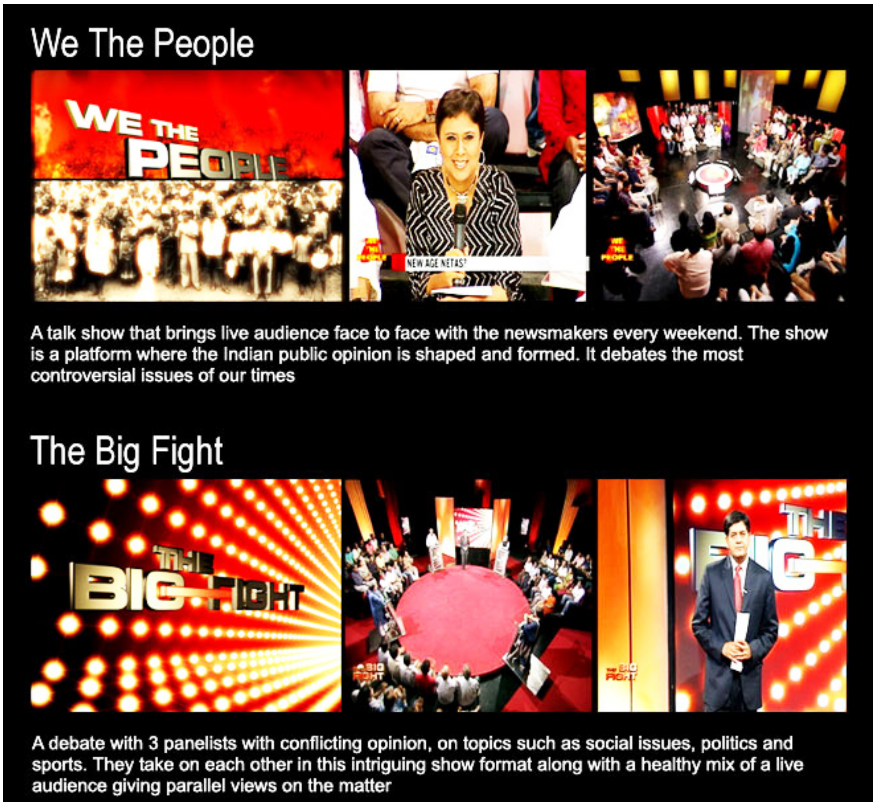
MEDIA under CORPORATE CONTROL

Recent debates on paid news have uncovered an important dimension, and discomforting consequence, of the commercialisation of news organisations. The process of commercialisation, and subsequent corporatisation of news unfolded most rapidly with the de-regulation of broadcast news in the late 90s, which led to a large number of regional, national and trans-national entities entering this territory. Looking back at the last decade, it is important to examine how truly de-regulated the broadcast news sphere has been; it is more important to examine under what conditions this domain was opened up, the directions of its further expansion, and the kinds of commercial and financial interests it is opened up for.

Media companies that own the leading Hindi and English news channels -- NDTV, TV18 and TV Today -- initially forayed into broadcasting when Doordarshan commissioned them to produce current affairs and then news bulletins. Such commissions for weekly and then daily capsule enabled these small companies to grow as they gradually invested in infrastructure and in a national network of reporters. All this came in handy when, following the de-regulation of news broadcasting in year 2000, these firms ventured out on their



Vibodh Parthasarathi *traces the financialisation of media companies and its interplay with the workings of television news in the view of high stock prices becoming important not only for a news broadcaster to raise money but for the personal wealth of its promoters and for their employees' overall remunerations* own. Surprisingly, the commonly postulated relationship that 'first movers' tend to retain a higher market share has not evenly panned out. While the 'first movers' in Hindi and English 24-hour news (Zee and NDTV) could not sustain their advantage, the pioneer in the business-news genre, TV18, has sustained its first mover advantage in both language segments. Nevertheless, the leading news broadcasters are part of media groups that own channels in multiple programming genres -- some having moved from the entertainment category to news, whilst other vice versa. The promoter group of these channels continue to maintain majority holdings and their board of directors have a conspicuous number from the promoter's family, making news broadcast companies an integral part of the wider trajectory of family-owned business houses in India. Last but not least, despite the widening and fiercely competing market, there has been no trend towards consolidation, unlike in the non-news segments of broadcasting. However, there are clear trends of vertical integration, a hallmark of the corporatisation of the media globally. Of the six cable distributors who together provide access to about a quarter of cable & satellite TV homes in India, the leading two are owned by media houses that also own news channels -- viz Zee's WWIL and SUN TV's Sumangali Cable Vision.

A less explored dynamic of the corporatisation of the media, and particularly of broadcast news is financialisation, i.e., a process whereby financial markets and financial institutions gain greater influence in the operation of a company. To understand the nature of financialisation underway in a media company, different sets of inter-related measures can be used. The first measure is the capital structure of the company, since it provides its first contact with the financial system. The second involves tracking developments within the company during and after its listing in the stock market. Although these two measures of financialisation form the subject of analysis here, other measures include the nature and levels of financial indebtedness of a news broadcaster, the ways in which the membership of the board of directors of a news broadcaster are interlocked with those of financial entities; and, the non-news corporate practices of a broadcaster and their holding company, especially the creation of purely financial subsidiaries.

The complex of corporate practices

Despite news being a highly knowledge-intensive and technology-centric segment of the media industry, domestic broadcasters have attracted, or solicited, a much smaller proportion of the Foreign Direct Investment (FDI), compared to Foreign Institutional Investors (FII). We recognise that while FDI is largely for relatively longer term and often accompanied by technical expertise in the sector, FIIs aim for relatively much quicker returns on invested capital and, often consequently, is highly mobile. For most of the leading news broadcasters, associations with the financial system began in the early stages of their businesses. Television news companies in India tended to raise capital by pledging their shares to banks to garner loans or through private placement. The success of private placement by news broadcasters during early periods of their share capital history was a key factor in shaping the valuations of their share price when they subsequently got listed. Moreover, the share capital history of these news broadcasters was marked heavily by financial entities -- like Jardine Fleming, JP Morgan and Merrill Lynch -- rather than by entities from the television, media or wider industrial world. Such investments by financial players in news channels suggest an expectation of high profits when their stocks get publicly listed.

The earliest media industry stocks rose on the wave of rising IT stocks during 2000. But by October 2002, listed media companies lost market capitalisation by 50 to 80 percent over the previous year. Amidst such turbulence, the leading news broadcasters went to the stock markets. Zee News listed after de-merging from Zee Entertainment; IBN-18 after de-merging from TV18 -- the latter itself listed earlier -- and TV Today, the only listed firm of the India Today Group. But in April 2003, media

stocks again attracted attention and as the Sensex reached the historical peak of 6,000 in January 2004, these re-emerged as favourites. By June 2005, media stocks, including TV channels, had a mixed run. But again in May 2007, the share prices of most media companies were trading at all time highs.

Explanations of such fluctuations remain equally fluctuating. In 2000, the scarcity of media stocks in the Indian market was argued to be the cause of their upward spiral --exemplified in the listing of TV18 stocks at 10 times its issuing price. High or ascending stock prices were commonly explained due to the advantages of the media not being an interest-sensitive sector and due to periodic speculations over possible hikes in FDI caps in various segments of the media industry. But descending share prices of news broadcasters were rationalised on many disparate counts: the media sector being a boom-time business, as typically reflected in its high-beta sector stock; the un-sustainability of their revenues compared to IT firms; the riskier nature of the TV business; increased competition and changing viewer preferences with the advent of increasing number of news and non-news channels. It is significant that amidst such waywardness, financial experts and industry commentators often agreed that the high stock prices of media firms scarcely reflected their, often poor, fundamentals: for instance, NDTV rarely had profitable quarters which seemed to not affect its stock valuation.

A plausible explanation of the high valuations news broadcasters' stocks points at, not their actual revenues and profits but, their practice of developing multiple revenue streams. This strategy was aimed at attracting Investors, on the basis of a sum-of–the-parts-valuation model, and advertisers through the potential of cross-selling opportunities. This led to most broadcasters, including news channels, to create multiple 'properties' that could be separately valued, that derived synergies from shared costs and offered advertisers a wider opportunities for outreach. Share prices were made to rise, or kept steady, by such continuous expansion into contiguous business ventures -- ventures set up through associates, JVs and subsidiaries, often involving inter-locking and/or shell companies based in overseas tax havens. These rising valuations attracted national and trans-national financial investors who themselves were constantly seeking opportunities in growing markets like India -- especially when similar opportunities in Euro-America became either commercially saturated and/or intensely competitive. For instance, we look at private equity funds, which in recent years have entered the media industry in India. Although predominantly in the entertainment segment of this industry, private equity has not left the news segment un-attended, as illustrated by Warburg Pincus in Dainik Bhaskar newspaper and, IL&FS Investment Managers Ltd. in Global Broadcast News.

The sale of shares post listing of broadcasters suggests financialisation in the firm's earlier capital history was 'cashed in' by both, institutional and non-institutional investors. In some cases, listing led to greater financialisation, most amplified in Reliance Capital Limited (RCL) acquiring 11.93 percent of TV Today Ltd. in February 2007. Besides the equity structure of broadcasters, other sites illustrate the incessant/ heightened financialisation -- two of which are encapsulated here. First, akin to the securities trading arms of industrial conglomerates like Reliance, Tata and Birla, media groups are increasingly carving out a segment of their business that operates at a purely financial level. It is difficult to estimate the extent to which such ventures are removed, or even cushioned, from the news and related public interest activities of the media group. But what is doubtless is that this imparts the corporate goals of the proprietor a character precariously close to that of financial actors playing with assets. Secondly, news-media groups have borrowed specific instruments from financial markets, such as stock option pay. This, in the words of a filing document, seek "to align compensation for executive officers" and directors "with the interests of shareholders". Both TV18 and

Listing leads to greater financialisation, most amplified in Reliance Capital Limited (RCL), which acquired 11.93 percent of TV Today Ltd. in February 2007

NDTV have such stock option schemes, and which under modified conditions are extended to news-anchors and senior editors. Thus, we observe a permeation of processes of financialisation into the inner, everyday workings of broadcast journalism.

On their part, financial markets encourage all companies deploying stock options which require purchasing the underlying stock since this instills in top managers a drive to maximise the short-term stock price, quite apart from the fact that such measures also benefit financial market money-managers. It is not always clear that shareholders benefit from such financial tools, as studies elsewhere reveal the costs of top management pay being staggeringly large which, in turn, leads to the long-term profitability of companies being possibly prejudiced by a focus on short-term share price.

Thrusts towards financialisation emanating from 'organic' internal market processes in the TV industry should not mask the imprints of public policy. The general thesis of 'growing stock markets boost economic growth' rests on the assumption of the former playing two crucial roles: price discovery and providing liquidity. These are argued to provide a fillip to the primary issues market and enable corporates to undertake huge projects. But financial markets are volatile and dynamic compared to the markets for goods and services. This apart, we must recognise that in the specific context of the media industry, market forces are not necessarily synonymous with consumer interests.

The focus of second-generation reforms in India, coinciding with the IX Plan, was on strengthening the markets -- institutions, rules and instruments of economic exchange. Nevertheless, numerous market imperfections and anomalies remain, which result from both, policy options (exercised or otherwise) and corporate practices. A crucial policy option exercised by the government in early 2005 -- after half a year of approval by the ministry of information & broadcasting -- was to sanction investments by FIIs and OCBs in TV channels uplinking from India. Such investments were to be considered part of the overall foreign investment cap of 26 percent in news broadcasting. Media companies had long reasoned that the Companies Act allowed FII investment in various sectors, subject to sectoral foreign investment caps. The revised policy intervention was envisaged to benefit the stock prices of those news broadcasters that had little or no FII presence, like TV Today and NDTV, while not substantially benefiting those already having such significant investments, such as TV18, which then had 15.39 percent FII holding. Having won this battle, broadcasters have been quick to further implore that keeping a tab on FII flows on buying and selling in listed companies on a daily basis which reiterates out earlier contention about the highly mobile and short-term life of FII.

The arguments presented till now lead to three core inferences: first, that the worth news broadcasters depend largely upon how financial agencies and markets, with whom they have had early corporate ties, tend to value them. Secondly, that a fall in the stock prices of news broadcasters implies the loss of a source of capital and not necessarily underperformance, loss in productive capacity or reduction in demand, as is with infrastructure or FMCG companies. And thirdly, high stock prices are important not only for a news broadcaster to raise money but for the personal wealth of its promoters and for their employees overall remunerations. Based on this we may further argue that the stock market is far more important for information economy firms, like news broadcasters, to raise capital than for other companies, since they lack physical assets that can be pledged. But this ignores the most important asset owned by news broadcasters: time. To raise revenues, broadcasters deploy time, their most potent intangible asset, with advertisers. In excavating this further, our first attention ought to be on their capabilities to sell programmes, i.e., advertising as revenue generator.

Vending of TV news

With 24 hours programming on television, prime time viewing now extends from 7 pm to 11.30 pm, and the afternoon time-band has gained more viewers which together has created more space for intensive advertising. This seems to have had a ripple effect on news channels, for the average time spent viewing news in India has increased from about three minutes a day in 2001, to around six minutes a day in 2003. Furthermore, news channels tend to generate greater audience involvement: 38 percent viewers who saw news for a minute stayed glued for the next 15 minutes. Among all TV channels producing original programming, Hindi news channels are estimated to be the lowest Cost Per Rating Point (CPRP2) -- next only to entertainment channels, which form the base for this index. All this makes news the second-cheapest way to keep viewers hooked on to television and consequently, that for advertisers to reach their consumers.

News channels, especially business news channels, provide plentiful information and opinions on the stock markets and on individual financial companies. They do so in a manner that recreates the working of the financial economy in the form of mass entertainment, and as a daily spectacle as reflected in the live coverage of stock markets on CNBC-TV18, Zee Business and NDTV Profit. This has led to a scenario wherein the public perception -- and consequently, the commercial value -- of various financial products like car and housing loans, MF investments, health insurance schemes, pension funds etc have come to be increasingly tempered by the media image of such products. Periodically there are murmurs on news anchors/reporters and invited 'experts' recommending stocks to viewers. Significantly, these murmurs have originated from the financial regulator (SEBI) and not the broadcast regulator (TRAI). One chief of SEBI in early 2008 raised serious concerns over the media's role in "talking up" or "talking down" a stock through what he termed "anchor investors". While the financial regulator refused proactive and concrete steps, it was the judiciary that intervened later that year. On March 31, 2008, the Supreme Court issued notice to a financial analyst, a regular on a leading English business news channel, for allegedly advising investors to buy shares of certain companies, which he was selling.

Looking at aggregate shares of viewership and of revenues of the entire TV industry indicates that although news has a relatively smaller share of total viewership, it yields dis-proportionately larger shares of revenues. There is greater purchase in pinpointing the kind of viewership that tends to drive revenues of news channels. First, news on private channels has a higher viewership among SEC A & B households relative to that of all TV channels. Moreover, whilst viewership of C&S in general rises as we go down SEC categories, that of news decreases. Even among Hindi news channels, besides Aaj Tak, viewership decreases as we go down SECs. Second, news channels in Hindi and English, and in their sub-genre of business news, have a relatively high viewership share among male viewer. In fact, news is the only genre where adult male viewership is on the rise save for sports, which is dependent almost completely on cricket and therefore, fluctuates seasonally. Both these factors stand evidence to the rising share of higher income, male viewers being the drivers of news revenues, since this demographic minority forms the most lucrative targets for advertisers. This pushes us to explain how advertisers set out to target the minority of higher-income strata of viewers.

Advertisers are offered pre-defined time-bands across a set of time schedules. While the latter vary for weekends, different rates also apply for national elections and union budgets where viewership on news channels tend to peak. Channels additionally lure advertisers with

THE TIMES OF INDIA

Delhi Times

Videshi teacher, *desi* stunts...

incentives based on advance bookings, utilising greater volumes and higher frequencies of advertising. Aaj Tak also offer incentives for loyalty, which resulted in 70 percent of its cumulative revenues between 2001 and 2003 accruing from advertisers who had been with it for two years or more. Since the broadcasters of Aaj Tak have news channels in two language segments, akin to NDTV, they are in a position to pose multiplier offer to those advertising on both channels. Significantly, while NDTV India had primarily a mix of national and regional advertisers, NDTV 24X7 attracted international and national advertisers. But the differences in brands are equally striking: among electronic products, for example, while the English channel carried advertisements of Samsung & LG, the Hindi one carried Videocon -- a relatively lower-valued brand, selling comparatively cheaper products.

Advertisers are offered pre-defined time-bands across a set of time schedules. While the latter vary for weekends, different rates also apply for national elections and union budgets where viewership on news channels tend to peak

In tune with the rising number of advertisers on TV, there is also an increase in the number of brands being advertised which on news channel grew five fold between 2000 and 2003. Besides the traditional mechanism of advertisements between programmes, most news channels offer branding opportunities to advertisers through sponsorships and associate sponsorships of specific slices of their programming menu most commonly, for headlines, sports and weather. Extensive analysis of news programming based on a programme choice model in the US has cited the pressures of more competition on the need to "brand" news programmes. This strategy tends to favour personality and entertainment driven forms -- a practice that gains further thrust by the relatively high costs of producing hard news, exclusive reportage and intensive news-features

The increasing number of advertisers and brands on TV should not divert us from noting two further insights. First, most of the leading news channels are dependent on a small number of advertisers for a large proportion of their revenues. This is more acute in the early years of a news broadcaster: for instance, in the 10 months ending March 2006, 49 percent of CNN-IBN's advertising revenue originated from its top 10 advertisers. Secondly, not only do a core set of brands commonly constitute the top 10 advertisers across language segments of news channels, but often many of these are financial entities. For example, among the top 10 advertisers on NDTV 24/7 and NDTV India, three firms were common: ICICI Bank, GM India and LIC -- two of these being financial firms. This conveys the emergent share of financial companies in advertising on news channels.

In as much as advertising converts transmission time into money, there are also strategic innovations that work vice versa. In June 2003, NDTV provided ICICI Bank group with advertising time of Rs 150 million in part consideration of the sale of the latter's shares in its subsidiary, NDTV World---the latter saving taxes on ad income. But this suggests something slightly different: advertising time, the most valuable intangible asset of broadcasters, is deployed by them additionally as a mechanism (currency of transaction) to raise capital. This makes the dynamics of advertising more directly connected with the financialisation of news broadcasting.

A more powerful financial innovation pivoting around advertising is signified by the recent practice of private treaties. Private treaties (PTs) are pacts whereby news organisations buy shares in usually small but rapidly expanding firms by using advertising time/space as the currency of exchange. In short, PTs involve the transfer of shares from a company to a news company in return for advertising space/time. Subsequently, the newspapers or news channels are in a position to build the brand of the firm, which pushes the value of shares in the company in which it has a stake. This practice is gaining ground in the Indian news media, with Times of India, Network 18 and Business Standard having special cells to sign up PT clients; it imparts news channels a character, and role, dangerously akin to a private equity firm. The concern is not on the accuracy of disclaimers news organisations carry, nor the transparency about their PT clients --ToI has a website listing on their PT clients. Rather, there is systematic editorial machinery that goes into devising and creating news content by fusing the traditional divides between editorial, advertising and public relations. Clearly, all companies entering into PTs are looking for publicity and positive news coverage, especially since many of them at the time they entered into PTs were planning public issues, or looking for private equity. Importantly, PTs carry a dual attraction for the new media: they benefit from lesser tax liability on returns from appreciation on shares (since equivalent amounts in advertising revenue would be taxed at higher rates) and they benefit from the high probability of significant appreciation of their 'investments' in the client companies.

This then forms the core dynamic linking advertising in the broadcast news with the stock markets, making it a vital cog in the wheels of financialisation. In doing so, this also seems to indicate that the recent criticism of and debates on paid news, important enough to move the Press Council of India to initiate an inquiry, as being only the tip of an iceberg. The bulk of the phenomenon, in which financialisation plays a crucial role, is still opaque to the gaze of regulatory governance, academic scholarship or public inquiry.

–The author teaches media policy at the Centre for Culture, Media and Governance, Jamia Millia Islamia, New Delhi