

Chapter 8.3

Offshoring Entertainment and Media to India

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ABSTRACT

This chapter explores opportunities for the offshoring of assorted processes in the global entertainment and media industry. Currently, this industry is experiencing incredible growth, much of it spurred by the increased digitalization of media production around the world. The rise of digital technology, faster global connectivity, an increased quality of downloads have been the driving factors behind this growth. The filmed entertainment, recorded music, and television networks and distribution sectors of the industry will undergo major technological changes in the coming years. These changes will provide opportunities for entrepreneurs to enter the global media industry. Using venture funding, startups are utilizing offshoring concepts to create a more efficient cost-effective means of doing business. The Asia Pacific market is currently the fastest-growing region, with India leading the way with offshoring of film functions. The industry will

see a change from large media conglomerates as the sole owners of all media to smaller companies offering services, in which they specialize, to these larger companies, as digital media makes it easily accessible around the globe.

INTRODUCTION

The global entertainment and media industry has changed drastically since the first printing press was invented, arguably the beginning of mass media distribution. This industry now includes video games, recorded music, Internet advertising, filmed entertainment, casino games, Internet access, television networks, and television distribution (Metrics 2.0, 2007). The global entertainment and media industry will continue to grow at a 6.6% compound annual growth rate (CAGR) to \$1.8 trillion in 2010 (PricewaterhouseCoopers, 2006).

There are many opportunities to cut costs by moving activities to other places around the world. Specifically, the filmed entertainment sector in the Asia Pacific market will grow significantly in high-definition video, and a lower piracy rate will increase the sell-through video market. The sell-through market is reserved for rentals through stores or the Internet, which has recently become a rapidly increasing trend with companies such as Netflix and Blockbuster's innovative rental programs. PricewaterhouseCoopers anticipates a global CAGR of 5.3% to \$104 billion in 2010 (see Figure 7.1 for global growth potential in all sectors).

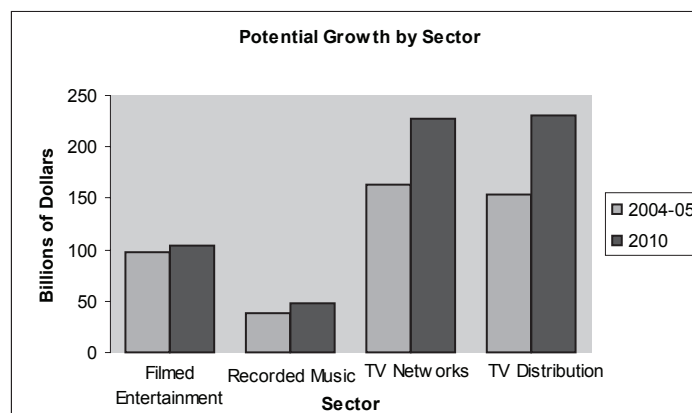
The recorded music sector of this industry includes album and single sound recordings, music video distribution, licensed digital distribution, and mobile music. Mobile music includes ring tones and ring backs, which are growing in popularity due to the expansion of the cellular phone market to younger generations. In recent years, the recorded music sector of the entertainment industry has seen lower sales due to fewer revenues garnered from CDs and the rise of illegally downloaded music online. However, in 2004, this trend changed as the music sector grew to about \$38 billion. Ring-tone spending and expansion in the digital distribution market are the factors that are driving growth the most

(see Figure 7.1). Recorded music spending is expected to rise 5.2% globally to \$47.9 billion in 2010 (PricewaterhouseCoopers, 2006).

The television networks sector refers to the global industry for any viewing of televised programming. This industry is also projected to grow rapidly around the world with Latin America as the fastest-growing region. Global spending for this sector will increase at a rate of about 6.6% to \$227 billion in 2010 (Figure 7.1). The digitalization of this sector will be the main growth driver, as new analog channels, digital broadcasting, and high definition television are increasing in popularity and accessibility.

Television distribution includes consumer spending on subscriptions to various services such as satellite, video on demand (VOD), Internet protocol TV (IPTV), and basic or premium cable. In the U.S. market, this includes advertising on local TV stations. The shift to digital distribution methods, as well as increasing average revenue per user (ARPU), will invigorate this sector's further growth. This sector is projected to grow by 8.3% to \$230.3 billion in 2010 (Figure 7.1). This market is somewhat different from other markets worldwide because the cable operators will be investing in infrastructure as a primary method of competition with the satellite carriers' new IPTV technology. India is projected to

Figure 7.1. Based on information from PriceWaterhouseCoopers and the Ernst & Young Entertainment Report.



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