GLOBALIZING THE INDIAN TELEVISION INDUSTRY:

IMPLICATIONS AND OPPORTUNITIES

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Nishith Desai Associates ("**NDA**") (www.nishithdesai.com), is a research based international law firm based in Mumbai and Palo Alto, Silicon Valley. NDA specializes in globalization of Indian corporates, international financial and tax laws, corporate and securities laws, information technology, media and entertainment laws, and telecom laws. It has structured and acted for a large number of private equity funds for India. NDA acted as underwriter's counsel in Infosys Technologies and Satyam Infoway's American Depositary Receipt (ADR) offerings in the USA. It also represented Wipro, Rediff.com and Silverline Technologies in their ADR listings. Amongst others, NDA was involved in the first cross-border stock swap merger out of India, that is, BFL's acquisition of MphasiS, besides Silverline's recent acquisition of Seranova Inc. in an ADR stock swap deal. The firm has also worked on the acquisition of IMP Inc. by Teamasia and PMC Sierra's acquisition of SwitchOn Network.

NDA has also represented major media conglomerates, artistes and entertainers, and has helped them formulate strategies for its operations in keeping with broadcasting and allied laws. NDA was recently awarded **'Indian Law Firm of the Year 2000'** and **'Asian Law Firm of the Year 2001 (Pro Bono)'** by International Financial Law Review (IFLR), which is a Euromoney Publication. The 2001/02 edition of Global Counsel 3000 (a Practical Law Company) has identified NDA as a **'leading media and entertainment practice in India'**.

GLOBALIZING THE INDIAN TELEVISION INDUSTRY

Implications and Opportunities

It was only twenty years ago, that the Asian Games organized in New Delhi stepped India into the world of television as a mass medium for entertainment. Television was there before, but it was primarily used as a tool for education, specifically in the agriculture sector[1]. Many villages were given television sets and rural television stations were set up with the help of various international charitable foundations and grants from developed countries to educate Indian farmers about emerging methods and technologies for increasing crop yield and managing livestock. However, this late entry did not impede the Indian television market from becoming a behemoth in the recent years. Today, India is one of the largest television markets in terms of viewership. Further, with the development of homegrown programming, the television industry in India has gained strong footing in the last ten years. It is now ready to take a step beyond its traditional territories.

International recognition and the Academy Award nomination for *Lagaan*, a mainstream Indian movie, has generated unprecedented global interest in the Indian movie industry. Hollywood is looking for ways to collaborate with Bollywood. The Indian television industry can piggyback on this newly earned fame of its "sister" industry and take a step toward globalization. Indian television channels are relayed in many countries, but they focus only on the ethnic markets of expatriates. The Indian television industry should now globalize in a true sense by penetrating mainstream markets specifically in the United States, where the circumstances are most favorable. This globalization is important for various reasons as discussed below.

New areas for growth. Globalization provides the Indian television industry an access to new markets beyond its typical Southeast Asian demographic constituents. Serving new markets can not only provide new revenue sources but also lead to product innovations in the industry.

[1] Television Industry in India: Market Structure, Conduct, and Performance. By Prem Kumar. New Delhi: Deep & Deep Publications. 1988.

Networks

Minimal marginal cost. Globalization requires significant initial investment and learning. But once global, the firm can easily release the programs produced for one market in other markets. The success rate of a program across various markets may differ; nonetheless the marginal cost is extremely low post-penetration thereby providing much higher overall returns.

Diversify and stabilize. Political, economic, or viewer preference upheavals in a market can be disastrous to a firm, if the firm is completely dependent on that market. Globalization can provide the much-needed diversification, stability, and insurance against unexpected, drastic changes. A global firm can easily survive and organically adapt to the changes in market conditions.

Better utilization of assets. Over the years, the Indian television industry has developed both tangible and intangible assets in terms of production facilities, program libraries, and experienced talent. Recycling and reusing these assets in global markets can increase the return on these assets and make a better economic sense. It also provides global exposure to the Indian talent leading to the development of professional approach to the activities of the industry.

To increase the presence of Indian television in the US market, as the first step toward an overarching objective of globalization, we first need to understand the US television industry and the US television market.

US Television Industry - Evolution

The television industry in the US is now over 75 years old, older than any other television industry. It all began when Philo Farnsworth, a Utah farm-boy, developed the first working television system in 1921 and transmitted the first image in 1927[2]. Today's all three major TV networks are now more than 50 years old. National Broadcasting Corporation (NBC) was established in 1926; Columbia Broadcasting Services (CBS) in 1927; and American Broadcasting Services (ABC) in 1948. They were initially targeted toward the then growing interest in radio broadcasting but later evolved into television broadcasting.

In 1975, television had already reached 98% of population in the US, whereas India still had many years to go before TV began to become a mass medium.

In the 1950s, television grew to become a mass medium in the US; in India, this revolution came more than 30 years later in the 1980s. In 1975, television's penetration reached its peak to cover 98% of households in the US[3]. After having just one television set in house with multiple channels and programming alternatives, people started to have more than one television set per household. This phenomenon is still growing. Currently, 41% of US households have more than 3 television sets per house[4].

Television programs were initially relayed only through very high frequency (VHF) stations providing 12 channels (Ch.2-13) and then through ultra high frequency (UHF) stations adding 67 more channels (Ch.14-80). However, in the late 1970s, the scenario started to change with the

[2] Report on TV: The First 50 Years. Nielsen Media Research. New York. 2000.
[3] Ibid.
[4] Report on TV: The First 50 Years. Nielsen Media Research. 2000.

News

arrival of cable. Many television program producers began relaying content through cable rather than VHF/UHF broadcasting. Instead of getting the telecast through air, in cable, viewers subscribe to services offered by regional cable operators. The signal is delivered through a network of co-axial cable. Due to a stronger signal delivering higher quality picture, cable grew rapidly during the past two decades. Today, 79.6% of the households get their television programming through cable[5]. In 1998/99[6], for the first time in the history, the cable-based programming overtook network programming in terms of daily viewership.

US Television Industry - Structure

Figure 1 shows the value network of the US television industry. This broadly defined structure fits well with most of the companies operating in this industry.

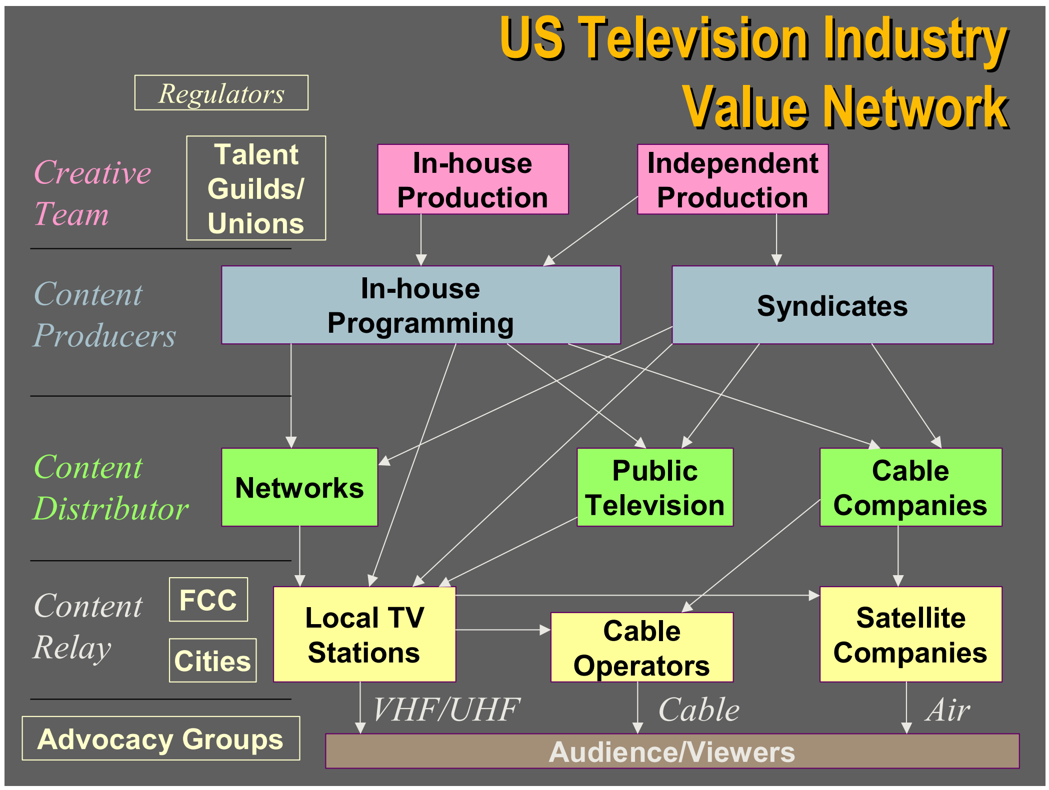

Figure 1: US Television Industry Value Network

Creative Team

Television programs are created by creative teams made up of producers, writers, directors, actors, and other production staff. Networks, public TV organizations, cable companies, and many local TV stations have in-house production teams and employ most of the team-members, except actors, on the full-time or part-time basis. Programs produced by the in-house production team are owned and released by the employers. Independent productions, on the other hand, are specialized production companies working with their own employed members and free-lancers.

[5] Cable TV Fact Book. New York: Cable Television Advertising Bureau. 2001.
[6] Ibid.

They produce television programs either under the directive of the program buyers (syndicates, networks, local TV station, cable company, or public TV) or independently.

Sports/ Music

Most of the new programs are produced at a deficit because networks pay less for the initial broadcast rights than they cost to make[7]. This deficit is initially absorbed by the production company. However, it is recouped and profit is made from the international rights and reruns, especially when a program becomes a hit. Most production companies take a portfolio approach to manage this risk, whereby they develop multiple programs each season.

Hollywood studios are also involved in production through their television divisions to produce shows for affiliated and unaffiliated networks. Some of the leading television production companies are 20th Century Fox, Touchstone Television, Warner Brothers, Alliance Atlantis, and Carsey Werner.

Content Producer

Content producers are the ones who decide on which of the programs are to be produced internally or purchased for the release by content distributors. Networks, public TV, cable companies, and local TV stations employ special individuals to perform this task for in-house programming. Network level in-house programming provides "of-net syndication," in which a television program is released or re-released by local TV stations affiliated with a network or public TV. On the other hand, syndicates are independent companies and provide "first-run syndication," wherein a television program is released by one content distributor but can also be re-released by another content distributor after some pre-specified time gap. Syndication involves cash syndication, wherein money is transacted for the right to run a program, or barter syndication, wherein one program is swapped with one or more other programs among syndicates and networks. Some leading syndicates are King World, Dreamworks, Martha Stewart, and Dick Clark Production.

Movies

Content Distributor

Content distributors distribute the program produced by in-house programming or syndicates. There are three types of content distributors: networks, public TV organizations, and cable companies. The US television industry has six major networks—NBC, ABC, CBS, Fox, UPN, and WB, two major public TV organizations—PBS and C-SPAN, and many major cable companies—CNN, TBS, Lifespan, ESPN, Nickelodeon, MTV, HBO, QVC, etc.

Networks do own and operate some local television stations, but mostly they distribute their content to the local TV stations affiliated with them. Public TV organizations do not own or operate local stations; they simply provide content to local public television stations in various regions. Cable companies do not use local TV stations but they relay their programs through regional cable operators and satellite companies.

Content distributors also differ on their primary sources of revenue. Networks depend on the national level advertising by national brands. Public TV organizations used to depend on government funding until the early 1990s, but now they primarily depend on community support

[7] TV Networks Favor Pilots They've Made. By Bernard Weinraub and Bill Carter. The New York Times. April 1, 2002.

and charity provided by individuals, corporations, and charitable foundations. Cable companies primarily depend on their share of the monthly subscription fees collected by cable operators and satellite companies and, in some cases, advertisements and infomercial. This subscription revenue sharing can be anywhere from 50% to 90% in pay-per-view and premium channels.

Content Relay

The companies involved in content relay (local television stations, cable operators, and satellite companies) provide the "last mile" access to television viewers. Except for some local television stations that develop their own content such as local news, traffic, and weather-condition programs, these companies generally do not produce content. These companies primarily focus on the technical aspects of television program delivery.

Three distinct revenue models: Networks depend on advertising, cable companies on subscription, and public TV on community support and charity.

Local television stations relay content through VHF or UHF channels and they are identified by their channel numbers or call numbers. Many local stations are affiliated with one of the networks and get their programming through the network. Other local stations are independent and get their programming from syndicates or public TV organizations. In 2001, there were 1663 local television stations of which 1281 were affiliated with one of the networks. Five largest owners of local television stations are Paxson Communication (82 stations), Equity Broadcasting (67), Sinclair Broadcast Group (55), Univision (53), and Raycom Media (36)[8].

Investment

Cable operators (Direct-to-Operator/DTO) own and operate the co-axial (now increasingly fiber-optic) network connecting households in cities and regions to transmit content. AT&T Broadband, Time-Warner Cable, Cox Communications, Cablevision, and Clear Channel are some of the leading cable operators. They are regulated monopolies, in which each region/city has only one cable operator regulated by the regional/city municipal authority. Cable operators do not produce programs, they simply relay the programs provided by cable companies and local television stations.

Despite so many television channels, a significant amount of power is consolidated by five mega holding companies.

Satellite companies (Direct-to-Home/DTH) lease transmission bandwidth from satellite owners and operators and use small dish antennas (about 18-inch wide) to deliver content. DirecTV and Dish Network are two leading satellite companies. Just like cable operators, they do not produce their own content, but they get it from cable companies, networks, and some local television stations.

Mega Holding Companies

One of the most important aspects of US television industry is the mega holding companies. This industry has seen unprecedented level of merger and acquisition activities in the last two decades. These activities have consolidated the industry into five major holding companies. Many important channels are fully or partly owned by these mega holding companies. Walt Disney owns ABC and ESPN; AOL Time Warner owns CNN, WB, TBS, Cartoon Networks, and Court TV; Viacom owns CBS, UPN, Nickelodeon, MTV, and Showtime; GE owns NBC, MSNBC, and CNBC; Fox owns Fox, FoxNews, and STAR. These mega holding companies exert significant power and control in the value network. However, unlike as the case of the Labels in

[8] Largest Owners of Television Stations. The New York Times. April 2, 2002.

the music industry, the competition in the television industry is very high and the control is not necessary converted into premium profit[9]. Recent court rulings and Federal Communication Commission (FCC) reforms, such as the rejection of preventing companies from owning cable systems and broadcast stations in the same markets and the reconsideration of the cap of 35% control of the national TV market by one company, are expected to prompt further consolidation and the strengthening of mega holding companies[10].

US Television Industry - Processes and Practices

The process and practices of producing television programs differ from one individual to another individual and from a company to another company. However, some elements are common in all cases.

Hobbies

Idea

The process begins with an idea for a television program. This inspiration comes from many sources, news-items published in newspapers, articles published in magazines, treatment (semi-developed stories) from potential writers, full-length scripts produced by writers or previously rejected by other producers, or books.

Producer

A producer or production executive takes this idea and nurtures it until it is developed into a program. The producer provides the vision, hires key participants required for the production process, arranges financing, supervises the production, and participates in selling and promoting the program. The producer or the associated production company also provides initial funding for the project to cover the costs associated with the development of story, budgeting, and finding the financer.

Story/Theme Development

Many types of writers are involved in program creation: Lead writer, theme writer, story writer, script writer, and punch-up writer

First, the producer puts together a team of writers to develop the idea and convert it into a story or theme. This team is the core of the creative process. Major production companies or studios have over 50 writers on their payrolls and working on a story at various stages; syndicates and medium independent companies have 15-20 writers. The team includes: a lead writer(s) who compiles and edits the final script; theme writers who maintain the consistency of the script with the general story or theme; story writers who develop the story and the characters involved in the story; script writers who develop scripts and dialogs; and punch-up people who add jokes and punch-lines.

Budgeting

As the story gets developed, the executive producer and line producer develop the production budget. This budget details the cost estimates of employing

[9] Music Industry in the Digital World: Waves of Changes. By Mihir A. Parikh. New York: Institute for Technology & Enterprise. 1999. http://www.ite.poly.edu
[10] Court Rejects Curbs on Media Ownership. The Wall Street Journal. February 20, 2002.

talent (director and cast), acquiring music and other rights, staging and design, leasing a studio or location, developing production support and staff, travel and administrative support, and marketing. In recent years, marketing costs have increased significantly for television programming, in parallel with the marketing costs of Hollywood movies[11]. Marketing costs for television programs are typically divided into 50% for publicity, 40% for advertising, and 10% for promotion[12]. Publicity includes interviews of leading casts on talk shows, radio shows, and magazines. Advertising includes paid slots on other programs and magazines/news papers. Promotion includes linking up with corporate sponsors such as fast food chains.

Children

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Financing

After the detailed budget is developed, the producer or the production company prepares an overall timeline identifying major milestones. Then, they present the budget and the timeline to potential financiers to secure financing for the whole project. The project does not start until the financing is fully guaranteed. This aspect is discussed in detail in the next section.

Casting

The pre-production phase commences after the project is guaranteed a financial support. First, a casting director is hired to find and secure the core, leading cast and supporting cast for the project. As television programs primarily involve emerging actors/actresses, finding good cast is challenging. Casting directors use several sources to find suitable artists. Personal relationships developed through past work are the primary sources. Talent agencies, such as William Morris Agency, Creative Artist Agency, and International Creative Management, are also important sources. In addition, project-based advertisements or direct mail are used for unusual requirements. Cast is selected based on screen tests and previous experiences. The casting director also gets involved in hiring extras or local cast at the location of shooting.

Director Selection

Unlike their counterparts in movies, television directors have very little control over the program development process.

Towards the end of the cast selection process, a director is selected to direct the production. Unlike as in a movie production, television directors have very little control over the process. Their participation in script writing and cast selections is very limited or none. They are typically the last one to get selected.[13]

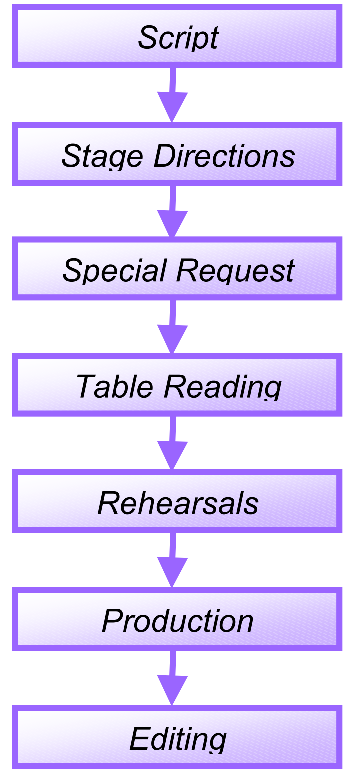
Pilots and Project Approval

After the production team is in place, the pilot development work begins. A pilot is generally one full episode; in some cases, it may require developing more than one episode to show the variations and consistency. Out of thousands of ideas, normally about 100 pilots are developed each season. The pilots are shown to network program directors and about

[11] Hollywood v. Bollywood: A Comparative Analysis of Legal and Business Practices. By Ashni Parekh and Mihir A. Parikh. Mumbai: Nishith Desai Associates. 2001. http://www.nishithdesai.com.
[12] Hollywood Inside Out: The TV Industry. A video produced by Chris Cook. Los Angeles: First Light Video Publishing.
[13] Ibid.

15-20 pilot projects are approved to be developed into full programs per season. About one or two programs succeed and go into the next season.

After a project is approved, the typical week goes as follows:



The script for an episode reaches the director the weekend before. The director reads the script and visualizes stage directions over the weekend.

On Monday, the whole production team meets and reads the script page-by-page, line-by-line. The team identifies special needs and scheduling requests required based on the script and arranges those over the next day or two.

On Tuesday, the whole cast meets for "Table Reading" or "Cold Reading." During this reading, stage directions and movements are fully developed. After the reading, rehearsals take place. On Wednesday and Thursday, production takes place. Each scene is generally shot with four cameras (35 mm) from different angles.

After the completion of production, on Thursday or Friday, editing takes place. Editors do not participate in the production or pre-production, so they have no connection with actors or production staff. They develop the first cut independently based on the script and their creativity. The second cut is developed with the director; third cut with the producer; and the final cut with the network. The network also rates the episode based on the industry-accepted rating scheme. This schedule is contractually obligated and strictly followed by all participants; variations happen only in rare cases.

Shopping

A project does not start until the full funding is guaranteed and financial agreements are completed.

Financing

Financing is a very important aspect of television program development projects. Special attention is given to the development of a detailed budget and the projected timeline to quickly secure financial support. Some projects are self-funded, in that they are first produced and then sold, and others are externally-funded, in that they are first sold and then produced. Internal working capital, personal bank loans, and funding by corporate sponsors are primary sources of funding for self-funded projects. Externally-funded projects are financed by project-based bank loans, customers (networks or individual stations), suppliers (production and post-production facilities), individual investors and lenders, and advertisers. In making the decision to finance or not, financiers focus on various aspects including the overall cost of the project, accuracy and consistency of the budget, past experience of the producer, collection of writers, projected timeline, target network (often the network's consent to evaluate the pilot is requested), and uniqueness of the story/theme. Unlike as in movies, the selection of star-cast does not play a major role in the financing decision.

US Television Industry - Legal and Regulatory Aspects

Informational

Legal and regulation aspects can be categorized into the regulation of transmission and the regulation of content. The regulation of television transmission has its roots in wireless telegraphy. In 1910, the US federal government issued the Wireless Ship Act to regulate the increasing use of wireless telegraphy on ships. However, the use of radio signals on land was still unregulated. The resulting cacophony led to overlapping signals and the failed radio communication in the Titanic Disaster of 1912[14]. This prompted the government to issue the Radio Act of 1912. In the early 1920s, the use of radio broadcasting exploded; 400,000 radio receiving sets in 1922 to over a million in 1923 to over 10 million towards the end of the decade.[15] This led to the creation of the Radio Act of 1927, which created the Federal Radio Commission. The rise in radio broadcasting, telegraph, and telephony in parallel during the late 1920s and early 1930s led to the enactment of the Communication Act of 1934 and the creation of the Federal Communication Commission (FCC) on July 11, 1934. The FCC was formed to regulate frequency spectrum and centrally license frequencies to avoid overlapping and jamming of signals. This act defines the landscape of television broadcasting even today. The FCC issues the five-year license to a television station to use a channel. The license is renewable based on satisfactory operations in the public interest. As the use of cable based television transmission grew in the 1970s, Congress enacted the Cable Communication Policy Act of 1984 (which became the Title VI of the Communication Act of 1934) and later the Cable Consumer Protection and Competition Act of 1992. Finally, in 1996, Congress enacted the Telecommunication Act. This act brought sweeping reforms in all industries related to the transmission of signals including the television industry.

On the other hand, no major act has been enacted specifically to regulate television content. But many acts affect content, starting with the Bill of Rights to the Copyright Act of 1976 to the Telecommunications Act of 1996. The Copyright Act and other related acts protect the development and distribution of original programming and determine the ownership of content. Acts related to contracts and work relationships regulate the hiring of employees on the full-time or part-time basis and of free-lancers. Content is also regulated by acts related to personal rights, such as libel (written defamation), slander (spoken defamation), privacy, un-wanted publicity, moral right, and unfair competition. Content is also affected by acts protecting societal rights, such as excessive obscenity and violence, national security, pre-trial publicity, and the V-Chip based rating scheme to protect children. The V-Chip embedded in a television set enables parents to filter television programs based on extensively defined rating scheme –- TV-Y (all ages), -Y7 (children 7 and older), -G (general audience), -PG (parental guidance suggested), -PG-14 (may not be suitable for children under 14), -MA (mature audience), -S (sexual content), -V (violence), -L (strong language), -D (suggestive dialogue), and -FV (fantasy violence). Along with each program a signal defining the program's rating is continuously transmitted; the V-Chip authorizes whether the program should be displayed on the television screen or not depending on the parents' pre-defined guidelines. Thus, even in the absence of parents, children are protected. These ratings are not enacted or enforced by law, but they are a part of the industry-adopted practices.

[14] Beyond the Telecommunication Act. By Leon T. Knauer, L. Andrew Tollin, Kathryn A. Zachem, and M. Veronica Pastor. Rockville, MD: Government Institutes. 1998.
[15] Ibid.

Other

The industry is shaped by various regulatory and overseeing bodies. The FCC has the biggest impact on the industry. In the recent years, the industry has seen a massive degree of mergers and acquisitions. Each merger or acquisition has to be approved by the Federal Trade Commission (FTC). The FTC may impose special conditions to avoid any unfair competition resulting from the merger or acquisition. Joint ventures and alliances are not regulated by the FTC unless they directly violate any acts. Local authorities, such as cities and municipal corporations, have strong input in the allocation of local channels and cable operation rights. Public advocacy and protection groups (such as the American Civil Liberties Union and the Anti-Defamation League) also play significant role in overseeing the industry. While they do not have direct legal authority, they regularly file lawsuits in the public interest and publicly protest some practices of the industry specifically in the areas of content (obscenity and violence, defamation, etc.) and advertisements (false claims, harmful products, etc.). For example[16], NBC, facing a significant reduction in advertising revenue related to economic downturn, recently decided to allow the advertising of alcoholic beverages (hard liquor), which is not against the law; public advocacy groups protested and NBC had to reverse its decision. Within the industry, talent guilds and unions protect the rights of artists, technicians, and other employees. They also negotiate broad contracts defining minimum compensation and working terms and conditions.

US Television Industry - Success Factors

The US television industry is the largest television industry in the world. Its success is not a matter of chance, but several factors have contributed and led to it.

Innovation. The US television industry has always been one of the most innovative industries in terms of continuous development of unique products-programs and the creation of unique channels. The switching cost for television viewer from one program to another program is extremely low—just a click on the TV remote. This has led to a highly competitive environment. Each channel has to constantly come up with innovative programs to attract and keep viewers.

Niche-focused channels. Cable-based transmission has changed the face of the industry. Today, 79.6% households get their television programs through cable and about two-third of them have access to more than 54 channels.[17] As the existing cable networks are switching from co-axial cables to fiber-optic cables, the number of channels is expected to increase more than 200. Even in the VHF/UHF (terrestrial) broadcasting arena, there are more than eight channels available in most markets. In satellite-based broadcasting, viewers can get over 150 channels. This explosion of channels have lead to the creation of niche-focused channels, each specializing in the coverage of news, sports, movies, hobbies, cuisine, travel, children programming, ethnic interests, comedy, drama, etc.

Huge investment. The industry spends millions of dollars in developing new television programs, specifically for prime-time serials and shows, and even more in marketing and promoting those programs. Huge investment has lead to higher quality programs and wider audience coverage.

[16] NBC's Plans for Liquor Ads Have Dried Up. By Corie Brown. The Los Angeles Times. Los Angeles. Mar 21, 2002.
[17] Cable TV Fact Book. New York: Cable Television Advertising Bureau. 2001.

Cable/ Satellite Operators

High quality actors. Like Hollywood, the television industry spends significant amount of production budget on actors. Some leading actors get paid very handsomely. Kelsey Grammar of the serial "Frasier" is paid $1.6 million per episode, earning over $38 million per year. Each of the six stars of the serial "Friends" is paid $1 million per episode, requiring the budget of over $150 million per year for only six actors. Huge compensations have attracted high quality actors from movies and Broadway shows to television programming.

Cultural momentum. There is a general momentum toward American movies and sports worldwide. The telecast of 2002 Academy Awards (Oscar) generated $80 million for ABC in ad revenue with a 30-second spot generating $1.25 million[18]. Hollywood movies have always been famous worldwide, but American sports are now gaining grounds. For example, this year the Super Bowl (an annual championship event of American football) was relayed in 171 countries. Advertisers paid an average $2 million for a 30-second spot generating over $120 million for Fox during the Super Bowl, even after the Sept-11 related economic downturn[19]. This event along with other American sports events of baseball and basketball are increasingly capturing audience worldwide.

Minimal government interference. As in most other industries, governments at all levels have taken a hands-off approach in regulating and managing the television industry in the US. There is no government owned or operated channel in the US. Government has primarily focused on making sure that the players in the industry compete fairly and the hyper-competition in the industry continues for the benefit of consumers. As the government is not a competitor, it has not created any special regulations to protect its position in the industry. On the other hand, it has created rules that promote competition. An example is the "eight voices" rule, under which there must be at least eight station-owning companies in each market before a company can own two stations in the same market.[20]

Long, rich history. As mentioned earlier, the US television industry started over 75 years ago. Television has been a mass medium for over 50 years. Through these years, the industry has accumulated an unparallel amount of collective experience. This experience combined with other factors discussed above has led the industry to become the most successful television industry in the world.

Indian Programs in the US and Entry Barriers

Indian programs have been relayed in the US for some time, but they are targeted only to the expatriates from the Indian subcontinent. Other potential audiences have been ignored.

Most of the Indian programs are produced locally and relayed through local independent television stations. The programs primarily contain songs and news from Bollywood. Even local content is very minimal, often limited to the exit surveys of Indian moviegoers or Hindi song request hosts. Most of the programs are broadcasted for few hours during the weekends and

[18] And the Winner Is ... ABC. By Steve McClellan. Broadcasting & Cable. New York. Mar 11, 2002.
[19] Not-So-Super Ad Sales. By Tom Lowry. Business Week. New York; February 4, 2002.
[20] F.C.C. Rules on Ownership Under Review. By Seth Schiesel. The New York Times. April 3, 2002.

supported by local ethnic advertisers such as ethnic grocery stores, basmati rice or masala distributors, and local Hindi cinema halls. This, unfortunately, sums up the sorry state of Indian programs in the US.

More recently, US-based Indian channels have started to appear on cable in the markets with high expatriate concentration. But they require special additional monthly fees and not all expatriates or mainstream audience subscribe to them. Also, satellite companies have started offering India-based or UK-based Indian channels such as Zee TV, Zee Gold, Sony Asia, and B4U. However, access to these channels requires special additional monthly fee. For example[21], on Dish Network, getting the minimum package of two Southeast Asian channels costs $25 per month and all five channels $50, in addition to the cost of all (150+) US channels, about $75 per month. This can be very expensive for the mainstream US audience as well as expatriates.

The low level of penetration (at least so far) by the Indian television industry in the US markets raises a question—why are the Indian companies not able to penetrate? There are multiple reasons for this.

- Cultural differences between the two countries cause differences in audience programming preferences leading to different types of programs.
- The US market is a hyper-competitive market. In addition to the 150+ US channels, the audience has access to over 50 premium worldwide channels from Europe, Latin America, the Middle East, and Asia-Pacific. The competition is so high that channels are choosing extremely narrow programs to sustain audience. For example, Nickelodeon has created special programs for preschoolers (3-5 years age) to help them exercise their "bodily-kinesthetic intelligence."[22]
- There are significant differences in business and legal practices as well as approaches to production and marketing of television programs between the two industries.
- The US television industry is highly structured. Large players have strong control over programming and distribution. Indian companies, compared to these players, are very small and have little resources to face the incumbents head-on.
- Finally, there is no precedence. Not only just Indian, even European or Japanese television companies have not been able to break into the market. Despite many attempts BBC has not been able to create a permanent presence, although many BBC programs and news are relayed through various channels. The only success has been in the outright buying of US channels, which may be one of the ways to enter the market.

Potential Areas for Collaboration & Penetration

Although it is very difficult to break into the US television industry as discussed above, there are several avenues for close-collaboration leading to eventual penetration and permanent presence. Few immediate ones are presented below.

Developing mainstream products. The Indian television companies and producers, specifically the successful ones, should start focusing on mainstream products. Leadership positions in the US

[21] South Asian Language Packages. http://www.dishnetwork.com. March 28, 2002.
[22] In Battle for Toddlers, TV Networks Tout Educational Benefits. By Sally Beatty. The Wall Street Journal. April 1, 2002.

Indian

markets constantly change. For example, CNN was the first news channel and led the market segment for many years. But recently, Fox News (average 666,000 viewers) overtook CNN (546,000 viewers) and Fox's Bill O'Reilly draws about 2.1 million viewers in a news-opinion program compared to CNN's famous Larry King 1.3 million in a similar program[23]. With the right types of programming and few years of learning through trial and error, Indians may have a similar chance to break in.

Creating novelty. Novelty in programming is a basic tenet in the television industry. In physical products, consistency (from one car to the next car or from one burger to the next burger) is critical, but in television programs, variation or novelty (from one news program to the next or one episode of a serial to the next) is critical. So, value creation and consumption are one-time events. Audience is constantly looking for novelty. Given the immateriality of the product, the value is in the intellectual input in the product and Indian companies have to learn to provide it more effectively. For example, a pay-per-view program (such as a new movie or a sports match) commands \$10 to \$50 per viewing; even if 1% of TV households choose to view a novel program created by an Indian producer, it can generate \$10 to \$50 million in revenue.

Exploiting the hidden talent. A key reason behind the tremendous growth of Indian television is the indigenous talent. Although television has been around for only few years, India has a long history of making movies. This experience with and creativity of movie making has now transplanted into television production. This hidden talent can be maximally exploited through globalization. In the US, more channels have led to more programming and micro-segmentation in television offerings. This has created a need for more and more specialized actors and other talent.

Providing pre-/post-production support. We need to capitalize on our understanding of digital technology and IT infrastructure. Just as Hollywood movies are increasingly using digital technology to create content, television programs worldwide are increasingly embedding digital content in programming. It began with sci-fi shows but now it is also used heavily in regular programming. India, with its world-leading software industry, has gained a deeper understanding of digital technology and its use in content creation. Additionally, through our English-language heritage, we have the talent to support story/script development. Specific dialogue development and delivery may differ due to cultural differences, but the Indian television industry can support the story and theme development for the US industry.

Building joint venture or consolidation. Since it is very difficult to fight head-on, the Indian companies should try to build alliances and joint ventures with US television companies. First, with some adjustments and integrative initiatives, both may be able to swap existing programming. The idea is not to demand an access to prime time television shows, but telecast specialized programming on various niche-focused channels. Second, Indian companies can start assisting US companies in the development of various projects. Third, both can start developing joint projects. And finally, create the cross-border consolidation. International co-production in the US television industry began in the mid-'80s[24], but it has not yet reached India.

[23] Fox News Enjoys New View -- From the Top. By Peter Johnson. USA Today. Arlington, VA. Apr 4, 2002.
[24] The Future of Television. By Marc Doyle. Lincolnwood, IL: NTC Business Books. 1992.

The Indian television industry can follow the lead of the Australian, British, Italian, German, and French television industries in international co-production.

What Next?

In the end, a question still remains that how can we become a global industry. Like any other firm striving to become a globally dominant player[25], companies in the Indian television industry need to:

- Identify new market opportunities to establish presence in all key markets.
- Develop global competitive advantage through value creation.
- Cultivate global mindset to build on cultural diversity and adopt successful practices.
- Rethink the notions of traditional customers, value, and innovation.

Recent innovations such as interactive television, high-definition television, the convergence of computing with telecasting, digital video assistants, virtual VCRs, and home theater technologies are extending the horizons of television as an ultimate mode of entertainment. These innovations are poised to turn television, a mass medium, into a personal medium, which will have personal, political, economic, aesthetic, psychological, moral, ethical, and social consequences touching, affecting, and altering every part of us. Thus, the medium will in the true sense become the message as envisioned by McLuhan[26] thirty-five years ago. Are we ready for it?

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