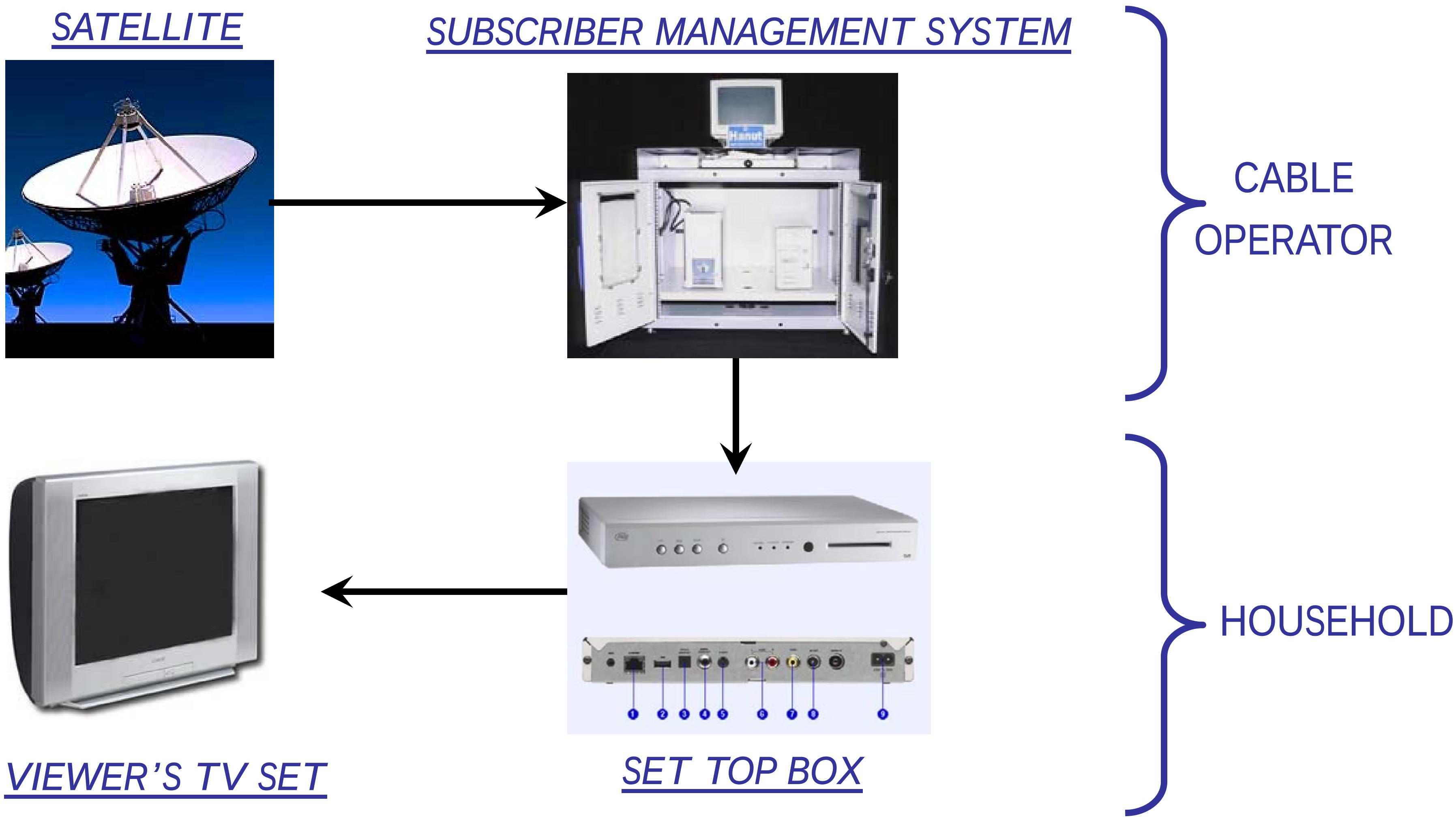
CAS Revisited

Catching the bull by its Horns

What is Conditional Access System (CAS)?

It is an addressable system for the cable operators to provide subscribers with a selective choice of content via the 'PAY' mode of TV

Components of Conditional Access System (CAS)…



Background for CAS - Need for addressability

- Introduction of an addressability system has been of Government's radar since 2001
  - Subscribers' ire at sudden increases in cable TV subscription rates
  - Under-reporting by the LMO depriving the MSO, Broadcasters of the entitled revenue and Govt. of the tax of the 8300* Crs. (2005) Cable subscription pie

*Source : NRS 2005

- Task force constituted on 24th Sep, 2001 by the Govt. under Min. of I&B spearheaded by Rakesh Mohan with representation from all stakeholders

(IBF, MSOs, Broadcasters, Content creators, Cable Operators, Infrastructure providers, Min. of Consumer Affairs & Technical experts)

The Cable Television Networks (Regulation) Amendment Bill, 2002

- Bill introduced for compulsory use of "Conditional Access Systems" (CAS) for delivery of pay channels in 4 Metros
- Passed by the Lok Sabha in May 2002
- Passed by the Rajya Sabha on 17 December, 2002
- New Delhi, Mumbai, Chennai and Kolkata MUST implement this rule by 14 July, 2003.

Salient features of the amendment bill 2002…

- *Mandatory* for every cable operator to carry the pay channels through an *addressable system*
- Government to specify the minimum number of channels in the basic tier – minimum 32 FTA TV channels (composition can change across markets)
- Government specifies the maximum chargeable amount by a cable operator from the subscriber for the basic tier (FTA channels) – Rs. 72
- Basic tier services should be receivable on a standard set without an STB
- Cable Operator required to announce Pay channel rates to subscribers at regular intervals and submit reports to Govt. on number of subscribers, subscription rates etc.

CAS in effect means…

Cable and Satellite Hhld

Basic Tier/FTA channels (FTACS)

- A set of "MINIMUM" no. of channels that the cable operator MUST show (32)
- Government to fix the "Maximum" price that can be charged for the basic tier (72)
- Consumers who wish to view only FTA channels do not have to purchase an STB

Pay Channels (CASCS)

- All channels that are routed through the addressable box other than in the basic tier (FTA TV channels)

Finally, CAS got rolled out only in Chennai…

Supposed to be on an experimental basis

What was the effect of CAS on different channel genres…

The recent developments in the CAS sphere…

- On 10th Mar, 2006 Delhi HC ordered the Govt. to enforce the rollout of addressability in the form of CAS in the remaining three metros of Delhi, Mumbai & Kolkata within 4 weeks

- South Delhi, South Mumbai and Kolkata.

Who will get affected by this ruling?

CAS Zone 1 TV owning Estimates...

CAS Zone 1 TV Owning estimates						
Metro	All City (Figures in 000s)			Zone 1 (CAS implementable zone)		
	Total HHlds	TV Owning HHlds	C&S HHlds	Total HHlds	TV Owning HHlds	C&S HHlds
Mumbai	3949	3316	2915	442	371	327
Delhi	3010	2718	2226	685	618	506
Kolkata	3100	2337	1724	631	476	351
Chennai	1637	1529	1460	1074	1003	958

Note:

All City figures as per NRS 2005

Zone 1 numbers estimates arrived at through TAM field work & electoral/municipal information (Census 1991 & 2001)

Preliminary estimates and subject to change

Will CAS to be success in today's scenario?

Basic factors affecting success of CAS

- Two key factors responsible for increasing CAS penetration

CAS = 'CONTENT' x 'AFFORDABILITY'

Better the Content, Better the Affordability,
Easier will be the acceptance for CAS STB's by viewers

Factors determining CAS penetration

- *On Affordability*
  - Final pricing of the Set top box
  - Final pricing of the Pay channels to the C&S viewers
- *On Content*
  - FTA content – are they creating viewer Stickiness ?

What Pricing will make CAS successful?

How deep is the consumers pocket…

- Total subscription value for the cable & satellite industry is Rs. 8400* Crores!

- Present Average monthly fee paid out by cable homes to cable operators
  - All India - Rs. 124*/-
  - Mumbai - Rs. 197*/-
  - Delhi - Rs. 175*/-
  - Kolkata - Rs. 140*/-
  - Chennai - Rs. 83*/- (major Tamil Channels are FTA)

**Source : NRS 2005*

So what questions is the consumer asking himself?

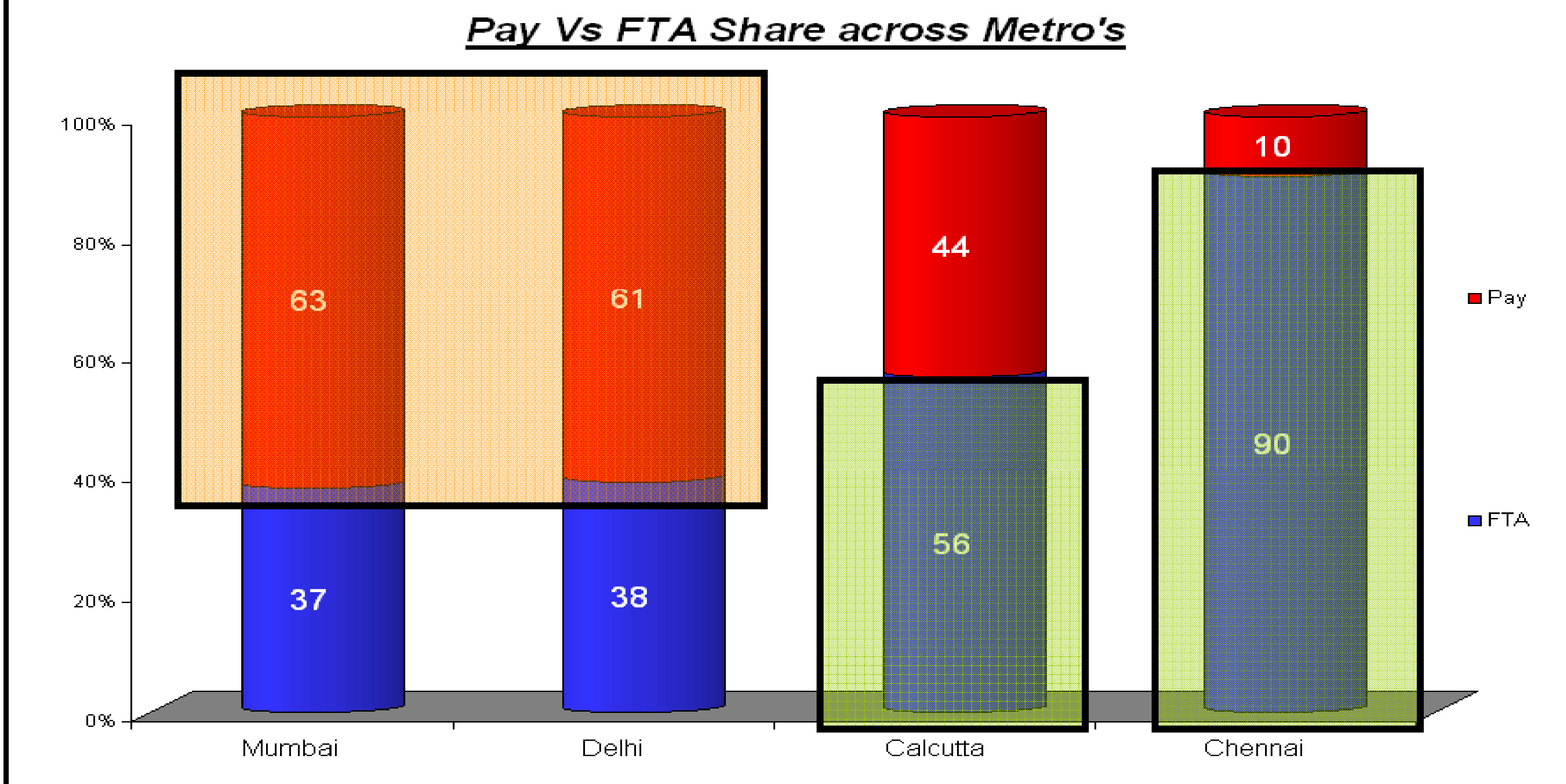
- Set Top Box Cost? (one time initial investment)

- Individual channel pricing? (Avg. Monthly investment in Mumbai – will it exceed Rs 197/-?)

- What other value adds do I get from the set Top Box device other than the same set of channels?

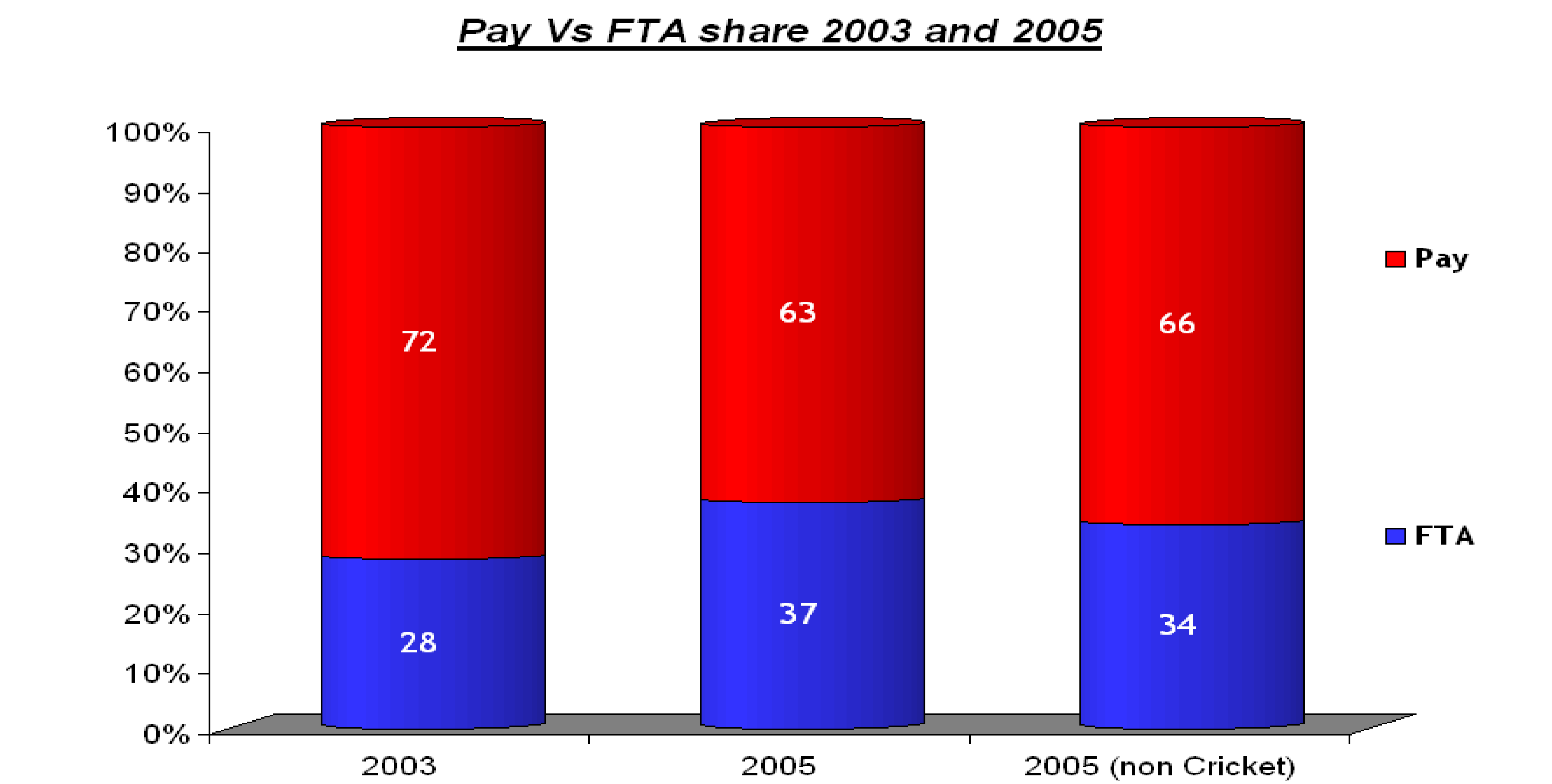
What Content will make CAS successful?

Pay v/s FTA viewership share across 4 Metros



*source : TAM Peoplemeter System TG : CS 4+ Time Period : 26/02/2006 to 25/03/2006

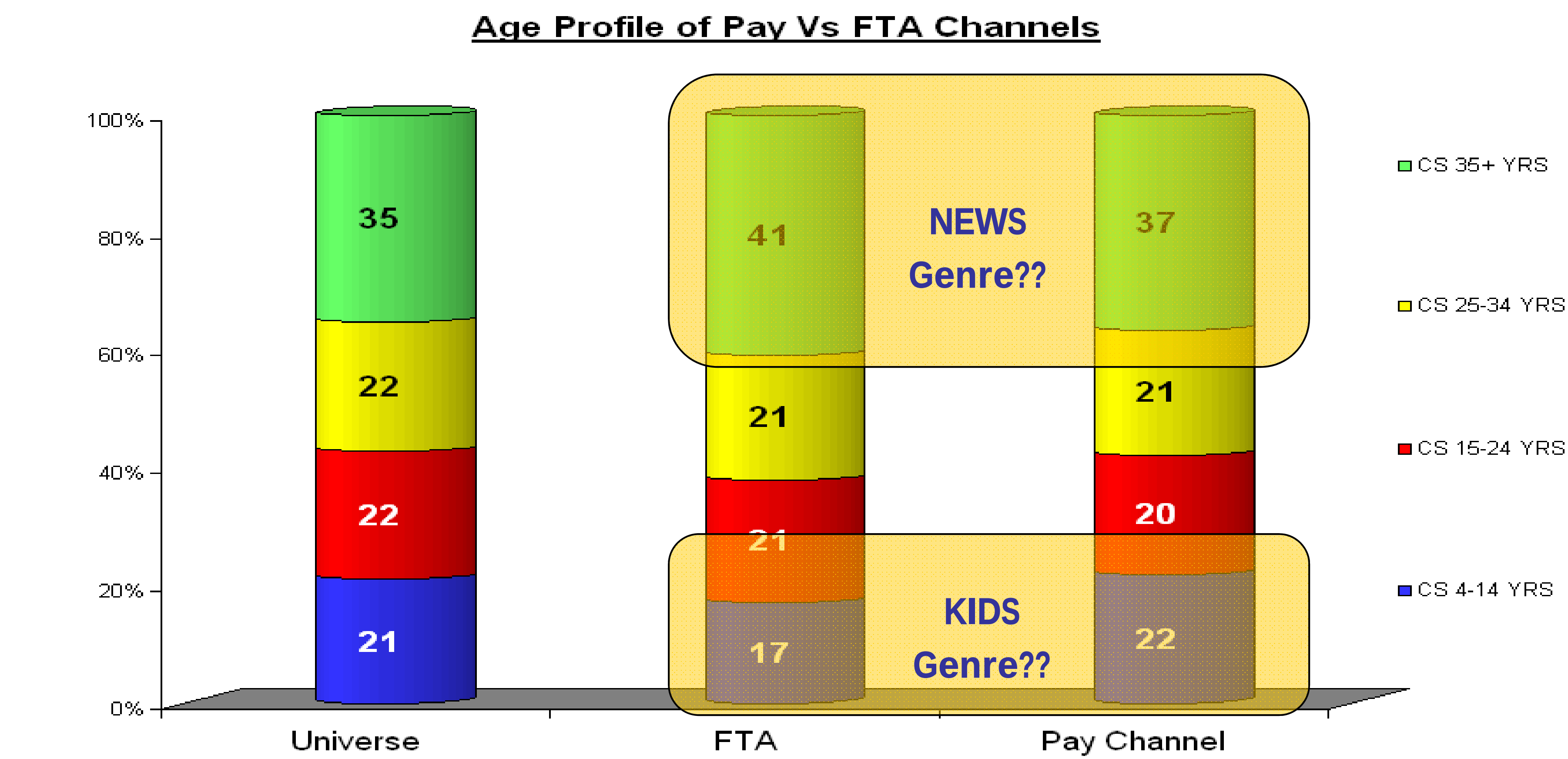
Coming to Mumbai, Pay v/s FTA split has not witnessed major changes in 2003 Vs 2005



Source : TAM Peoplemeter System TG : CS 4+ Markets : Mumbai Time Period : 26th Feb to 25th March 2006 & 6th april to 24th May 2003

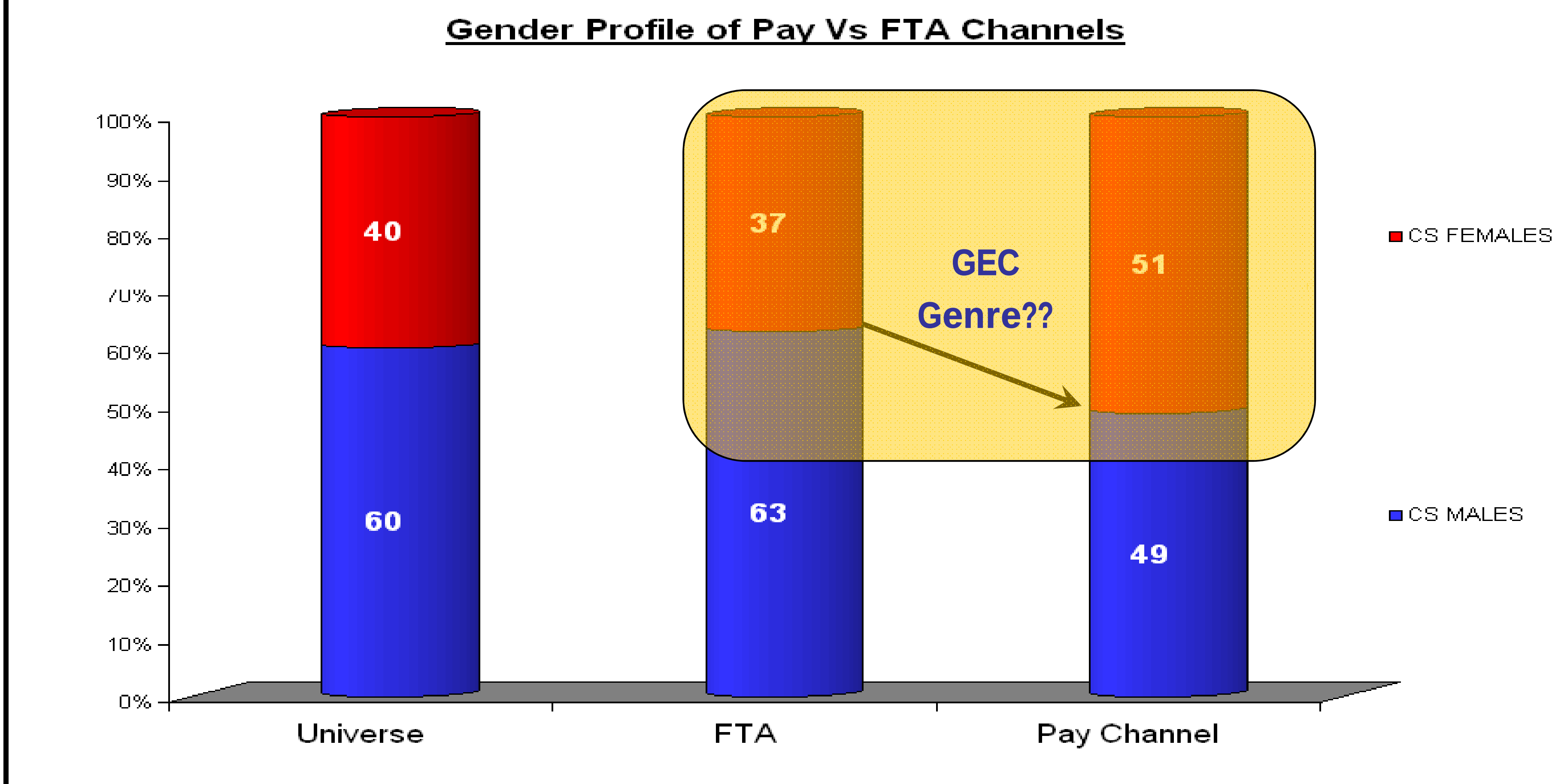
How Different are the viewers of FTA Vs Pay Channels

FTA content driven by older age groups!!!



Source : TAM Peoplemeter System TG : CS 4+ Markets : Mumbai Time Period : 26/02/2006 to 25/03/2006

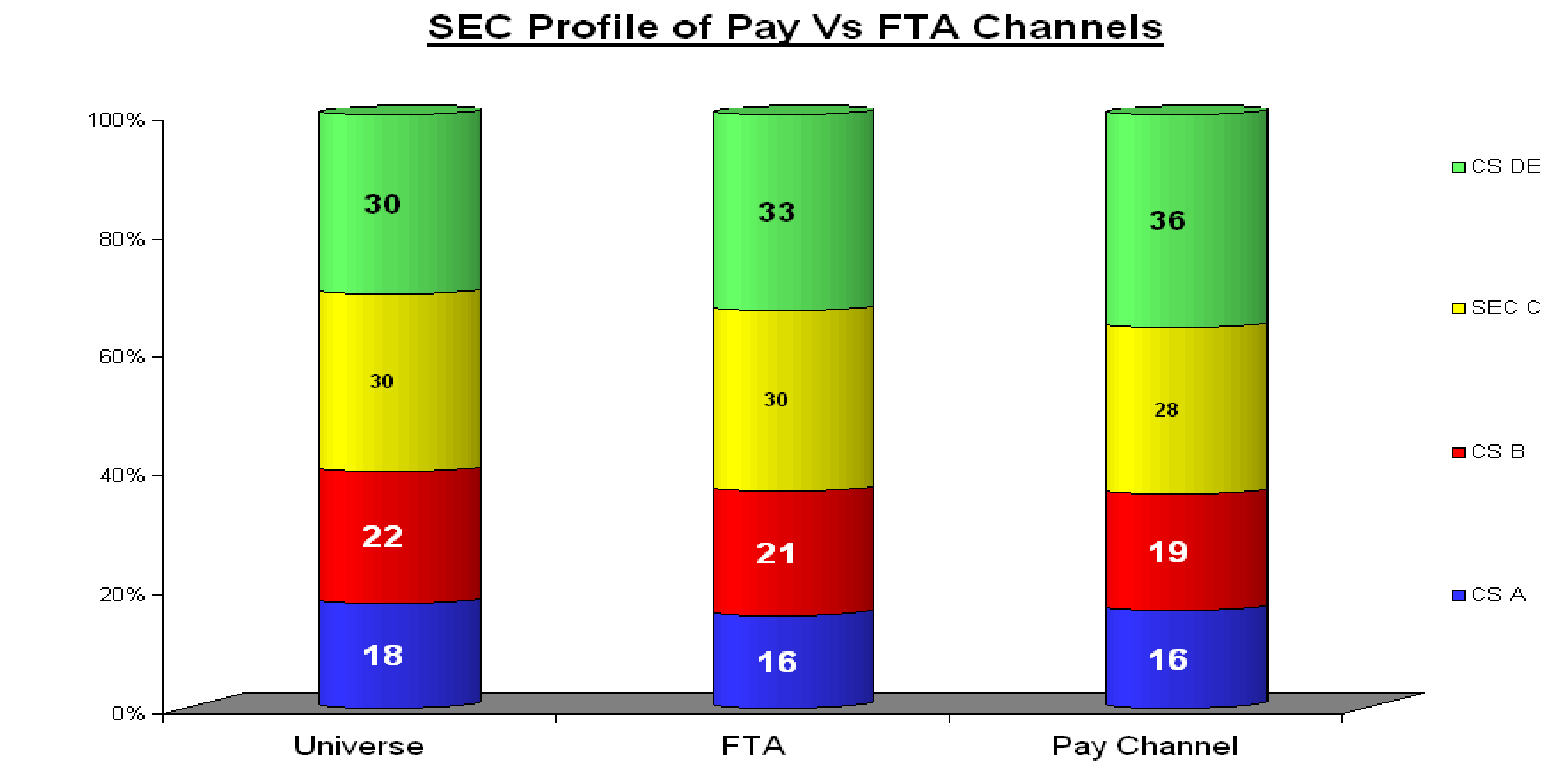
GEC genre dominates PAY TV Channels viewing!!!



Source : TAM Peoplemeter System TG : CS 4+ Markets : Mumbai Time Period : 26/02/2006 to 25/03/2006

Is it a myth that CAS is going to be a upper SEC phenomenon?

However, no major household level skews in viewing!!!



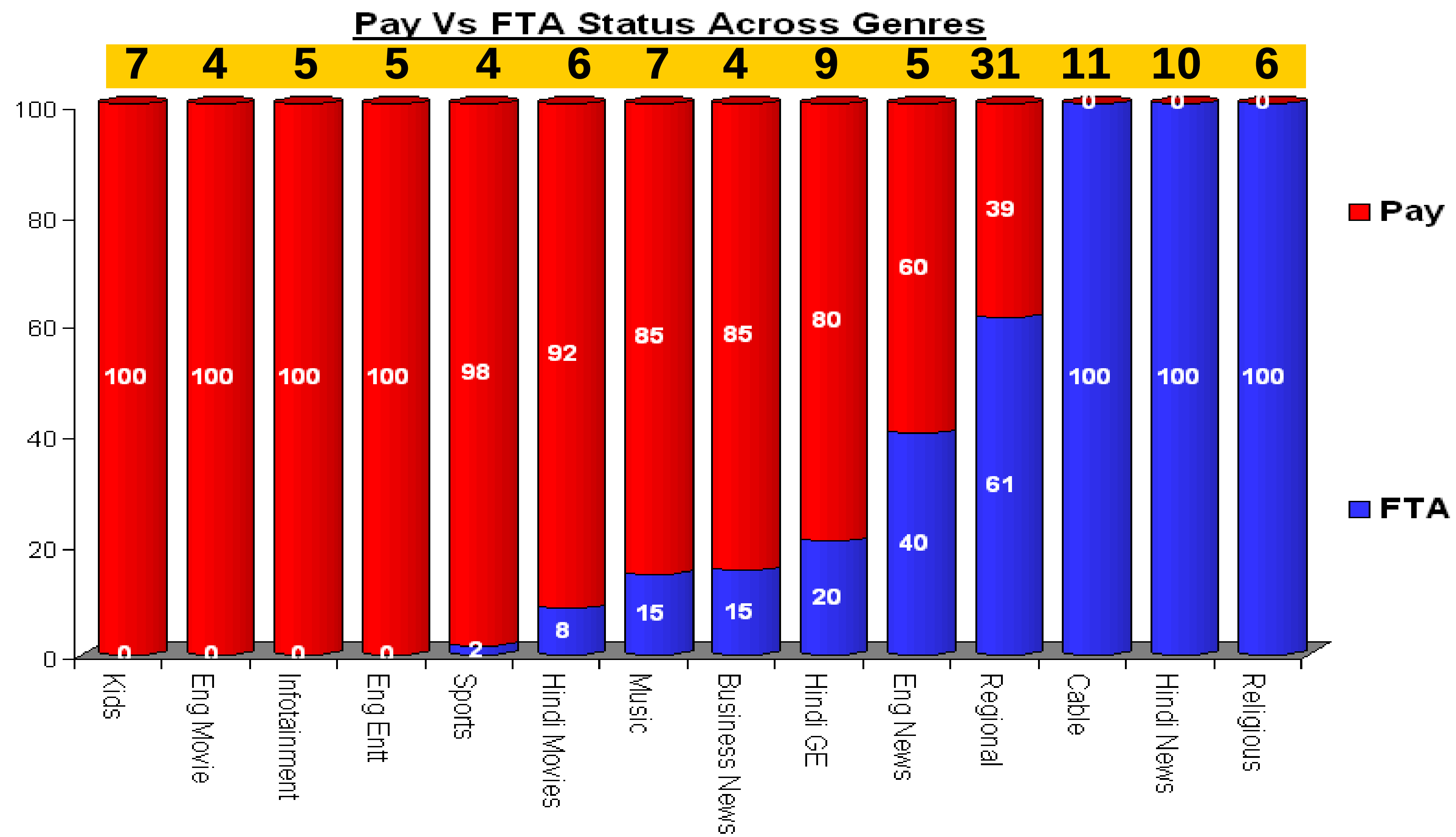
Source : TAM Peoplemeter System TG : CS 4+ Markets : Mumbai Time Period : 26/02/2006 to 25/03/2006

Key inference

- Purchase of STB is not going to be determined by the status of the household (in terms of the SEC) but by the preferred choice of channels by individuals residing in the homes

How would different genres be affected by CAS ?

Some channel genres are completely in Pay space forcing viewers to make conscious channel choices.

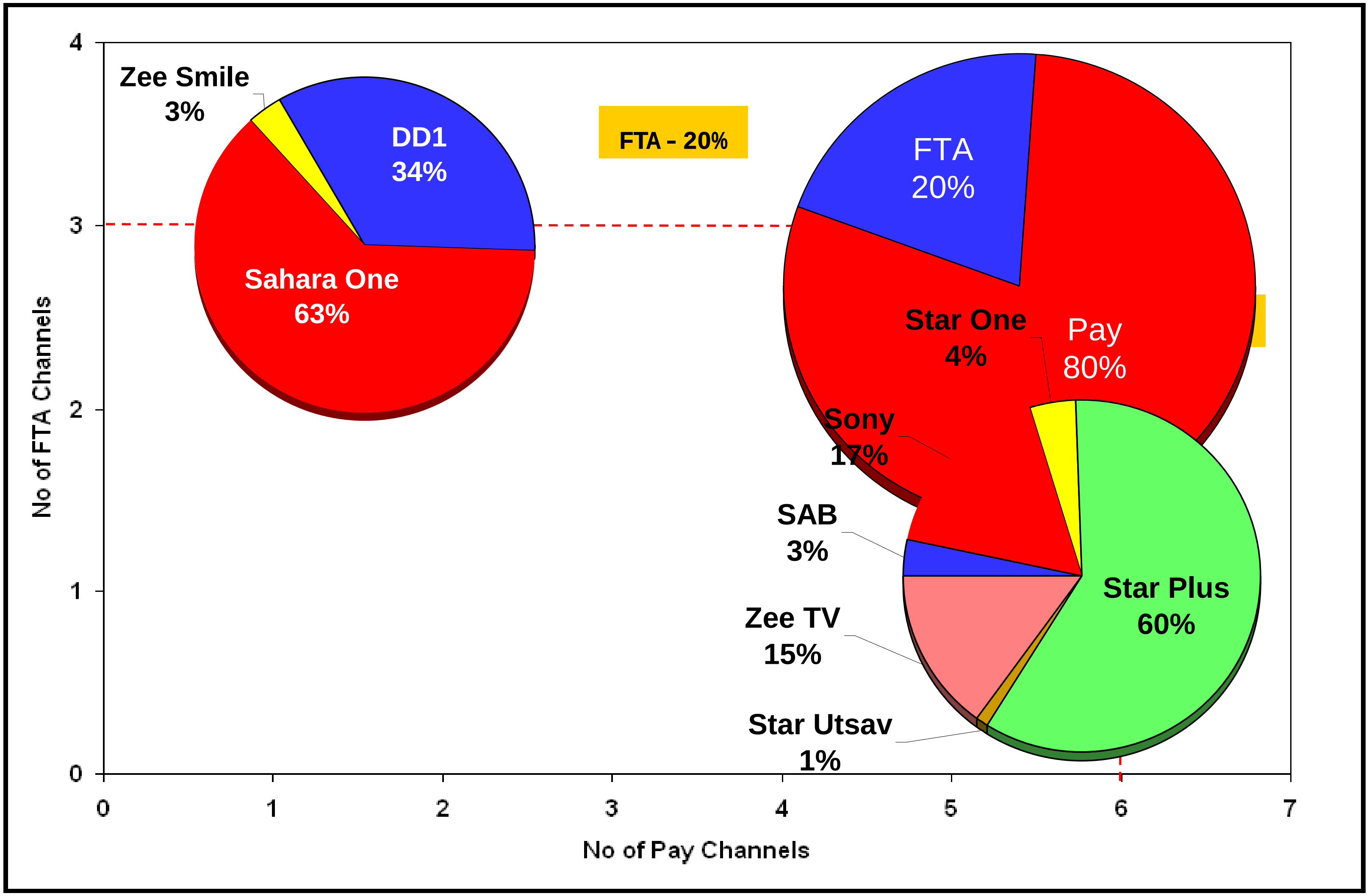


Source : TAM Peoplemeter System TG : CS 4+ Markets : Mumbai Time Period : 26/02/2006 to 25/03/2006

Key inference

- Ownership of a STB to watch PAY TV is not going to be determined by the number of channels being given by the cable operator but by the kind of quality content provided for the viewers

How Will Things play out when CAS hits in Hindi GE space…

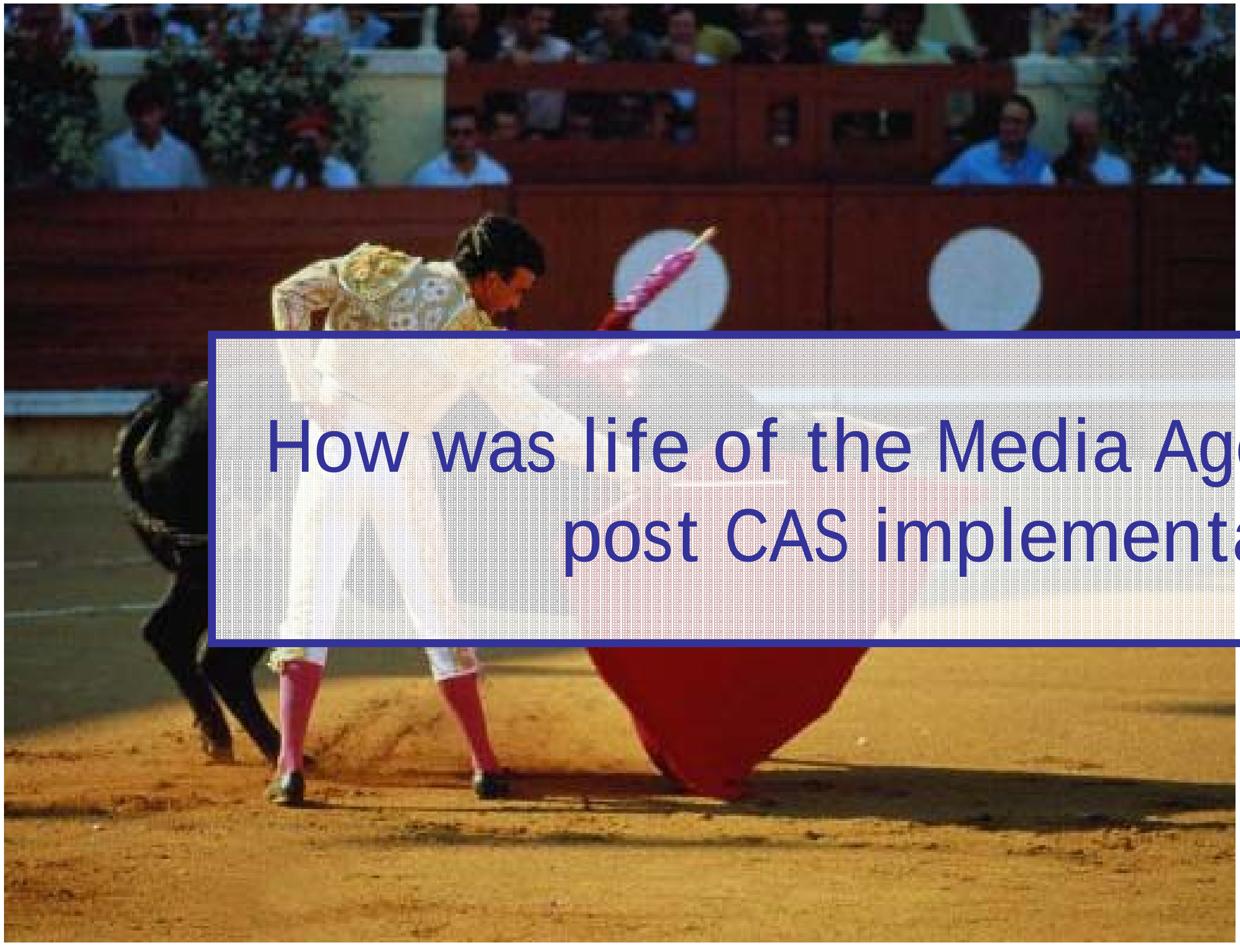


Implications of CAS

Learnings from other CAS Markets

Study across Nielsen countries with CAS implemented

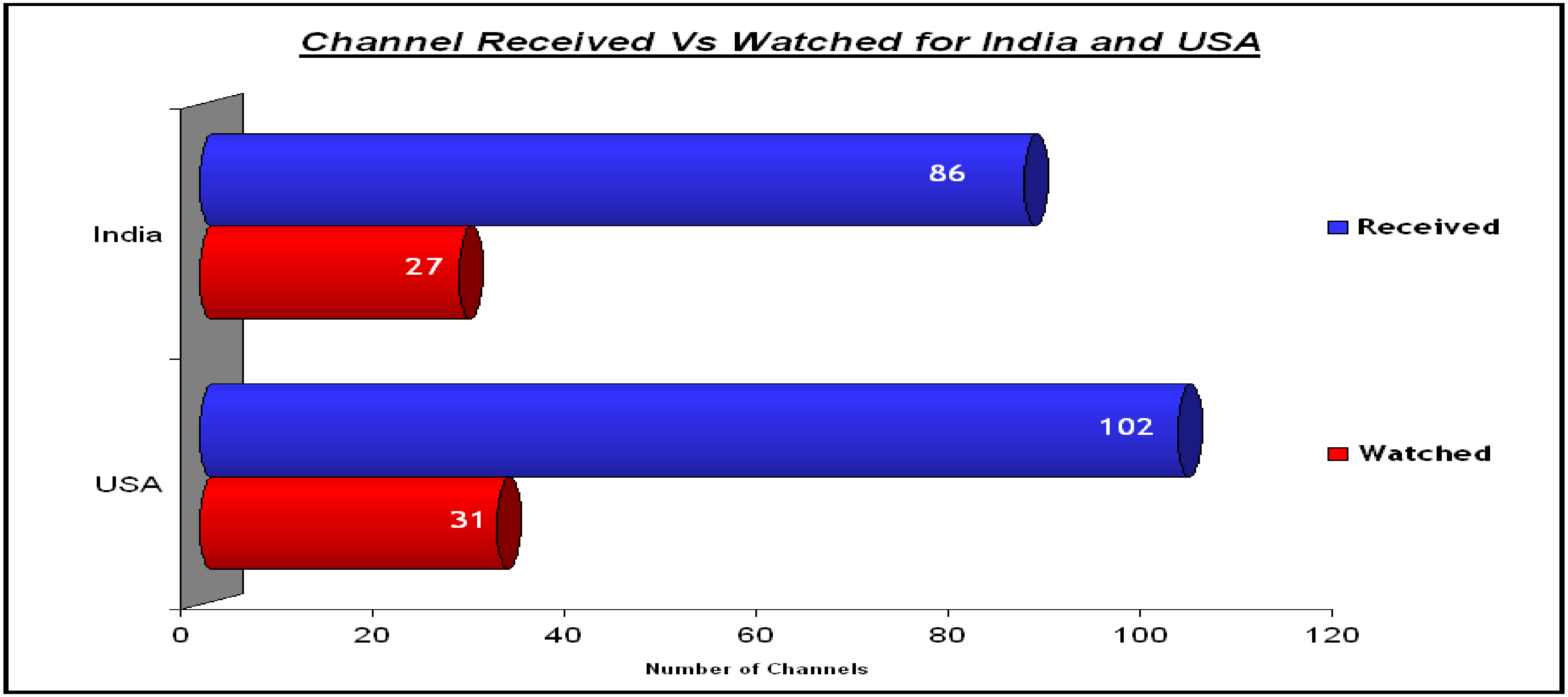
- Questions sent to 14 countries
- 11 countries reply received & tabulated
- Key findings are……



How was life of the Media Agency impacted post CAS implementation?

STB also means more Channels Received...

- But increasing number of Channels Received does NOT mean more Channels Viewed!



But…

- **Priority & Composition** of the channels within the top 30 list **change** according to individual preferences…

…Leading to further **<u>Fragmentation of TV audiences</u>**

<u>Implications</u> : Ad Spends spread across more channels!

Agencies will need to manage Inventory across <u>more</u> channels!

- Thus, large **GE Mass Entertainment Pay TV** channels, while it **retained leadership position**…

…has a Audience share of **less than 25%**!

On Ad Spends…

- Large National Advertisers **<u>increased</u>** Ad spend to reach Fragmented Audience…

…more presence on **<u>Mass GE</u>** Pay TV channels + Multiple **<u>Unique Content</u>** Genre channels

(Avg. Increase in Brands Advertised Post CAS went up by **<u>24%</u>!**)

- Also, higher subscription yield to Broadcasters **(Avg. 3 times higher!)** attracted a slew of **"NO" Ads channels**...

...contributing to **~4%** share of total Pay TV Audience!

- Almost in all countries, all Big Events (Oscars, Olympics, World Cup Football,...) are largely concentrated on Mass Pay TV platforms...

...attracted **Eyeballs** as well as **Large Budget National Advertisers**

It takes more Air Time purchase to Reach Target

- The average Reach of the plan at 1+ (C&S, 4 Yrs+) went down across markets…
  - GRPs & Reach (at 1+) Prior to CAS
    - ~ 26% to 34% for first 100 GRPs (based on top programs)
  - GRPs & Reach (at 1+) post homes moving to CAS
    - ~ 19% to 30% for first 100 GRPs (based on top programs)

Finally, to Sum Up…

- Fragmentation of viewers – The pie of CS viewers will be further split into FTA & Pay+FTA viewers
- Hence, the Reach of individual vehicles will drop, leading to a widening of TV plan basket
- Clearly defined niches will also help Advertisers in micro-targeting consumers
- More Subscription revenues for the Broadcasters might lead to lesser dependence on Advertising for some channels

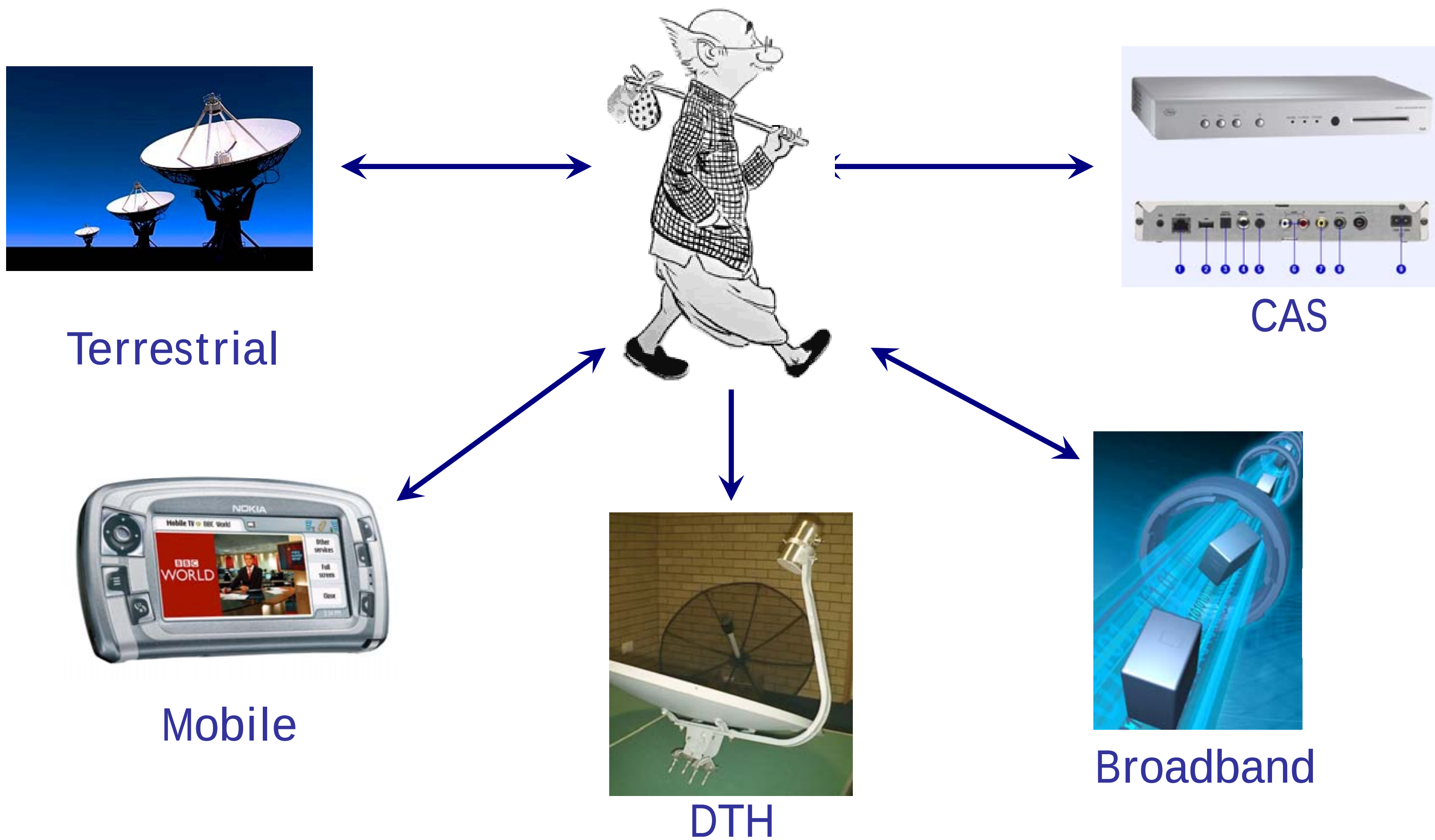
Advantages of CAS -
CAS creates New Media for Advertisers

- Driven new Advertising platforms like EPG (Electronic Program Guide)

But for CAS to take off well…

- Need to unleash the Power of consumer Marketing
  - Basic STB at low price will not attract consumers
  - The STB needs to offer Value services at affordable price
- Package unique content
- Resolve STB architecture issues like portability of box

Future Choice of Platforms for consumers…



Can CAS be measured by TAM?

TAM is Technology Ready!!!

- TAM was expecting this digital shift…which is why it started to develop a new Peoplemeter
- It is expected that platforms like CAS, DTH, Cable & Satellite, Broadband etc. will co-exist
- Hence, TAM designed – new digital TVM5 Peoplemeters:
  - TVM5 is Technology/Platform neutral – caters to DTH, CAS, Broadband etc.
  - Compatible with both GSM and Landline Polling of data
  - Tested and successfully implemented in many countries including Mexico, South Africa, Thailand, Korea, Malaysia, etc.
  - Implemented in world's most successful DTH market – United Kingdom
  - To be implemented in India through what will be the world's first Elite TV Panel. Elite Panel is a separate parallel panel that is being set up by TAM to measure the TV viewing behavior of the Elite/Premium segment of the society.

Yes, looks like the raging CAS bull can be tamed!