Tariff, Oh..Tariff!
Comments on TRAI Consultation Paper

on

Tariff Related Issues
for
Broadcasting and Cable Services

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Zoom2Growth

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TRAI has played an important role in shaping the regulatory and policy framework governing the sector by making timely interventions through regulations. This paper comes from the house of Broadcast Business Experts, including Distribution and Marketing, as a contribution to TRAIs pertinent endeavor to organize the Indian Broadcast & Cable Services.

Observations from Data Given by TRAI

Zoom2Growth compliments TRAI on a detailed collation of irrefutable facts which throw many avenues of improvement. The following are overall observations:

1. *TRAI should regulate all DPOs and not be selective:*

   Z2G unequivocally agrees with the depiction as described by TRAI in its document (refer Figure 1). However, when it comes to regulation, interpretation of law leaves ambiguity on the status of OTT players and other Telecom VAS who redistribute broadcast content. With individual OTT players publicly claiming reach of 40 Million, 50 Million and even 100 Million, they are as big as any other DPOs and *all OTTs must also be considered as DPOs. Kindly issue a clarification.*

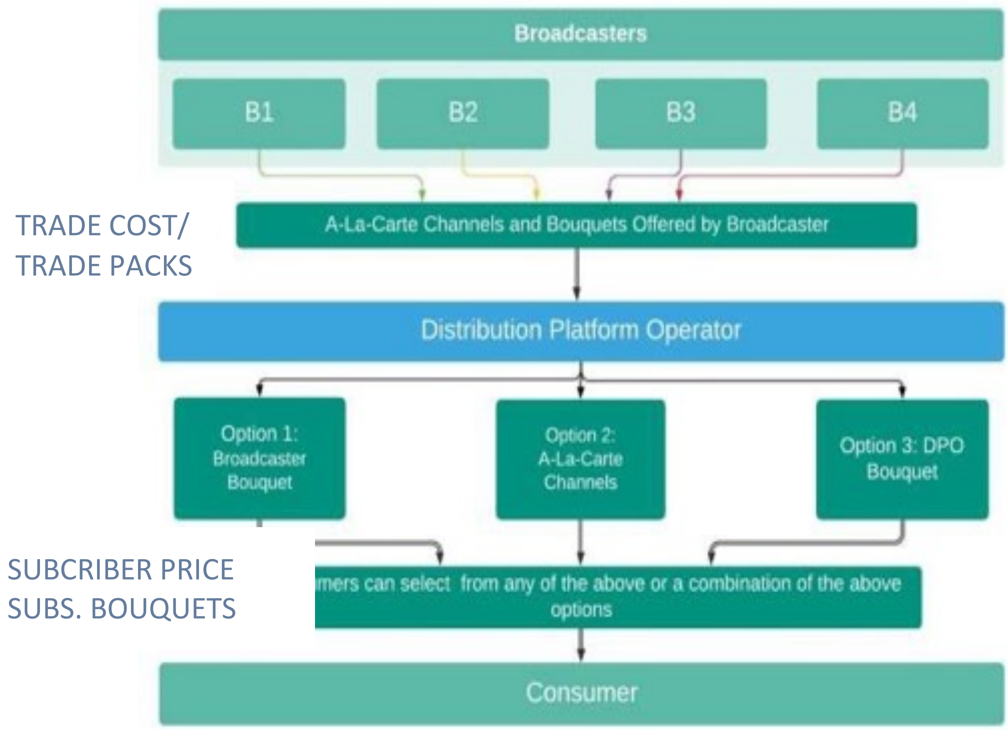

Figure 1: Broadcast Value Chain as correctly identified by TRAI

2. *TRAI process should mandate FIDUCIARY ACTION against offenders:*

   The extent of heavy discounting in bouquets vis a vis MRP leads to believe that value chain elements are challenging the regulation set by TRAI. Since the prime motivation of any Broadcasters is to *maximize revenue* (ref point 2.12 of TRAI document), the penalties for not following regulations should also be financial. Current situation is currently like college mass bunking where a large majority seems to be not listening to TRAI. Respect for regulator cannot be compromised. Hence, we recommend where regulator puts a process of levying significant fines, like revised traffic violation penalty, for discipline.

Comments on Queries

Q1. Do you agree that flexibility available to broadcasters to give discount on sum of a-la-carte channels forming part of bouquets has been misused to push their channels to consumers? Please suggest remedial measures.

It will be naive to not expect this. Broadcasters comprise some of the best brains in business who are incentivized to use every trick possible to maximize revenues. However, as long as they have not flouted a rule, they cannot be faulted. Law is different from ethics. Pushing channel(s) using bouquet design is not misuse, but a legitimate job description.

Q2. Do you feel that some broadcasters by indulging in heavy discounting of bouquets by taking advantage of non- implementation of 15% cap on discount, have created a non-level field vis-a-vis other broadcasters ?

Yes – undoubtedly. All data provided by TRAI is correct and supports this. It borders on the Competition Commission of India's definition of unfair competition.

Q3. Is there a need to reintroduce a cap on discount on sum of a-la- carte channels forming part of bouquets while forming bouquets by broadcasters? If so, what should be appropriate methodology to work out the permissible discount? What should be value of such discount?

The need to regulate unfair competition is urgent and real. Discounting cap on bouquet pricing vs a-la-carte is one clearly required. Yet, it may not be enough. Z2G views:

a) Equate trade pricing across all DPOs, including OTTs.
b) Broadcasters should be allowed MRP (consumer pricing) but only trade bundling (bouquet for selling to DPOs) and no subscriber bouquets. These trade packs have to non-differentiated offers for all DPOs. Broadcasters should not be making package for consumers.
c) Final number of bouquets for consumers should be few (not more than 10) and at discretion of DPOs. These may vary between geographies.
d) To enable it, make tax amount for broadcaster, a function of MRP, this way they will reduce the difference between MRP and market operating price.

Q4. Is there a need to review the cap on discount permissible to DPOs while forming the bouquet? If so, what should be appropriate methodology to work out the permissible discount? What should be value of such discount?

Broadcasters should be allowed full flexibility in trade bundling (bouquet for selling to DPOs) but no consumer bouquets. Trade bundling should be undifferentiated offer across all DPOs. Broadcasters should not be making package for consumers.

Q5. What other measures may be taken to ensure that unwanted channels are not pushed to the consumers?

Refer reply to Q:3

Q6. Do you think the number of bouquets being offered by broadcasters and DPOs to subscribers is too large? If so, should the limit on number of bouquets be prescribed on the basis of state, region, target market?

Yes, the flexibility of packaging is confusing the end consumer. It is one too many bouquets right now. DPOs should not be allowed more than 10 bouquets for their end consumers. This number can increase or decrease over time basis periodic feedback from end consumers.

Q7. What should be the methodology to limit number of bouquets which can be offered by broadcasters and DPOs?

Methodology to determine the number of bouquets is to do a survey with 5000 people in 30 cities (including families of DPOs and broadcasters) asking them to compare 10/ 15/ 20 bouquets consisting of random combinations of 800-900 masked variables (number of channels).

Q8. Do you agree that price of individual channels in a bouquet get hedged while opting for a bouquet by subscribers? If so, what corrective measures do you suggest?

Can reply to this only after doing a purchase simulation feedback with subscribers or else we take the word of DPOs for it, because only they interact with subscribers.

Q9. Does the ceiling of Rs. 19/- on MRP of a-la-carte channel to be part of a bouquet need to be reviewed? If so, what should be the ceiling for the same and why?

If and only if TRAI allows consumer bundling solely by DPOs, then let it be free market determined pricing of MRP by broadcasters, otherwise Rs 19 cap is ok. One question in this paper is contextually linked to another and this conditional response

Q10. How well the consumer interests have been served by the provisions in the new regime which allows the Broadcasters/Distributors to offer bouquets to the subscribers?

In our opinion, not served at all. This is visible in the reduction of subscribers. Also, please note consumer interests can only be monitored through consumers. This is a classic case of people in an airconditioned room trying to judge the temperature outside.

Q11. How this provision has affected the ability and freedom of the subscribers to choose TV channels of their choice?

Not affected at all. It is like asking someone who has never touched any electronic gadget to play an intricate video game. Sirs, even today, Indian voters struggle with EVM machines, we need a person next to Metro ATMs for us to buy our tickets 'ourselves'. We need servicing. And current user interface (UI) of the best applications are overwhelmingly confusing.

Q12. Do you feel the provision permitting the broadcasters/Distributors to offer bouquets to subscribers be reviewed and how will that impact subscriber choice?

Yes, provisions of offering bouquets have to be designed to help subscribers

- Currently consumer trusts only the DPO servicing them. Strengthen that relationship by asking DPO to provide limited number of bouquets. If clients are dissatisfied, they can port to another platform i.e. DPOs win over subscriber through a mix of service, economics and simplicity of bouquets.
- Broadcasting networks use their superior analytics and intellect to fight for DPOs wallet.

Q13. How whole process of selection of channels by consumers can be simplified to facilitate easy, informed choice?

Easy, informed choice for consumers can be made using process-and-check mechanism

a) Delink logic of Trade cost/ Trade packs and Subscriber Price/ Subscriber bouquets.
b) Limit the number of subscriber bouquets; Max 10 per DPO including NCF and All.
c) Get a check mechanism in place of monitoring subscriber feedback through periodic research, which can be through DPO.
d) Allow DPOs to withdraw any package less than 3% subscribers.

Q14. Should regulatory provisions enable discount in NCF and DRP for multiple TV in a home?

Yes, DPOs should be permitted to offer discount to subscribers in NCF for multiple TVs. But at the same billing address. However, it need not be a mandate and can be at discretion of DPO to allow market forces to take over. On DRP discounts, it is a trade pricing and should not be regulated at all since both parties are already negotiation capable.

Q15. Is there a need to fix the cap on NCF for 2nd and subsequent TV connections in a home in multi-TV scenario? If yes, what should be the cap? Please provide your suggestions with justification.

Fix the maximum cap on NCF for 2nd and subsequent TV at 100% of first TV. Minimum for 2nd and subsequent TV is zero. Beyond that let the market forces rule.

Q16. Whether broadcasters may also be allowed to offer different MRP for a multi-home TV connection? If yes, is it technically feasible for broadcaster to identify multi TV connection home?

No. Broadcasters are not last mile servicing (refer TRAIs schematic, figure 1). Hence, they should not be allowed to add confusion at this stage. This can be reviewed annually.

Q17. Whether Distributors should be mandated to provide choice of channels for each TV separately in Multi TV connection home?

Yes. Discounting should be allowed only on NCF. Apart from that every set top box is unique standalone unit for measurement and reportage

Q18. How should a long-term subscription be defined?

Monthly, Quarterly, Annual. Long term is a subjective phrase used to confuse.

Q19. Is there a need to allow DPO to offer discounts on Long term subscriptions? If yes, should it be limited to NCF only or it could be on DRP also? Should any cap be prescribed while giving discount on long term subscriptions?

a) Selling Pricing to consumers (NCF/ package) and Cost Price (DRP) should not be linked. Former is incumbent on subscriber willingness to pay, latter is a function of bargaining power. One regulates the maximum price to safeguard consumers, not discounting.
b) Delink Trade cost/ packs from Subscriber price/ bouquets. Both can and should have independent logics.

DPO for subscribers and Broadcasters for DPO should be free to discount creatively. However, once a package is sold to a consumer, it has to be honored and also the price cannot change during the package. Any aberrations should lead to a financial penalty.

Q20. Whether Broadcasters also be allowed to offer discount on MRP for long term subscriptions?

NO. Broadcasters collect money from DPO. So, they should do all long terms discounting with DPOs only for trade pricing

Q21. Is the freedom of placement of channels on EPG available to DPOs being misused to ask for placement fees? If so, how this problem can be addressed particularly by regulating placement of channels on EPG?

Use of EPG for promotions is an advertising act. It has no relation to placement and TRAI should not be expected to regulate this. It is like asking all broadcasters do mass media campaigns in equal proportions. There is a direct impact of advertising and content on a channel's popularity. Hence this should be allowed, especially to facilitate channels at disadvantageous positions.

Q22. How the channels should be listed in the Electronic Program Guide (EPG)?

At the discretion of DPOs. This is a marketing activity. One cannot stop advertising campaign of a national shampoo brand because local shampoos cannot afford it.

Q23. Whether distributors should also be permitted to offer promotional schemes on NCF, DRP of the channels and bouquet of the channels?

- Only DPOs should play with Subscriber pricing and bouquets.
- Only broadcasters should play with trade pricing and packs.

Q24. In case distributors are to be permitted, what should be the maximum time period of such schemes? How much frequency should be allowed in a calendar year?

- Subscriber pricing should be Monthly, Quarterly, Annual
- Trade pricing can have any logic.

Q25. What safeguards should be provided so that consumers are not trapped under such schemes and their interests are protected?

TRAI should have a quarterly random survey (Time series) across India as a tracker. Since contexts will change with time, there is no one time standardization possible.

Q26. Whether DPOs should be allowed to have variable NCF for different regions? How the regions should be categorized for the purpose of NCF?

YES. Regions should be categorized as government defined district level.

Q27. In view of the fact that DPOs are offering more FTA channels without any additional NCF, should the limit of one hundred channels in the prescribed NCF of Rs. 130/- to be increased? If so, how many channels should be permitted in the NCF cap of Rs 130/-?

Minimum 100 is enough. There is also no upper cap in case a DPO feels more channels should be in NCF. Let this be a market determined reality.

Q28. Whether 25 DD mandatory channels be over and above the One hundred channels permitted in the NCF of Rs. 130/-?

If 25 DD channels have to be mandated, it should be over and above the 100 permitted channels in NCF of 130/-

Q29. In case of Recommendation to be made to the MIB in this regard, what recommendations should be made for mandatory 25 channels so that purpose of the Government to ensure reachability of these channels to masses is also served without any additional burden on the consumers?

Ask MIB to invest in making good quality content in 25 DD channels. If DD team does a great job (which it is capable of) then a lot of private broadcasters may also not be needed. Remember the need of MIB is for consumers to watch DD, not for DPOs to merely redistribute it. Right now, their pull is on a definite downslide.

Q30. Stakeholders may also provide their comments on any other issue relevant to the present consultation.

Refer observations at the beginning of document

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ANNEXURE: Z2G Action Consultant Profile

Neeraj Sanan

Action Consultant | Media-Tech-Strategy Expert

Brings deep understanding of accelerating and launching Consumer and Broadcasting businesses in India

ABOUT NEERAJ:

Neeraj Sanan, a leading consultant in marketing practice works closely with clients to help provide them go-to-market strategies that build brands for long term, sustained accelerated growth Drawing on a deep understanding of category economics, Neeraj has worked across consumer companies in India to bolster their revenues. An astute marketer, he has a rich experience of two decades in launching brands from ground, brand migration, analytics, market research and trade marketing and consumer promotions. He has set up high performing business and teams for several global consumer enterprises.

DOMAIN EXPERTISE:

- Business Strategy
- Brand Launch
- Integrated offline-online advertising
- Content Marketing
- ROI based Media planning
- Analytics & Research
- Marketing Training
- MIS Dashboarding
- Marketing Technology

EDUCATION:

Manchester Business School	PhD 2020
Harvard Business School	AMP 2010
Indian Institute of Management Bangalore	MBA 1995
Punjab Engineering College Chandigarh	B.E(Hons)'92

INDUSTRY EXPERIENCE:

- Cloud based SaaS
- Digital Media
- FMCG
- Data Analytics

PUBLISHED WORK:

https://www.forbes.com/sites/forbescommunicationscouncil/2017/08/02/four-questions-executives-should-ask-themselves-to-build-a-strong-social-brand
https://www.forbes.com/sites/forbescommunicationscouncil/2017/03/28/simplifying-the-fourth-industrial-revolution-data-science-ioe-ai/#1b080280275e
https://www.peoplematters.in/article/talent-management/why-do-high-panother-14683

PROJECTS DELIVERED:

- Brand Architecture for largest Indian media conglomerate
- Brand Migration at a leading Consumer brand
- Asia Pacific launch for an AI company
- Setup & launch at a Multi-Platform Broadcaster