AUDIENCE ENGAGEMENT

TV AUDIENCE VIEWING PATTERNS

The audience television viewing pattern has undergone a sea change. This article focuses on the changing demographics of the television viewing audience and what drives them to watch TV.

TV OFFERS VALUE FOR MONEY BUT THERE IS ROOM TO ENHANCE CONSUMER WELFARE

1. Consumers think TV channels offer value for money

Consumers watch TV channels for a variety of purposes. While they also avail of other modes of video consumption, most prefer TV. The figure 1 below shows a clear preference for TV as the preferred mode of video consumption, particularly because of the value for money on offer. Other factors include: the availability and quality of content, ease of use/watching experience and quality of service.

Interestingly the TRAI’s latest ‘Consultation Paper on Issues related to New Regulatory Framework for

![Figure 1: Preferred mode of video consumption](image)

*Note:* Based on response of 10,053 respondents.
Broadcasting and Cable Services’ notes that the Authority had received representations from Local Cable Operators that highlight the adverse impact of OTT services on linear TV.

Specifically, the consultation paper notes that ‘consumer organizations have highlighted likely increase in their subscription due to the price rise of popular channels, consequent upon implementation of proposed RIOs filed by the broadcasters’.

It also states that “easy availability of the TV content on the OTT platforms/apps is also posing a serious challenge to the traditional cable/dish TV services”. However, it is clear from our survey that consumers prefer TV across various relevant parameters, including content availability.

2. There is room for consumer welfare to grow

Close to three fourth of consumers pay around INR 200-400 as average monthly subscription bill per TV. Most have subscribed to up to 200 channels, which is the same number as offered in the basic service package. Therefore, it is important to understand how and if consumers exercise effective choice and its concomitant impact on consumer welfare.

For instance, 67 percent consumers said that their average monthly bill for TV channels increased in the past 1-2 years, during which a new

2. उपभोक्ता कल्याण के बढ़ने की गुंजाई है

करीब तीन चौथाई उपभोक्ता उसके दौरान दी गयी संख्या के समान है। इसलिए यह माना जा सकता है कि उपभोक्ता कैसे और क्या प्रभावी विकल्प का प्रयोग करते हैं और उपभोक्ता कल्याण पर इसका सहानुभूती प्रभाव पड़ता है।

उदाहरण के लिए, 67 प्रतिशत उपभोक्ताओं ने कहा कि दी गई चैनलों के लिए उनका औसत मासिक बिल बढ़ने के 1-2 वर्षों में बढ़ा है, जिसके दौरान एक नया नियमांक हांगा बनाया गया है।
regulatory framework was put in place. The figure 3 below show the average monthly subscription bill consumers pay and figure 2 highlights the number of channels consumers desire for the price they pay.

Around 40 percent of consumers are satisfied with their subscriptions (Figure 4), and that leaves significant room for consumer satisfaction to grow, which validates the regulatory reform process currently underway at the TRAI.

This is particularly since as per the TRAI’s Consultation Paper, on “discussions with stakeholders, it emerged that consumers’ benefits are of prime importance”. Moreover, consumer welfare is an important objective of TRAI’s overall regulatory remit.

CONSUMERS PREFER BOUQUETS, AND EXPECT A LOT FROM THEM

1. Consumer avail of TV channels primarily through bouquets combined with individual channels

The figure 5 below shows that many consumers (54 percent) avail of TV channels through bouquet subscriptions, while another 35 percent subscribe to a combination of pack of channels and individual channels.

Eminent economist Jeffery Eisenach has linked the prevalence of bundling to five factors:

“First, video markets are characterized by economies of scale and scope at both the upstream (video production) and downstream (video distribution) levels. Second, these markets are multi-sided, that is, they are supported by advertising as well as consumer subscription fees; and, the market for advertising is itself subject to economies of scale. Third, video markets offer differentiated products and face...
heterogeneous consumer demand, meaning simply that different consumers prefer to watch different types of programming. Fourth, like other markets with differentiated products, consumers must incur search costs to identify and learn about the available products. Fifth, both the upstream and downstream markets for video content are dynamically competitive."

2. Consumers expect more from their subscriptions

It is worth noting at the outset that economists assume that consumers have a set of tastes or preferences that guide them to select goods or services. It is also axiomatic that these tastes tend to differ substantially among individuals. Some of the key properties of consumer’s preferences include completeness, transitivity, more is better, continuity and strict convexity. While we needn’t bother with most of these for the purpose of our analysis, it is important to state that the ‘more is better’ property stems from the fact that consumers want more of a good or service if they are able to afford it. This is because, in general, people prefer more of any good to less of it, all else being equal. This property is also known as the law of diminishing marginal utility, which states that as more of a good is consumed, the additional satisfaction from consuming one more unit of that good decreases. Therefore, the more a consumer has of a good, the less they would be willing to pay for an additional unit of that good, assuming all other factors remain constant.

Figure 6: Mismatch in channels subscribed and consumer preferences

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<th>Regional Channels</th>
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<th>Infotainment</th>
<th>Music</th>
<th>General Entertainment</th>
<th>Sports</th>
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Note: Based on response of 10,053 consumers.
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from a basic assumption that more of a good or service is better than less of it. This also corresponds with the fact that consumers prefer bundles or bouquets.

While 40 percent consumers perceived their subscription package to be adequately catering to their and their family’s needs, there is room for their levels of satisfaction to grow.

Specifically, many consumers (Figure 6) are subscribed to channels they do not watch, and simultaneously want to watch more channels that they think they may like.

There were varied explanations for why consumers felt their levels of satisfaction have room to grow. These predictably include factors such as expectations from bundles (primary factor), price sensitivity, and awareness gaps around channel selection processes (secondary factors).

We understand that typically, at present, consumers start with a basic service package of 200 channels for INR 130 + GST (INR 153), unless they explicitly opt out by intimating their distributor. The TRAI explained this concept in a 2017 memo:

“The Authority has further noted that in Phase-III and Phase-IV areas, large number of small MSOs (Multiple System Operators) are providing services who have smaller networks and cater to small number of subscribers. In order

Figure 7: Reasons for mismatch in channel selection

Note: Based on responses of 9,636 respondents. This was an MCQ.

Figure 8: Reasons respondents are subscribed to additional channels they do not watch

Note: Based on responses of 9,734 respondents. This was an MCQ.
to protect the interests of such MSOs, the amount of Rs. 130/- has been prescribed for Network Capacity Fee for the capacity of initial one hundred channels. In order to provide flexibility to distributors of television channels and protect the interests of customers/viewers the ceiling of Rs. 130/- has been prescribed. Distributors of television channels are free to fix Network Capacity Fee below this ceiling.” – Para 81 of the Explanatory Memorandum to the 2017 Tariff Order published by TRAI

In this sense, the construct of a basic service package runs contrary to a fundamental feature of bundling, which is its potential to reduce search costs.

This challenge is captured in TRAI’s Consultation Paper itself, where it is highlighted that during the implementation of the New Regulatory Framework 2017, “the Authority had to consider and accept provision of best-fit packages for bulk of the consumers, as in spite of multiple extensions of implementation timelines the consumers were not able to exercise their options and complete the processes”.

The figure 8 below shows that many consumers (38 percent) also associate the increase in monthly subscription bills with an increase in the number of channels they are subscribed to.

Access to additional channels which consumers did not subscribe to initially could have resulted in increase in their monthly subscription bills. However, consumers seem dissatisfied despite subscription to such additional bouquets.

![Figure 8: Reasons for increase in TV bill](image)

Note: Based on responses of 7,964 consumers, who have experienced a change in TV monthly bill in the past 1-2 years. Other reasons included: Upgrade from Standard Definition (SD) to High Definition (HD) channels (43 percent) and Change in the number of TVs (34 percent). This was an MCQ.

Source: Towards Effective Choice: A NATION-WIDE SURVEY OF INDIAN TV CONSUMERS by Consumer Unity & Trust Society & Broadband India Forum