June 2008, according to a rough estimate by an industry association. The major amount – some USD 1.1 billion (Rs. 5500 crore) – in lost revenue reportedly comes from India. The loss of revenue to content providers is also a loss of revenue to the government. With the emergence of convergent technologies, it is important to have a standard for IPTV as

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Pirate attack

Net cost of piracy in Asia, in lost revenue for cable-TV broadcasters, 2008 estimate*



*Year ended in June

Note: Figures don't add up to USD 1.75 billion due to rounding

Sources: Cable & Satellite Broadcasting Association of Asia, Standard Chartered Bank

well. The International Telecommunication Union (ITU) has already defined standards for IPTV. ITU has three distinct parameters of watching consumers' interest, content providers' interest, and network operators'/service providers' interest. Telecom Engineering Center of Department of Telecom is in the process of making generic requirements for IPTV in the country.

The quality of service (QoS) and quality of experience (QoE) are also very important for delivering IPTV services. The Telecom Regulatory Authority of India (TRAI) is framing IPTV QoS norms and parameters.

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