

Towards Effective Choice:
A
NATION-WIDE SURVEY
OF
INDIAN TV CONSUMERS



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SUMMARY OF KEY FINDINGS

1. TV offers value for money but there is room to enhance consumer welfare

- Most consumers see TV as a value for money proposition relative to other modes of video consumption such as Over The Top (OTT) services. Other prominent determinants include availability and quality of content as well as viewing experience and quality of service.
- Price is the most important factor for choosing TV package subscription for many consumers. Most consumers are subscribed to between 100 to 200 channels, and pay between INR 200 and INR 400 for their subscriptions, on a monthly basis.
- Around 40 percent of consumers are satisfied with their subscriptions, and there seems to be a lot of room for consumer satisfaction to grow.

2. Consumers prefer bouquets, and expect a lot from them

- Most consumers avail of TV channels through bouquet subscriptions. Many consumers select a combination of bouquet and individual channels. TV tends to be viewed by different members of households who would have heterogenous tastes. Combined with the value for money that TV offers consumers, there is an unsurprising and clear preference for bouquets in India.
- Many consumers are subscribed to channels they don't watch, and similarly would like to watch more channels (which they are not subscribed to). It is therefore important to analyse why consumers prefer bundles/bouquets, even though they want more from their subscriptions.



3. Consumer welfare can be increased by empowering them

- Many consumers require manual intervention of last-mile service providers that distribute content (distributors or DPOs)¹ for adding and removing channels. This is a fact that is also acknowledged in the TRAI consultation paper on 'Issues related to New Regulatory Framework for Broadcasting and Cable Services', issued in May 2022. The proportion of consumers who require such intervention is substantially higher in the case of cable TV consumers, when compared with DTH consumers.
- Some consumers are also influenced by last-mile service providers in choosing their subscription. As mentioned previously, consumers like bundles, and most opt for 200 channels, a number which is provided under the basic service package. Therefore, the design of basic service pack and subsequent channel or bouquet selection is an important determinant of consumer satisfaction.
- Some consumers are also unaware about the possibility of adding/ removing TV channels from their subscription altogether. And most are unaware of the Channel Selector Application, promoted by the TRAI to enhance consumer choice.

4. Consumers want better Quality of Service (QoS), including grievance redressal

- During the last few years, some consumers saw a decline in levels of grievance redressal and assistance with customer premise equipment (set-top boxes), and three out of ten consumers do not even receive itemised billing. These are mandatory services under relevant QoS Regulations of the TRAI.
- In case of a hypothetical increase in subscription price by 10 percent, consumers do expect sharp improvements on parameters such as grievance redress, assistance with customer premises equipment/set-top boxes and itemised billing, among other basic services.

These trends demonstrate the importance of continuous upgrades to and seamless provision of high standards of quality of service, in order to reconcile with consumer preferences

¹ In the survey, for ease of understanding by the respondents, the term service providers was used. In most cases, service providers include Distribution Platform Operators (DPOs) or distributors, i.e. service providers who distribute content. They include Local Cable Operators, Multi-System Operators, DTH Service Providers, HITS Operators, and IPTV operators.

ABOUT THE STUDY

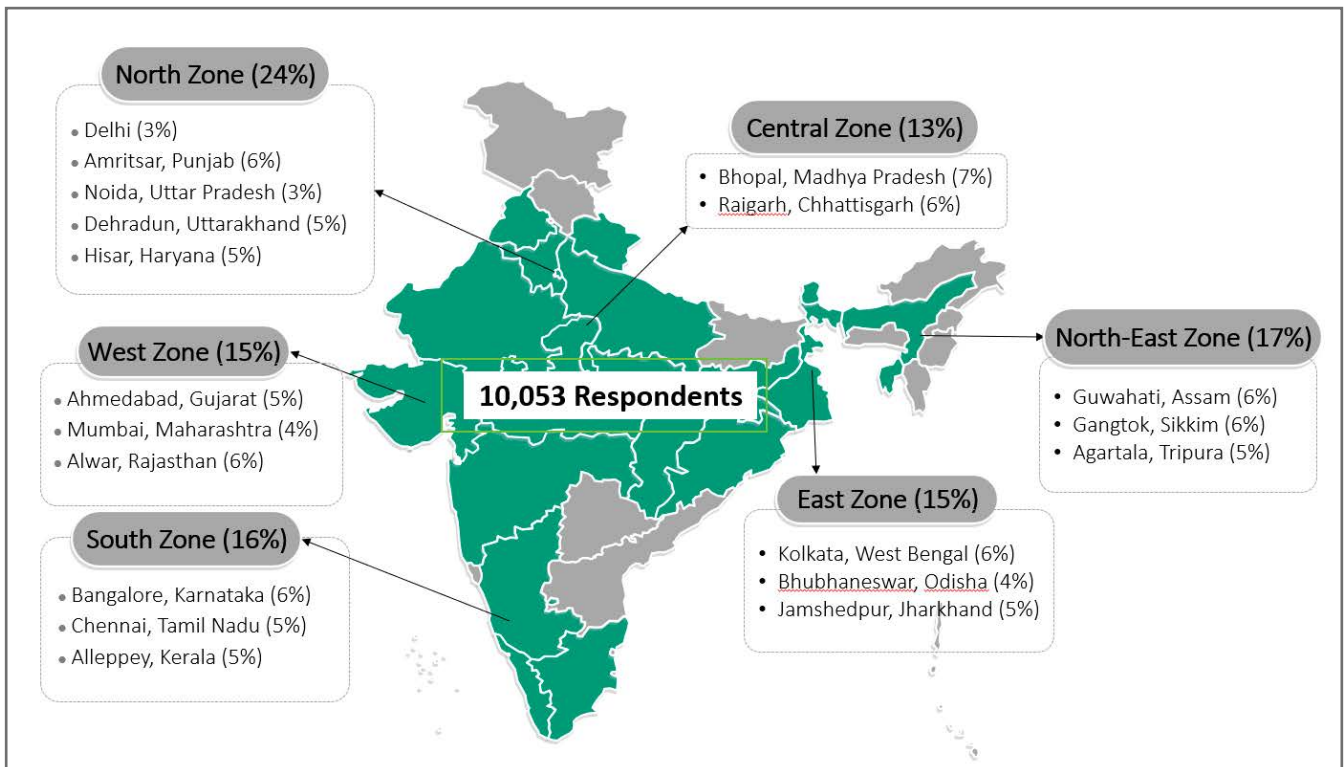
A pan-India TV consumer survey was commissioned by Consumer Unity and Trust Society (CUTS International) and Broadband India Forum (BIF) in the months of April and May 2022, as a part of the initiative 'TV Consumer Market Study'.²

1. Need for the study

The objective of the study was to understand how consumer perspectives on television (TV) consumption have evolved in the past few years, and to capture trends on the select consumer facing parameters such as: choice and convenience in channel selection, satisfaction with respect to pricing, and quality of service.³ This study is important given the fact that while regulatory framework around TV consumers is evolving, there is no evidence-based study which captures consumers' perspective, level of satisfaction from TV, and indicates possible areas for improvement.

A total of 11,117 consumers were surveyed in-person. However, data has been analysed of 10,053 consumers, given that other consumers had incomplete responses. The survey was conducted in several states of the country. See figure 1 below.

Figure 1: Survey Locations



A heterogenous mix of consumers was chosen from urban areas (50.2 percent), peri-urban areas (38.5 percent), and rural areas (11.1 percent).

2 Details about the project are available at: <https://cuts-ccier.org/tv-consumer-market-study/>

3 Further details are available at: <https://cuts-ccier.org/pdf/project-brief-tv-consumer-market-study.pdf>

Consumers representing varying household incomes were surveyed. See figure 2 below.

Figure 2: Household income of respondents



Consumers also represented different age groups: 18-25 years (27 percent), 26 to 40 years (47 percent), 41 to 65 years (25 percent), and over 65 years (1 percent). Sixty-eight percent of consumers were male, while the remaining were females.

2. Limitation of the study

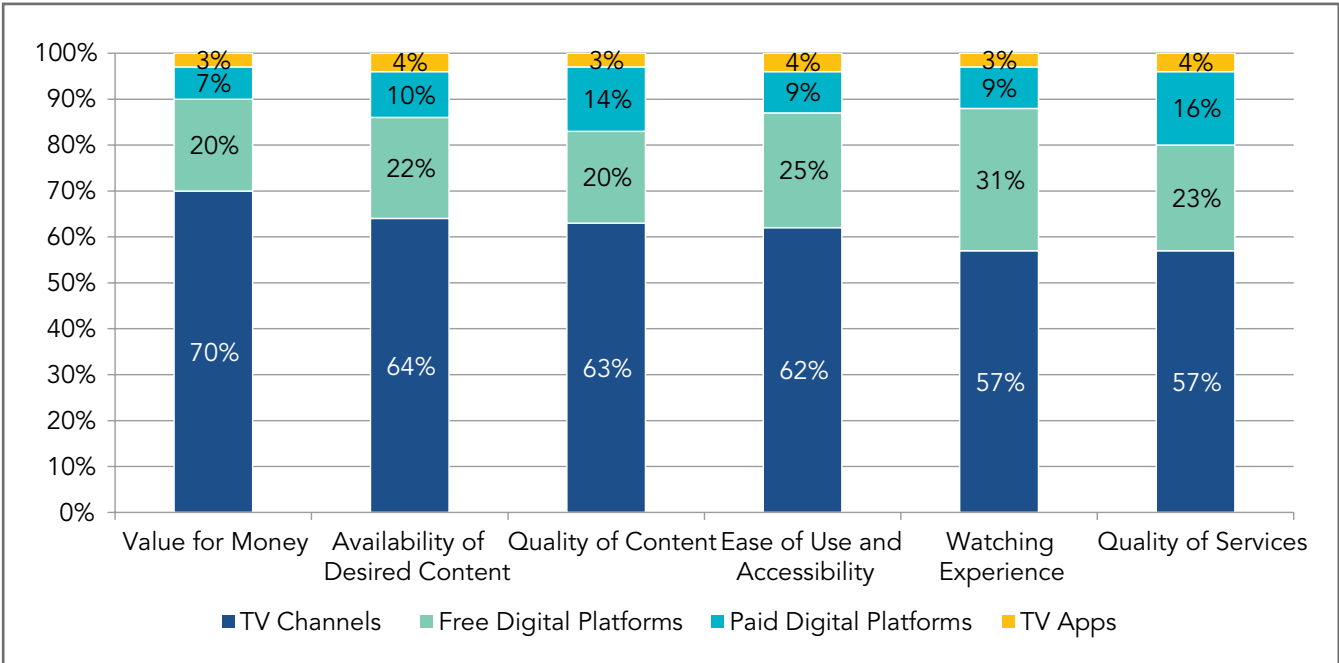
Consumer theory is based on what people like. Therefore, it usually begins with something that analysts can't directly measure but must infer. To be sure, consumer theory is based on the assumption that it is possible to infer what people like from the kinds of choices they claim to make. This is the underlying assumption behind our research and survey. This does not rule out mistakes. We consider the implications of an applied consumer choice theory in which consumers simply tell us what gives them the most satisfaction.

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.⁴ While they also avail of other modes of video consumption,⁵ most prefer TV. The figure 3 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.⁶

Figure 3: Preferred mode of video consumption



Note: Based on response of 10,053 respondents.

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

4 Reasons for watching TV channels include: General entertainment purposes (76 percent), access to specific content (45 percent), family bonding exercise (38 percent), and habitual of watching TV (38 percent). This was a Multiple Choice Question (MCQ).
 5 Other modes of video content consumption included: Free digital video streaming and downloading platforms (77 percent), paid digital video and OTT platforms (33 percent), and TV apps (15 percent). This was an MCQ.
 6 Based on data of 10,053 respondents,

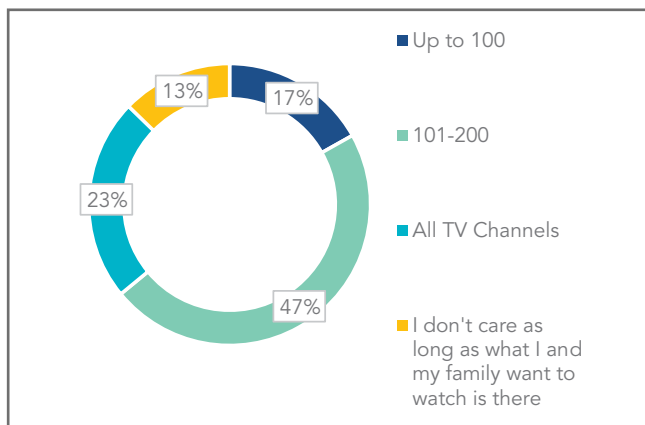
It also states that “easy availability of the TV content on the OTT platforms/ apps is also posing a serious challenge to the traditional cable/dish TV services”. However, it is clear from our survey that consumers⁷ prefer TV across various relevant parameters, including content availability.

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.⁸ Therefore, it is important to understand how and if consumers exercise effective choice and its concomitant impact on consumer welfare.

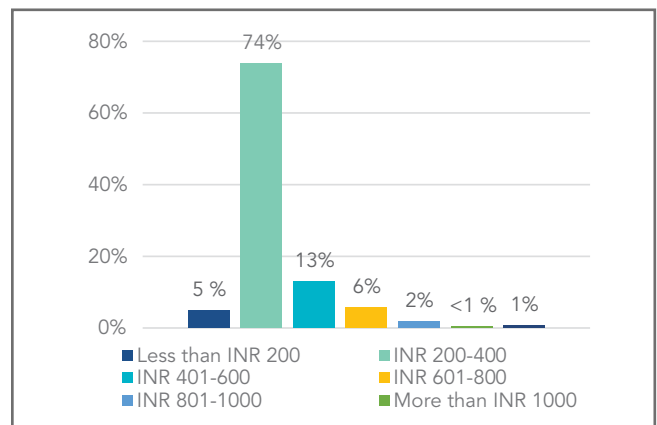
For instance, 67 percent consumers said that their average monthly bill for TV channels increased in the past 1-2 years⁹, during which a new regulatory framework was put in place. The figure 5 below show the average monthly subscription bill consumers pay and figure 4 highlights the number of channels consumers desire for the price they pay.

Figure 4: Number of channels desired by consumers for the bill they pay



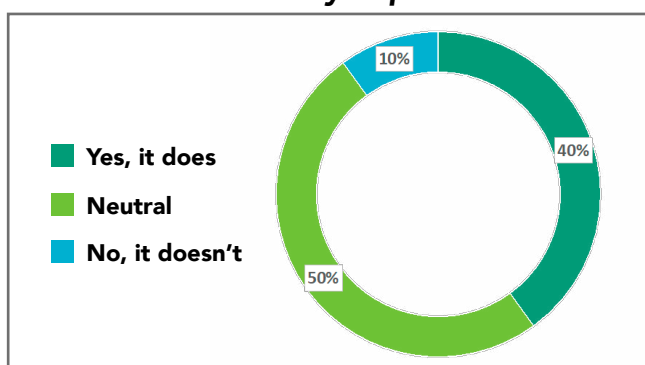
Note: Based on response of 10,053 respondents.

Figure 5: Average monthly subscription bill paid by consumers



Note: Based on response of 10,053 respondents.

Figure 6: Perception about TV channel package adequately catering to respondent's and their family requirements



Around 40 percent of consumers are satisfied with their subscriptions (Figure 6), 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.

7 It is to be noted that – here consumers mean those who have are currently subscribed to TV channels, given that in order to be a valid respondent for the survey, one had to satisfy this requirement, irrespective of also subscribing to other modes of video consumptions.

8 Other channel selection options included: 201 to 300 channels (13 percent), and more than 300 channels (6 percent).

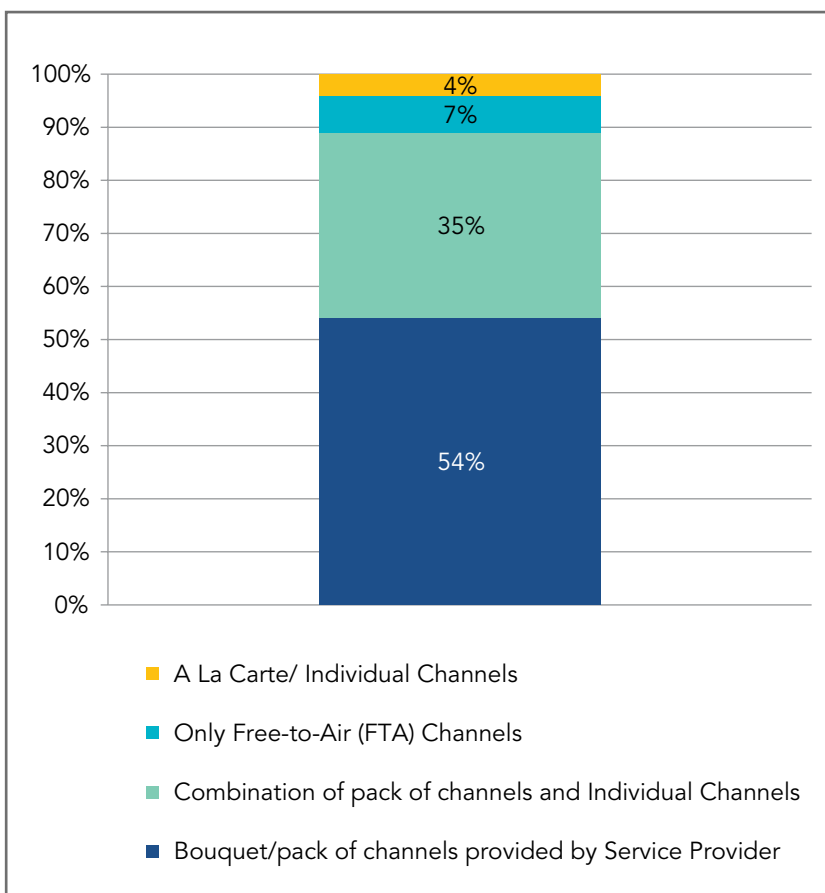
9 Other responses include: No change (7 percent), don't know (14 percent), and decrease in bill amount (12 percent). Based on data of 10,053 respondents.

CONSUMERS PREFER BOUQUETS, AND EXPECT A LOT FROM THEM

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

The figure 7 below shows that many consumers (54 percent) avail of TV channels through bouquet subscriptions,¹⁰ while another 35 percent subscribe to a combination of pack of channels and individual channels.

Figure 7: Manner of choosing TV channels



Note: Based on responses of 3,392 consumers, who claimed that they can add/remove channels to/from their pack

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.”¹¹

10 Other modes of channel selection include choosing a la carte or individual channels (4 percent), only Free To Air (FTA) channels (7 percent), and a combination of individual channels and bouquet (35 percent). Based on data of 3392 respondents, who qualified for the relevant question.

11 Eisenach, Jeffery, A., “The ABCs of “Pick-and-Pay”, NERA Economic Consulting, June 2014

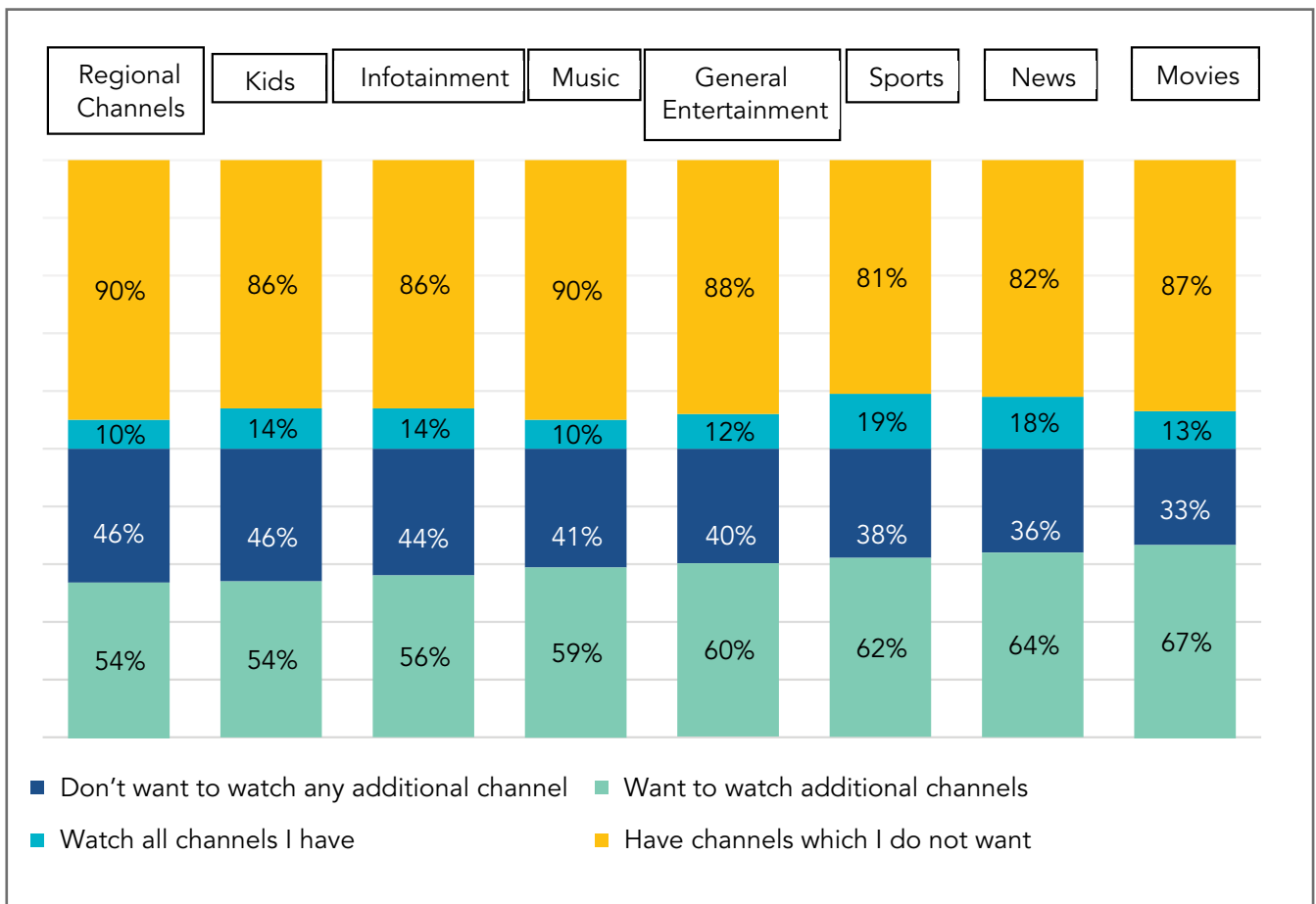
2. Consumers expect more from their subscriptions

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 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.¹²

Specifically, many consumers (Figure 8) are subscribed to channels they do not watch, and simultaneously want to watch more channels that they think they may like.

Figure 8: Mismatch in channels subscribed and consumer preferences

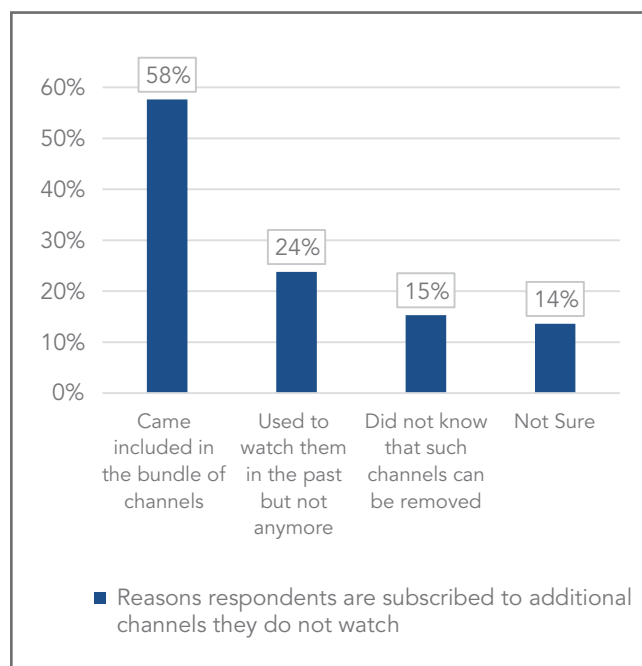
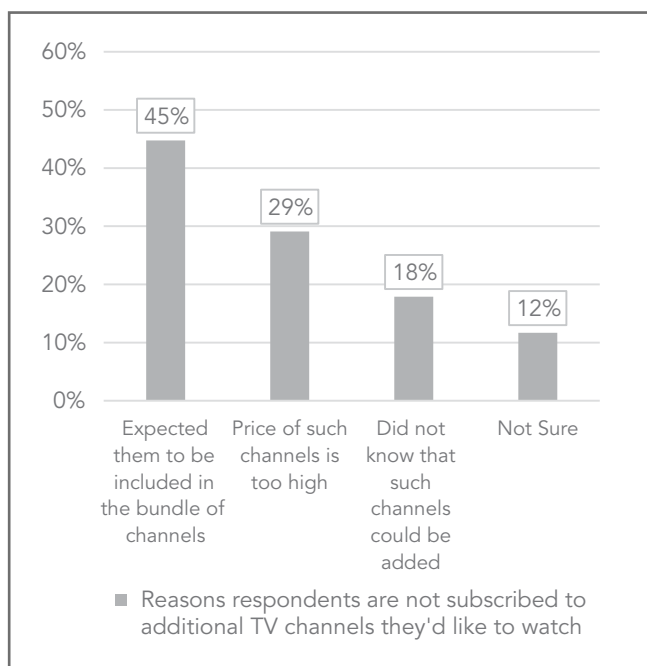


Note: Based on response of 10,053 consumers.

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).

¹² Balance: 10 percent respondents claimed that their package does not adequately cater to their and their family's needs, whereas 50 percent remained neutral.

Figure 9: Reasons for mismatch in channel selection



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

Note: Based on responses of 9,734 respondents. This was an MCQ.

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 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.¹³

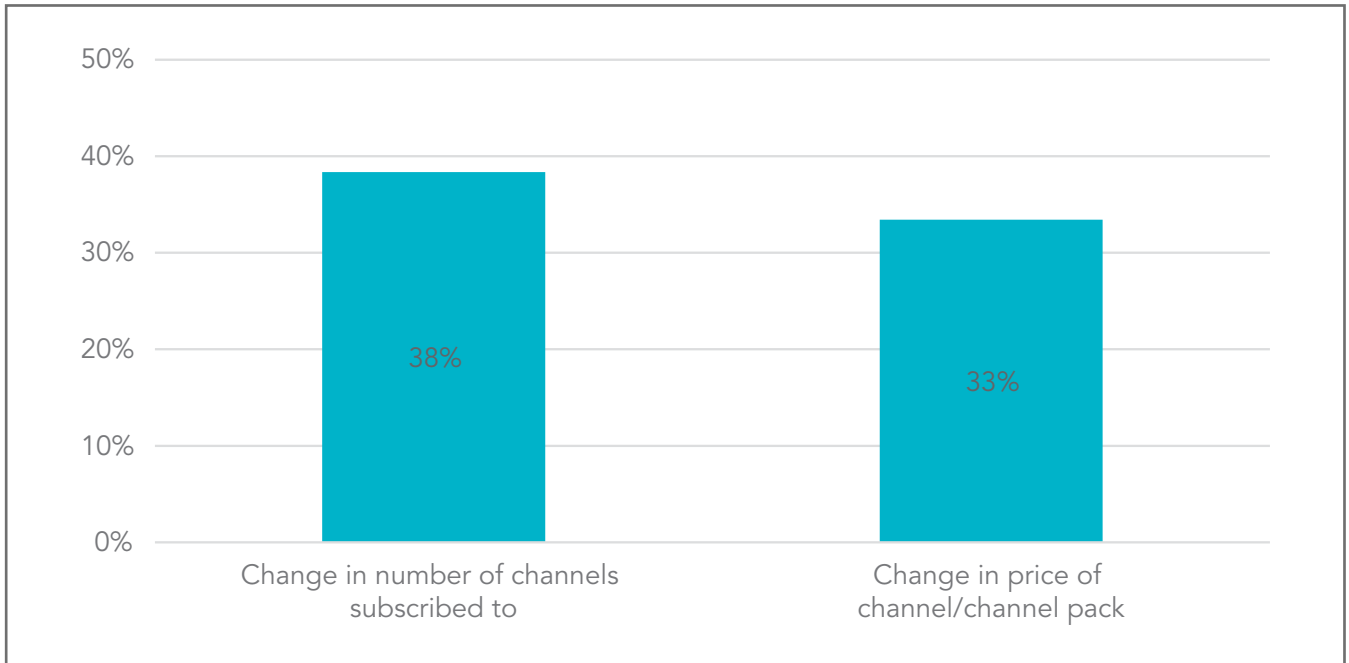
This challenge is captured in TRAI’s Consultation Paper itself, where it is highlighted that during the implementation of the New Regulatory Framework 2017, “the Authority had to consider and accept provision of best-fit packages for bulk of the consumers, as in spite of multiple extensions of implementation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

The figure 10 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.

¹³ See: Blair, Edward, and Harris, Judy, “Consumer preference for product bundles: The role of reduced search costs”, Journal of the Academy of Marketing Science, September 2006

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 10: Reasons for increase in TV bill



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.

CONSUMER WELFARE CAN BE INCREASED BY EMPOWERING THEM

1. Many consumers rely on manual interventions to select their channels

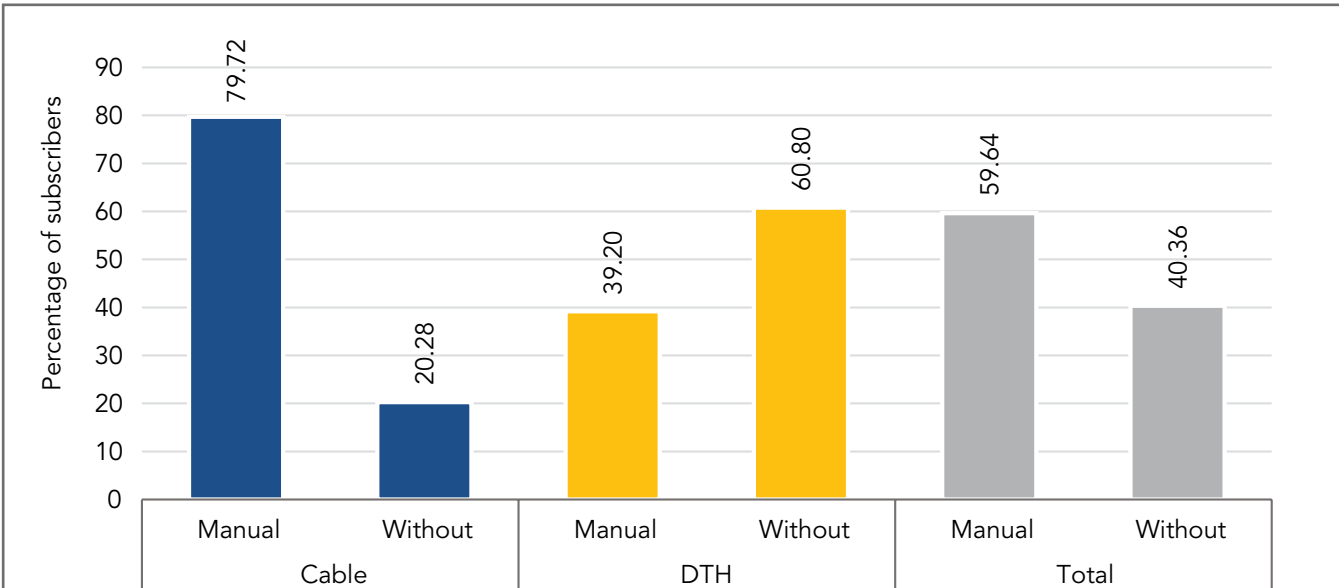
DPOs are last-mile service providers that interface directly with consumers. When asked about the role of DPOs in influencing their choice of subscription package, one out of five consumers indicated that such service providers play this role.¹⁴

Similarly, around a third (35 percent) believe that DPOs are responsible for fixing the price of channels, or bouquet of channels.¹⁵ These are not necessarily encouraging figures in terms of consumer awareness but neither are they a source of deep worry if the actual consumer experience is unfettered.

However, a majority of consumers (60 percent) rely on manual process of adding or removing channels and require direct intervention from DPOs in this regard.¹⁶ This is much more prevalent with cable TV consumers (80 percent) than DTH consumers (39 percent) as per the figure 11 below.

To restate, when consumers were asked if DPOs influence their subscription package, most consumers didn't seem to concur. But, when it comes to the exercise of necessary physical/ manual processes to add or remove channels, their dependence on DPOs, particularly in the cable market, is considerably high.

Figure 11: Process of choosing channels by DTH and cable TV consumers



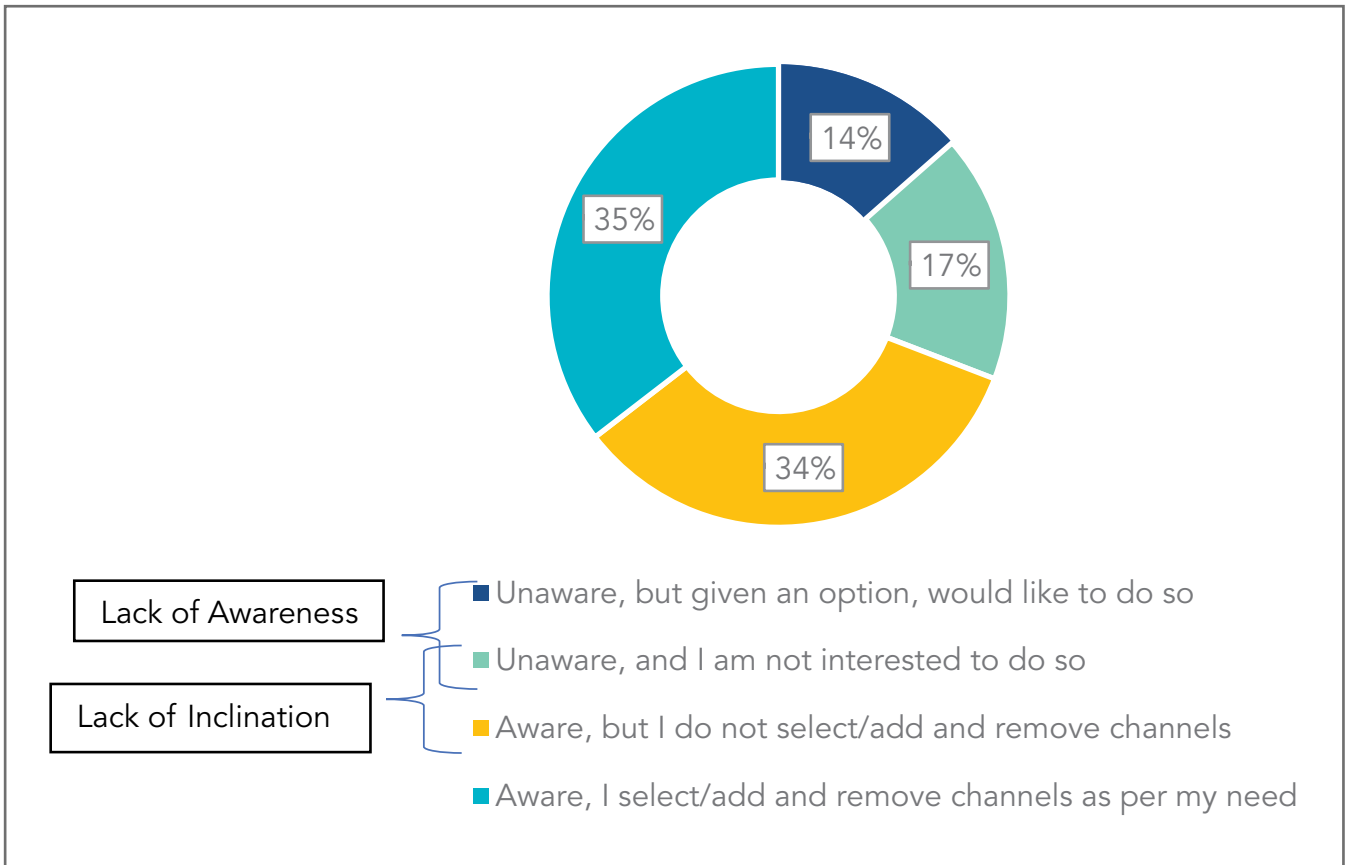
Note: Based on responses of 3392 consumers, which consists of only those who add/remove channels to/from their pack. Overall, in the total sample size of 10,053 consumers, Cable TV subscribers account for 48 percent, while DTH subscribers account for 52 percent. In the sample size of 3,392 consumers, DTH subscribers account for 49.5 percent and Cable TV subscribers constitute 50.5 percent.

14 Other respondents include: nobody but me (36 percent), family (28 percent), and friends & neighbours (15 percent). This was a MCQ.
 15 Other respondents believe the following to be responsible for fixing the price: government/ regulators (33 percent), channels (32 percent), and not sure (28 percent)
 16 Other respondents (40 percent) do not require manual intervention from DPOs. Based on data of 3,392 respondents, who qualified for the relevant question.

2. Consumer awareness on methods for and option of channel selection is low

Many consumers (31 percent) are unaware of the possibility of adding or removing TV channels altogether. Also, many consumers (51 percent) are not inclined towards adding/ removing channels themselves. The figure 12 below shows the awareness and inclination of consumers towards adding/ removing channels autonomously.

Figure 12: Awareness and inclination towards adding/ removing channels



Note: Based on responses of 10,053 consumers.

One of the possible reasons for such lack of inclination could be inconvenience in adding and removing channels themselves, given that only 43 percent consumers found the process convenient.¹⁷

Furthermore, the survey showed that 75 percent respondents were unaware of TRAI's channel selection app. These realities highlight the challenges relating to consumer dependence on third parties such as the DPOs.

¹⁷ Balance: Neutral (34 percent) and inconvenient (23 percent). Based on data of 3,392 respondents, who qualified for the relevant question.

3. Design of basic service package and bouquets

One of the many objectives of the New Regulatory Framework was to provide effective choice to consumers and make channel selection easier:

“With digitalisation, though the addressability, capacity and quality of signal of cable TV networks have improved. However, the real benefits of digitalisation such as, choice of selecting channels on a-la-carte basis and availability of multimedia services have yet not reached the subscribers.” - Para 5 of the Explanatory Memorandum to the 2017 Tariff Order published by TRAI.

However, there are still gaps in both the effective exercise of consumer choice as well as channel selection. The fact that there is: (i) a mismatch between consumer preferences and their channel subscriptions, (ii) the level of dependence of consumers on service providers such as DPOs is high, (iii) perceived difficulty among consumers in selecting, adding and deleting channels, and (iv) low consumer awareness on bouquets and channel selection, indicate this.

We encourage the regulator to therefore revisit the concept of a basic service package. The design of bouquet offered by broadcasters to consumers, provided by the DPOs without any alternation, may also be looked into. The mismatch between consumer preferences and channel subscriptions could be minimised if consumers have an effective say in deciding the channels in their basic service package and additional bouquets they subscribe to. However, this may constrain distributional efficiencies, given that service providers are not be able to customise each package as per the TRAI’s own assessment.

To ensure that packages reflect consumer choices, the need for price regulation, such as the Network Capacity Fee (NCF), among others, could be re-evaluated. In place of NCF, the DPOs could be further incentivised through a Network Access Fee, which they could receive for aiding consumers with accessing the channels and bouquets of their choice, along with ensuring relevant Quality of Service parameters.

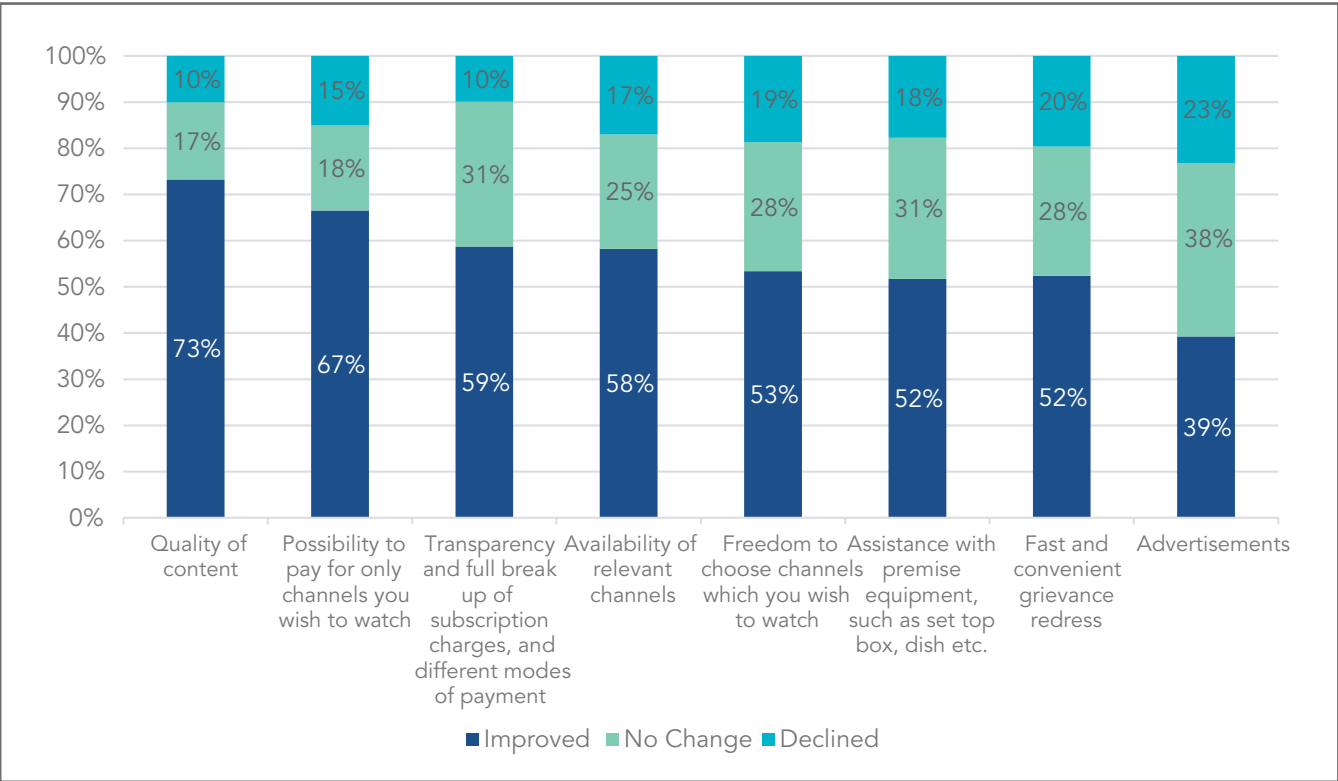


CONSUMERS WANT BETTER QUALITY OF SERVICE (QOS), INCLUDING GRIEVANCE REDRESSAL

1. Consumer perception towards QoS

TRAI introduced QoS Regulations in 2017 that mandate itemized billing, fast and convenient grievance redressal, and assistance with Customer Premises Equipment. However, consumers believe that there is scope for improvement on these parameters. The figure 13 below shows perceptions of consumers towards changes in QoS by service providers in the last one or two years.

Figure 13: Consumer perception towards change in quality of service



Note: Based on responses of 10,053 consumers.

Information and Communications Technology (ICT) has spread to several consumer-facing sectors of the Indian economy, which has improved quality of service standards generally.

Broadcasting is no different. Consumers should therefore reasonably expect that they receive the basic minimum services as outlined in the Explanatory Memorandum of The Telecommunication (Broadcasting And Cable) Services Standards Of Quality Of Service And Consumer Protection (Addressable Systems) Regulations, 2017, issued by TRAI ('2017 QoS Regulations'):

"ICTs can be used as an effective tool in enhancing the quality of services by enabling provisions such as subscription through electronic means, electronic billing and payment, web enabled online complaint and redressal mechanism, electronic CAF etc. Therefore, there is a need to provide a comprehensive

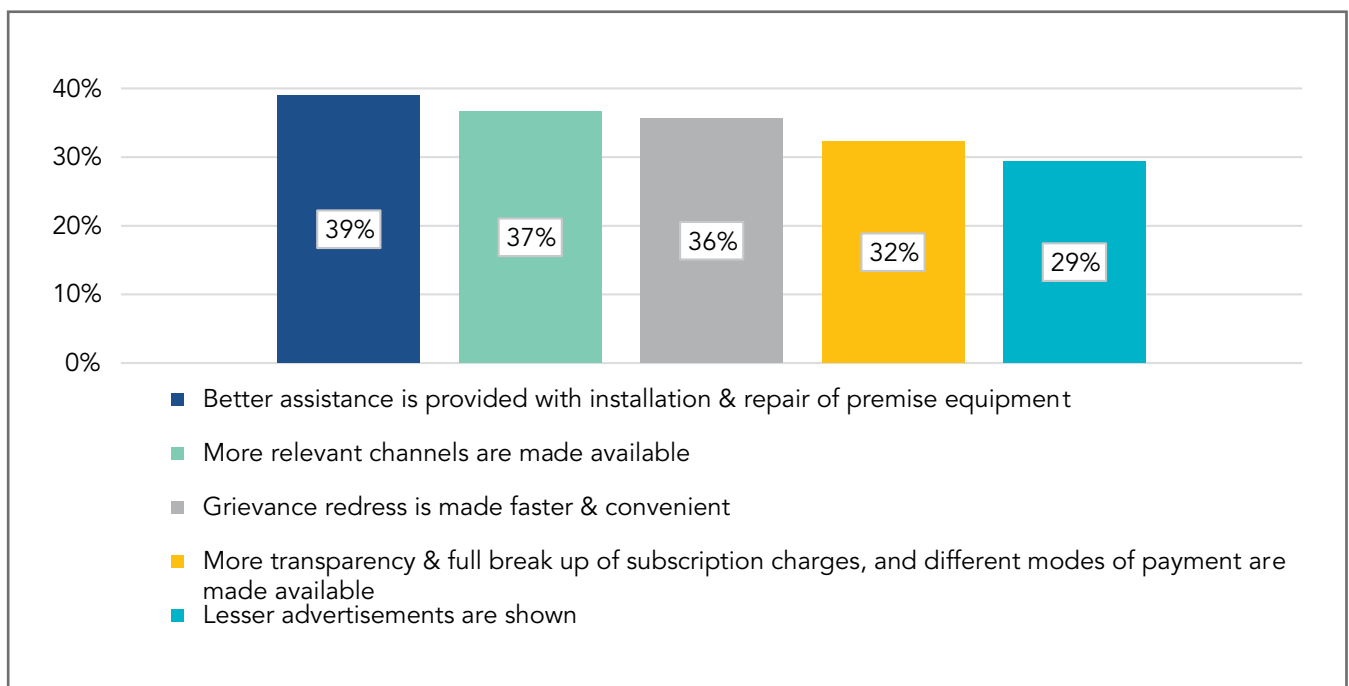
uniform QoS regulations for different delivery platforms in addressable environment for healthy competition, transparency and growth with provision of good quality of services to the consumers.”

While most consumers appear to have experienced an improvement on different parameters as also covered in the QOS regulations, a closer look reveals that around 1 out of 5 consumers perceive in decline in grievance redressal, assistance with premise equipment, freedom to choose channels they want to watch, with an increase in number of advertisements.

This deserves special attention since QoS is an area where consumers expect significant improvement if there is a hypothetical increase in TV subscription price.

The figure 14 below shows the improvements consumers expect, in case of a 10 percent increase in subscription costs.

Figure 14: Improvements expected in case of increase in subscription price

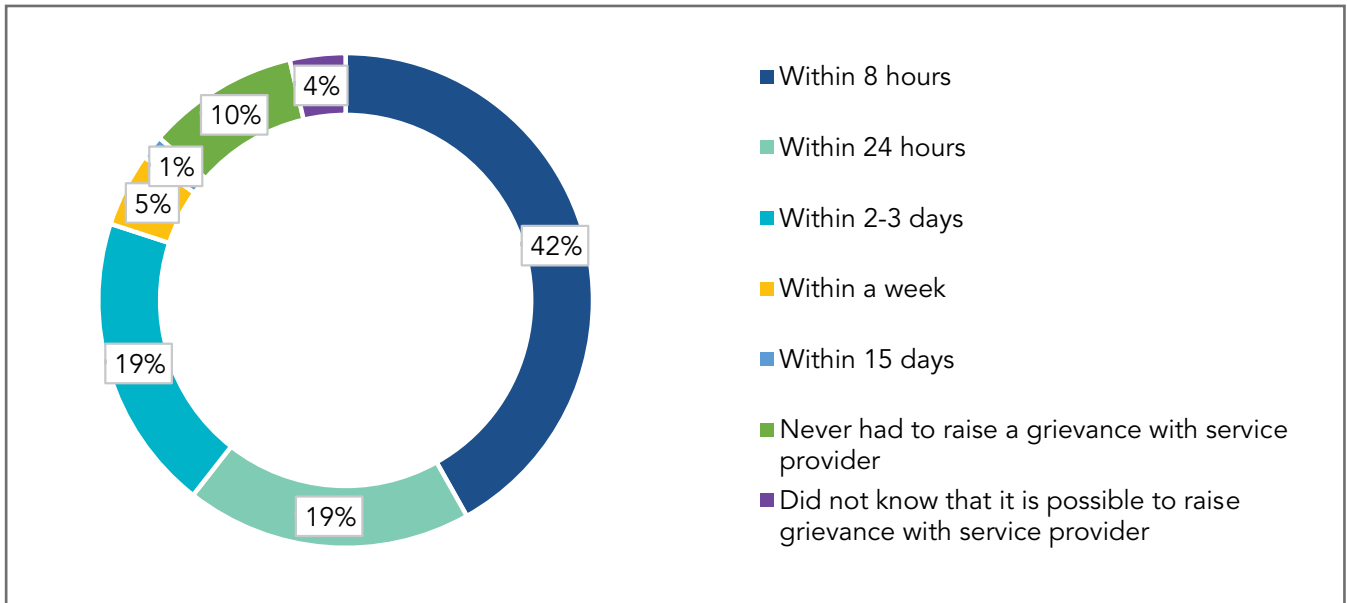


Note: Based on responses of 10,053 consumers. This is an MCQ.

2. Need to focus on enforcement of QOS regulations, particularly grievance redress

Finally, the figure 15 below shows that while 42 percent of DPOs are quick to resolve consumer complaints, a majority could do better. As per the 2017 QOS regulations issued by TRAI, all complaints should be responded to within eight hours of receipt (provided that they are received within the working day), and that no complaint except those related to billing should remain unresolved beyond 72 hours.

Figure 15 Time taken by DPOs to resolve consumer grievances



Note: Based on responses of 10,053 consumers.

A major part of this report tries to outline the consumer choice paradigm prevalent in TV markets, and highlights that many consumers are unable to exercise effective choice for a variety of reasons. In this connection, it is important to understand the direct linkages between QOS at the last-mile and consumer welfare. The Explanatory Memorandum to the 2017 QOS Regulations explains this well:

“It is observed that consumer choice is still not being fully enabled even in areas where digitization has completed and therefore regulatory oversight appears necessary. An oversight mechanism by regulator would enable DPOs to create standardized infrastructure for providing better quality of services to the consumers. The Authority is therefore of the view that regulated framework shall be the appropriate model for ensuring QoS and consumer protection in the broadcasting sector.”

The survey data shows that that the TRAI’s assessment in 2017 holds true even in today’s context. And this must therefore prompt a revisit of the enforcement framework of QOS regulations in the Indian TV market.

CONCLUSION

We find that Indian consumers see good value in what TV offers to them relative to other content platforms. Moreover, most subscribe to up to 200 channels, and do so via a combination of pure bundles or bundles with additional individual channels. This consumer preference for bundling is not uncommon across markets.

Indian consumers have high expectations of their TV subscriptions and bundles, and there is room for consumer welfare to grow if the next wave of regulatory reforms can narrow focus on how to enable effective consumer choice. For instance, any mismatch between consumer preferences and channel subscriptions could be minimised if consumers have an effective say in deciding the channels in their basic service package or initial bundle and subsequent channels or bundles, they subscribe to. Based on our survey, an improvement / enhancement of general consumer awareness around their rights (e.g. picking channels) as well as methods of channel selection, are imperative in this regard.

The government ushered in cable TV digitization to improve transparency in the TV value-chain and enable easier channel selection for consumers. However, last-mile service providers or DPOs remain the consumer's primary point of contact for TV subscriptions. Therefore, enforcement of QoS requirements, transparency mandates at the last-mile should be prioritised. However, any further regulatory intervention should follow a detailed cost-benefit analysis. This should include a technological capability assessment to understand feasibility of implementation of a regulatory framework.¹⁸

Finally, consumer awareness and capacity building on regulatory interventions is a necessary prerequisite to their success. The regulator could consider creation of more regional cells to enable more last-mile interaction, and feedback. Consumers may be able to make better use of novel initiatives like the TRAI Channel Selector app with such steps. To this end, the regulator could also support credible consumer organisations in generating awareness, building capacity, and acting as watchdogs for compliance with QoS and other parameters.

18 For e.g. broadcast networks don't have the type of two-way interaction that digital /internet networks do, which means that any regulations that add complexities to the exercise of consumer choice, are unlikely to work effectively.

