

Subject: **Consumer View--Alternative framework to bridge Bouquet and a-la-catre pricing** Date: 08/30/19 02:46 PM

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Dear Sir,

This is regarding the consultation paper raised by Trai on Broadcasting pricing issue. Before going further I would very much like to appraise your intention of curbing this practice of forcing customers to pay for extra channels and have seen its impact directly on my monthly bills dropping by a factor of almost 50%. Although the bouquet pricing created by the providers have restricted me on my channel counts.

Now coming to my suggestion.

Instead of putting a cap on discount pricing which broadcasters are extremely opposed of, Trai can choose to cap the over-inflated price of choosing a single channel which is acting a deterrent to consumers by making a formula that "No sum total of 'N' number of channel prices should be greater than a prices of those 'N' channels plus 1 in the bouquet.

i.e Price of N channels (in a-la-carte basis) "**must not be greater than** " Prices of N+1 number of channels in bouquet. This +1 strategy is for an illustration and can be altered based on the bouquet size i.e. N.

Let Price of N channels on a-la-carte basis be pN

and of N channels in Bouquet be PN

So eventually it turns out to be

→ $pN < P(N+k)$

where k can be function of N or pN on case to case basis or as Trai may found suitable.

Note the N channels to be considered in the bouquet should be the one with the maximum individual price as it's them which will make the formula work in optimal way. Although the channels of lower value can be considered but then again it will not work in computing all the different combination in which N channels can be chosen from the pack of N+k channel. Its like the Highest common factor is taken here while determining the viability of the Bouquet packs.

Working illustration of a bouquet SVP Hindi by Star India Private Limited at Rs.49

1.Star Plus 19.00

2.Star Bharat 10.00

3.Star Utsav 1.00

4.Star Gold 8.00

5.Movies OK 1.00

6.Star Utsav Movies 1.00

7.Star Sports 1 Hindi 19.00

8.Star Sports 2 6.00

9.Star Sports 3 2.00

10.Star Sports First 1.00

11.National Geographic Channel (NGC) 2.00

12.Nat Geo Wild 1.00

13.UTV Movies 2.00

14.UTV Action 2.00

15.UTV Bindass 0.10

Here $P(N+k)=49$; $N+k=15$

It can easily be deduced $pN >> P(N+k)$

for instance lets choose No.1 (i.e. Star Plus 19.00), No.2, No.7, No.11

price of above channels individually= $p4=19+10+19+2=50$

so $p4=50 > P(4+11)$

Here k turn outs to be 11 which is a staggeringly high figure compared to number of channels being provided which is 15.

Note k here is a sort of extra channels thrust down the throat of consumers for mere 4 channels he intended watching.

Optimal Solution 1

“Package Family” → Rs49

1. Star Plus 19.00
2. Star Bharat 10.00
3. Star Sports 1 Hindi 19.00
4. National Geographic Channel (NGC) 2.00

$p_3(1,2,3)=48$; $P_4=49$ and taking $k=1$

$p_3 < P_4$

Optimal Solution 2

Whole pack → Rs71

- 1. Star Plus 19.00**
 - 2. Star Bharat 10.00**
 3. Star Utsav 1.00
 - 4. Star Gold 8.00**
 5. Movies OK 1.00
 6. Star Utsav Movies 1.00
 - 7. Star Sports 1 Hindi 19.00**
 - 8. Star Sports 2 6.00**
 - 9. Star Sports 3 2.00**
 10. Star Sports First 1.00
 - 11. National Geographic Channel (NGC) 2.00**
 12. Nat Geo Wild 1.00
 - 13. UTV Movies 2.00**
 - 14. UTV Action 2.00**
 15. UTV Bindass 0.10
- Total=75.10

Taking $k=6$

$p_9=70$

$P_{15}=71$

$p_9 < P_{15}$

Those 6 channels can be free riders in the pack.

Note here the prices are still high for the bouquet but since it is due to considering the current a-la-carte prices instead of the one that the market will determine it can be fairly assumed that the pricing will substantially drop and the bouquet will be made based on the demand in the market than by the profit driven motive of using high value channels to drive the number of other channels.

When the formula is working in a more optimal way a new package could be created in which the k extra channels for mere 4 channels can be acting as free items than as the forced one as in current situation.

Instead such formula will have two direct effects:

1. Decrease price of channels in a-la-carte which in turn will make the bouquets viable as per the formula, instead of arbitrarily setting the prices of channels to 19 in most cases of

prime driver channels.

2. Or Raise the price of bouquets to staggeringly high number. This in turn might force the broadcasters to come to market terms based on fundamental bargaining power of the consumer, which would rather prefer individual channels than packages in such cases.

Now coming to the opposition that broadcasters have raised to the discounting limit policy of Trai, this formula based strategy will stand most of the opposition since its not limiting their discounting power directly only curbing the inflated prices that should have automatically be adjusted before for a-la-catre prices in the first instance.

The a-la-catre prices will now be adjusted based on the market framework that Trai initially intended based on the bargaining power of consumer and the channels content quality and its drive.

The basic principle of not forcing a customer to buy whole variety of garments than just few applies here though by providing only an extra pair of socks in the package than providing the discount on whole, as in the formula based on the value of k which are extra channels provided for free.

This will in turn force the bouquets to be created based on popular demand to drive the subscription of those niche channels which sometimes requires free rides in the packages than alone. Although the current practice of inflating prices of popular channels to force consumers for the whole package will be controlled, in turn provide the small and niche channels enough space to carve their space in current formula.

Intricacies of such a formula.

1. The value of k will be of paramount importance here. It can be decided based on the bouquet size.
2. Or it can be made redundant for packages smaller than 3-4 channels.
3. The channels can be grouped based on their prices in classes A,B,C,D.{ A(>15), B(10-15),C(4-10),D(4-0.10)}. And the value of k to be based upon the number of channels of different classes, in the bouquet.
4. The value of k in the bouquets can also be based on the DPO and Broadcasters bouquets. With k being favorable for DPO packages than for Broadcasters, due to the variety that DPO can afford than the Broadcasters.
5. The Trai can even choose to limit the application of formula for new channels which are barely 6 months old to give them an opportunity to gather consumer response based on their content quality and experiment with new content which the current framework maynot be very suitable with.
6. The formula can even be altered for regional channels based on the requirements of Trai to drive competition or to curb prices etc.

A thorough study of such a framework is essential for finding a suitable mix for both the consumers and broadcasters without causing a massive setback for either.

Although the broadcaster will oppose such a framework still, but they can't oppose it on grounds of curbing their discount practice which they argue is prevalent worldwide, which here is replaced by the curb on the inflated price on individual channels or rather a punishing act on the consumers for their limited channel views.

Any argument that such a framework will be of extreme complexity for consumers will stand void since they can still choose to select their channel without considering the formulas intricacies or instead choose the package based on their price as in current case.

As for the argument of **complexity of generating packages**, it will be obvious since it is complex only as long as prices are inflated on individual basis and to make the packages work they have to consider decreasing the price to come to market terms along with creating a package based on consumer preference for different genre. When seen with the view of different consumer with different genre preference such a formula can provide bouquets of different variety eventually driven by market choices which is non-existent today, where bouquets are barely updated and

curated. This will eventually makes the prices of channels to be updated on regular interval or that of channels in bouquets based on market trends.

Note the Trai may have to make the formula flexible enough to correct it later from time to time as the RBI corrects its monetary targets. And the channels will eventually be driven to update their pricing policy from time to time based on market demand and competition as do banks.

I may further add the NCF of Rs. 130/- should be reduced below 100 for proper diffusion of channels to the consumers without limiting their expandable budget for pay channels. It may be considered further that the encroachment of OTP services in turn will churn out those low paying subscribers further if the NFC may not be made on par with their value proposition. Its not that the DPO will have direct effect due to its reduction, as the consumer will use the added budget in further channels, and so is the case for cable operators, but the high price of Rs153(plus taxes) causes the low paying consumers to migrate to OTP in near future and TRAI may not be in power to curb the profit lost of DPO's. So a proper consultation with stakeholders on this is vital.

Hope, you may pay due consideration to my opinion and suggestion in making any regulatory policy. Although curb on discount policy will be most simple and effective, yet it may not be very considerate of new channels and can in no way drive the competition and content quality as you may understand.

Thanking You
Ashish Kumar