

## Faculty of Management Studies

University of Delhi – Delhi

MBA (FT) – November 2022

MBAFT – II; Course Code: 6302

Strategic Analysis

Maximum Time: 3 hours

Maximum Marks: 70

### Instructions:

**All questions are compulsory.**

Marks for each question are given against individual questions.

Read the case given in the enclosed annexure and answer following questions. Each question is compulsory. Clearly state the assumptions that you are making. Explain in detail using theoretical framework and tools of strategy analysis in your answers.

Detailed explanation should be given for each answer. Answers would be considered incomplete if detailed explanation for the answers is not provided, and strategy tools and theoretical framework have not been used in your answers.

Q.1. What are the main competitive advantages that Balaji Telefilms has developed. What are the sources of competitive advantages of Balaji Telefilms. Are these competitive advantages sustainable. Can these be easily imitated by other players in the industry. Explain in detail using strategy tools.

(20 Marks)

Q.2. Analyse resources and organisational capabilities of Balaji Telefilms. What are its values. Can other firms in Indian Television industry develop such capabilities. Give detailed explanation for your answer. Explain using various tools of strategy analysis.

(15 Marks)

Q.3. Analyse different components of value chain of Balaji Telefilms. What components of this value chain are main contributors of its performance and growth, and why. Explain in detail using strategy framework. What would be your recommendations for Balaji Telefilms to sustain this growth. Is Balaji Telefilms following a Blue Ocean Strategy. Explain in detail.

(20 Marks)

**Q.4.** An existing business house in India is planning to enter into Television Industry. What strategy should it make for entry with a goal of being among top 2 players in Indian Television Industry. Prepare a detailed strategy for this business house using various tools and framework of strategy analysis, explaining in detail the rationale for your proposed strategy.

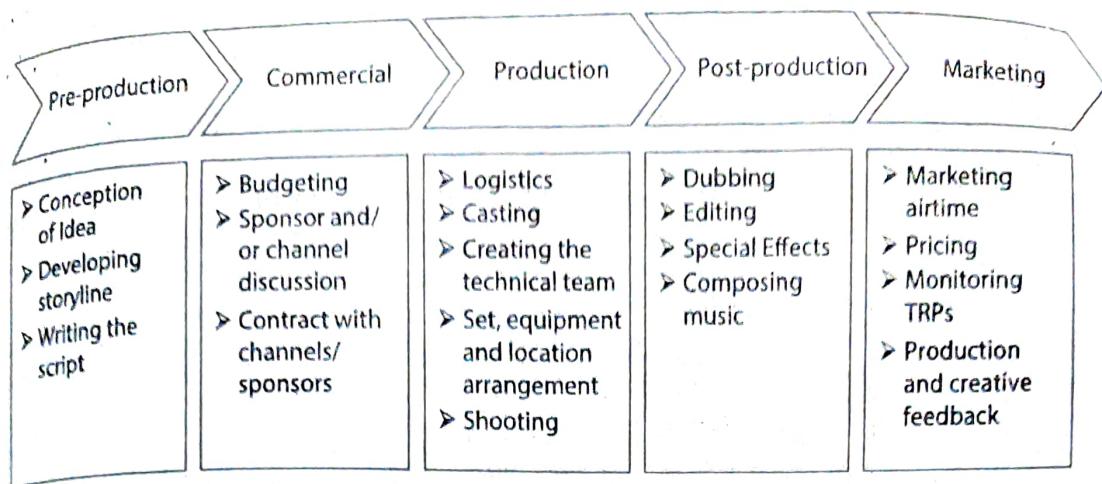
(15 Marks)

Since its humble beginnings in 1994, Balaji Telefilms has emerged as the undoubtedly leader of the television content industry in India.<sup>22, 23</sup> Over the years, it has not only been a cornerstone of the industry but has also been a pioneer in many regards. Balaji was the first to 'industrialize' the production of television content in India. At its peak in 2008–09, Balaji had 25 serials on air and was consequently churning out an incredible 25 episodes per day.<sup>24</sup> This is all the more impressive, when viewed in the context of the rest of the industry, which is fairly fragmented. Most content producers, therefore, have fewer than five shows on air at any given time. By 2018, Balaji had over 18,000 hours of programming under its belt, across seven languages, various genres, and all the leading broadcasters.<sup>25</sup> Indeed, it is now widely accepted that Balaji Telefilms and Ekta Kapoor have redefined the Indian television space over the years. In an article for the *Times of India*, reporter Dimple Bajwa writes:<sup>26</sup>

Call her an empress of TV, a mother who gave birth to some of the most successful TV shows, or a trend setter who brought *sas bahu*<sup>27</sup> sagas into being; Ekta Kapoor brought a revolution on small screen and the entire nation stands proof to that.

Balaji had revenues of ₹201.5 million in FY2000,<sup>28</sup> which was the first year after the company went public. In FY2018, the television business of Balaji had revenues of ₹4.33 billion (see Table 4). EBITDA and PAT stood at ₹557 million and ₹163 million, respectively in FY2018, with margins of around 20.1% and 10.8%, respectively.<sup>29</sup> Balaji was listed on both the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), and as of June 2019, had a market capitalization of around ₹5.76 billion.<sup>30</sup>

While retaining its market leadership, Balaji also actively de-risked its television business. It has done this primarily through moving from sponsored shows to commissioned shows, where the risks associated with uncertain advertising revenues are borne by the broadcasters, and not the content producers. At its highest, in FY2000, Balaji had 835 programming hours coming from sponsored shows. In FY2017, this number had reduced by almost 75% to 217 programming hours (see Figure 2). This, along with its unparalleled operational excellence and understanding of the market, has helped in making television a very stable part of its business. Yet, Balaji's dominance in the television content industry is not what it used to be. The global financial crisis of 2007–08 led to a significant downturn in the Indian Media and Entertainment industry, and Balaji's top and bottom lines took a substantial hit as broadcasters and advertisers were trying to rationalize their expenses (see Figure 3). Further, the emergence of alternative forms of entertainment on television such as reality TV and the IPL,<sup>31</sup> managed to dent the ratings of fiction-based shows, which were the mainstay of Balaji Telefilms.



**FIGURE 4** Balaji's television content production process

Source: Management Discussion and Analysis, Annual Report 2000–01.

### Balaji's Value Chain

There were five primary stages in Balaji's television content production value chain. These are: pre-production, commercial, production, post-production, and marketing (see Figure 4). Balaji's strength lay in the discipline it had embedded in its workforce to repeatedly follow a process without deviations. Balaji called this "industrialized creativity".<sup>32</sup> The pre-production stage started with the ideation of a concept and theme around which content can be created. This was then followed up by a detailed development of the storyline. The pre-production stage culminated with the creation of the final script by the scriptwriters. Pre-production was followed by the commercial stage, which consisted of budgeting of expenses and production costs, followed by discussions and negotiations with broadcasters and sponsors. These discussions were centered on the content, time-slots, rates, and other contractual details. The objective of this stage for Balaji was not only to secure the best rates possible but also to reduce its risk as far as possible. The next two stages, Production and Post-Production, were the most important ones in Balaji's value chain. Production started with comprehensive logistics planning for personnel, equipment, locations, and studios. This is also where the actors were cast, and the technical team was created. The final step in the Production stage was the actual shooting of the show. The Post-Production stage involved technical aspects such as editing, adding special effects, adding music, and dubbing wherever required. These steps had a pivotal effect on the final output. The last stage in the value chain was marketing. In addition to deciding on how to market a particular show, TRPs were monitored, and audience feedback was sought and actively incorporated into future episodes of the show.

### Balaji's Resources and Capabilities

**Market Knowledge** One of Balaji's most important strengths has been its uncanny ability to successfully predict audiences' tastes and preferences. This has enabled it to create content that is extremely popular with the Indian masses year after year (see Table 5). For example, starting in the early 2000s, Balaji ushered in a new era in the history of Indian television, through its so-called "K-series" shows, which included midday bit shows such as *Kyunki Saas Bhi Kabhi Bahu Thi*, *Ki & Babi Ghar Ghar Kii*,

## Table 5 Top-5 TV programs in India in 2019

Rank	Channel	Show	Category	Impressions (000s)*	Content Producer
1	Zee TV	Kundali Bhagya	Fiction	12,365	Balaji
2	Zee TV	Kumkum Bhagya	Fiction	10,474	Balaji
3	Star Plus	Yeh Rishita Kya Kehlata Hai	Fiction	9,547	Director's Cut Productions
4	Zee TV	Tujhse Hai Raabta	Fiction	9,399	Full House Media
5	SONY SAB	Tarak Mehta Ka Ooltah Chashma	Fiction	7,827	Neela Tele Films

**Notes:**

\*'Impressions (000s)' is a metric developed and used by BARC (Broadcast Audience Research Council India). It is defined as the number of individuals in 000s of a target audience who viewed an 'Event', averaged across minutes.

'Sansul Colors Stardust Awards' is a popular Bollywood awards show. It is produced (in conjunction with event management companies) and aired on Colors, which is a channel owned by Viacom 18.

Rankings arrived at by weekly ratings for Weeks 25 for 2019.

Source: BARC weekly ratings (urban and rural),

*Kausautti Zindagi Kay, Kabiin Kisi Roz, and Kumkum.* These were soap operas that had stories revolving around family matters, and issues such as conflicts between mothers-in-law and daughters-in-law. They managed to strike a chord with middle-class Indian women (particularly housewives) across the country, and thus became hugely popular. *Kyunki* was the highest rated show on Indian television for six consecutive years, almost the entirety of its existence.<sup>33</sup> Much of this success has been attributed to Ekta Kapoor's prescience and gift for putting a finger on the pulse of the Indian audience. Mushtaq Sheikh, a popular TV screenwriter says:<sup>34</sup>

When we talk of Indian television, there was a pre- and post-Ekta Kapoor phase. When you write for television, it needs to be addictive and consumed at an almost machine-gun speed. She mastered that and could keep at it for years. She drives you into liking a world that she intends to create. TV is about creating that freeze point that has the whole nation wait with bated breath in unison, change their lives and dinner times and have them want to come back to that world. Ekta has always been able to pre-empt what you want, second-guess, and stay not one or two but many steps ahead to keep you glued.

While Balaji's TV shows were firmly rooted in Indian traditional values, they also reflected the changes that were happening in the Indian society. As actor Ronit Roy pointed out:

Take a Kasauti. Earlier people never spoke about divorce or extramarital affairs and she brought them to television. So, I think, at the time, it was a fair mix of sticking to tradition and bringing things out of the closet. It's her formula or whatever you may call it.

## Relationships with Broadcasters

Historically, Balaji has had a very strong relationship with Star India, as the history and growth of both entities is inextricably linked. Balaji shows such as *Kyunki* had

a significant role in turning around the fortunes of Star Plus, which at the time was struggling to attract viewers and stave off competition from Zee TV. This relationship only became stronger once Star India acquired a stake in Balaji Telefilms in 2004. However, rumors of Star's intentions to sell off its stake in Balaji, proved to be a wake-up call for Balaji. Over the next couple of years, Balaji actively de-risked, by spreading its programming over a greater mix of broadcasters. It had programs on all major GEC channels in India including Zee TV, Star Plus, Colors, DD, Life Ok, Sun TV, Gemini TV, Udaya TV, among others. In contrast, most of Balaji's competitors had a much more limited programming mix.

Another important aspect of Balaji's relationships with broadcasters was that channel TRPs are often driven to a large extent by Balaji shows. Balaji calls this as its "channel-driving capabilities."<sup>35</sup> Its engaging content had broad-based appeal, which in many instances led to a large base of followers who were loyal to the show, and by extension to the channel on which it was being aired. In 2002–03 for instance, Balaji's shows accounted for an incredible 48% of total aggregate TRPs of the top 150 Hindi cable and satellite shows in India.<sup>36</sup>

## Operational Excellence

Of all the various capabilities that Balaji has developed, none are more important than the knowledge and expertise it acquired in the end-to-end production of TV shows. This has been possible due to the sheer volume of programming hours that Balaji created over the years as well as a willingness to learn and become better. This combined with its unwavering focus on cost control indicates that Balaji has managed to codify the entire TV content production process and reduce its production costs significantly. This superiority is reflected in its realizations per hour, which, as per company sources are up to 20% higher than they are for competitors. Some of the ways in which it benefits are as follows:

- **Centralized purchasing:** Procurement of all equipment and consumables required for shooting was done by a *Central Purchase Team*, which not only could bargain better with vendors but also coordinate across the company to explore possibilities of multi-use and improve equipment utilization. It also had a transparent procurement process, with the objective of finding the best balance between cost and quality.
- **Shoot management:** From allocating responsibilities to mobilizing equipment, the various intricacies of shooting an episode were handled methodically by Balaji's shoot management procedures. Similar to shop floor supervisors in manufacturing, Balaji constituted "Operational Auditors", who were responsible for managing the day-to-day expenses of each episode, and documenting causes of delays and cost overruns. This helped the company evaluate metrics such as number of scenes shot, artist attendance, and equipment utilization on a daily basis.
- **Logistics management:** Disruptions and delays in shooting were the primary causes of cost overruns in content production. It could happen due to unavailability of performers, equipment, and/or other resources. Every shoot could require as many as 25–30 actors, a director, scriptwriter, cameramen, make-up artists, spot boys, art directors, and light men. This made the scheduling and shooting of every episode a significant logistics challenge. Balaji navigated these challenges by ensuring that the complete script was

finalized well in advance, which enabled advance booking of artists' dates and the creation of an advance shooting schedule, consisting of all prerequisites. The scriptwriters were responsible for detailing each and every article needed for the shoot. This approach helped Balaji to increase the number of shoots per day by 20–25%,<sup>37</sup> spread its fixed costs wider, and has made realistic scene-wise profitability estimates possible.

- *Ownership of advanced equipment and assets:* While being a fiscally responsible company that has great commitment to cost control, Balaji has never shied away from making capital investments in state-of-the-art equipment and other capital assets. This is reflected in the fact that it owned 19 modern studios and 31 editing suites in 2019, which is by far the most owned by any player in the TV content production industry. This benefited Balaji in many ways as it was seldom at the mercy of third-party vendors, and also had much greater control over the entire production process.

## Talent Management

Talent management at Balaji was carried out in two separate domains. The first was with regard to the management of the company. The second and more importantly, was with regard to artists and actors. Having skilled actors is a prerequisite for the success of any show on TV. The script and cast of a show go hand-in-hand in determining how the audience connects with the show. Balaji used its extremely strong brand to attract the brightest talent from all over the country. It nurtured this talent through a mentorship model under the supervision of more experienced actors. It also provided career guidance wherever required. It then retained this talent by having them on long-term contracts with higher than industry average remuneration. While Balaji shows managed to create such superstars as Smriti Irani and Ronit Roy (of *Kyunki* fame), it realized the risks that come with being dependent on such stars. Balaji followed a unique strategy to overcome this challenge. It focused on making its content character-centric rather than artist-centric. This linked the success of the show with the character and not the actor and reduced the risk of attrition.

Balaji adopted a strong practice of delegation and ownership in the corporate structure, since it professionalized the management of the company after going public. It created a cadre of creative heads, through training and development activities, who were staunch believers in Ekta Kapoor's vision and have reduced the company's dependence on her. Up until 2003, Ekta played an active role in the conceptualization of shows, after which she relegated herself to the role of mentoring the respective creative heads. Regional language content was independently handled by regional managers. Balaji followed an episode-wise appraisal mechanism and fast tracked promotions of deserving and talented employees.

## Flexibility and Agility

Balaji has proven to be a very flexible and agile organization. This is an important facet in the entertainment industry as it is often characterized by fast changing consumer tastes. Balaji thus took customer feedback very seriously. It set up a review mechanism, as part of which creative heads met every week to discuss possible alterations in scripts based on viewer response. For example, in the year 2001–02, TRPs for *Kahaani Ghar Ghar Ki* were declining fast. In response to this, Balaji scriptwriters synthesized feedback from viewers and rewrote the newer episodes, which led the

show to regain its earlier TRPs. Further, Balaji's advanced shooting equipment helped it keep a low episode inventory, which enabled it to incorporate audience feedback very rapidly.

TABLE 3 Indian TV channels overview

Category	Popular Channels
General entertainment	Zee TV, Star Plus, Sony, Colors, Rishtey
Regional Languages	Sun, Star Maa, Zee Telugu, Gemini TV, Udaya, Colors Kannada, Colors Marathi, Zee Kannada, Zee Marathi, Star Jalsha, Zee Bangla, Asianet, ETC Punjabi
Hindi Movies	Zee Cinema, Star Gold, SET Max, Filmy
English Movies	Star Movies, HBO
Music Channels	V, MTV, VH1, Zee Music, B4U Music
General News	NDTV, TV Today, Zee News, Star News, CNN-IBN, Times Now
Business News	CNBC-TV 18, NDTV Profit, Zee Business
Sports	ESPN, Star Sports, Ten Sports, Zee Sports, Sony Six
Children's entertainment	Cartoon Network, Hungama, Nickelodeon
Infotainment	Discovery, National Geographic, History Channel
Spiritual	Aastha, Zee Jagran
Fashion and Lifestyle	NDTV Goodtimes, Zee Trendz, TLC, Fashion TV

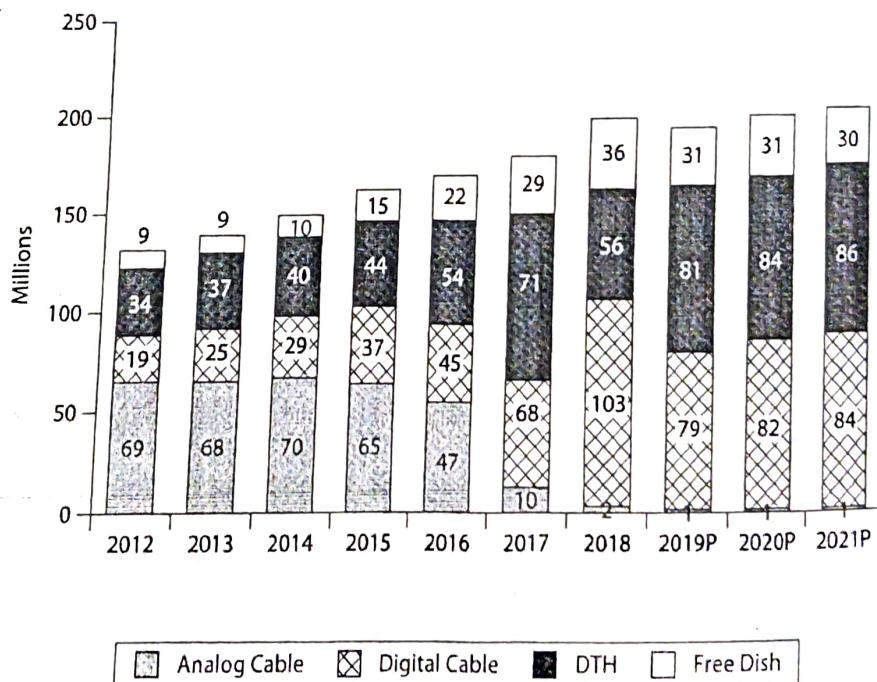
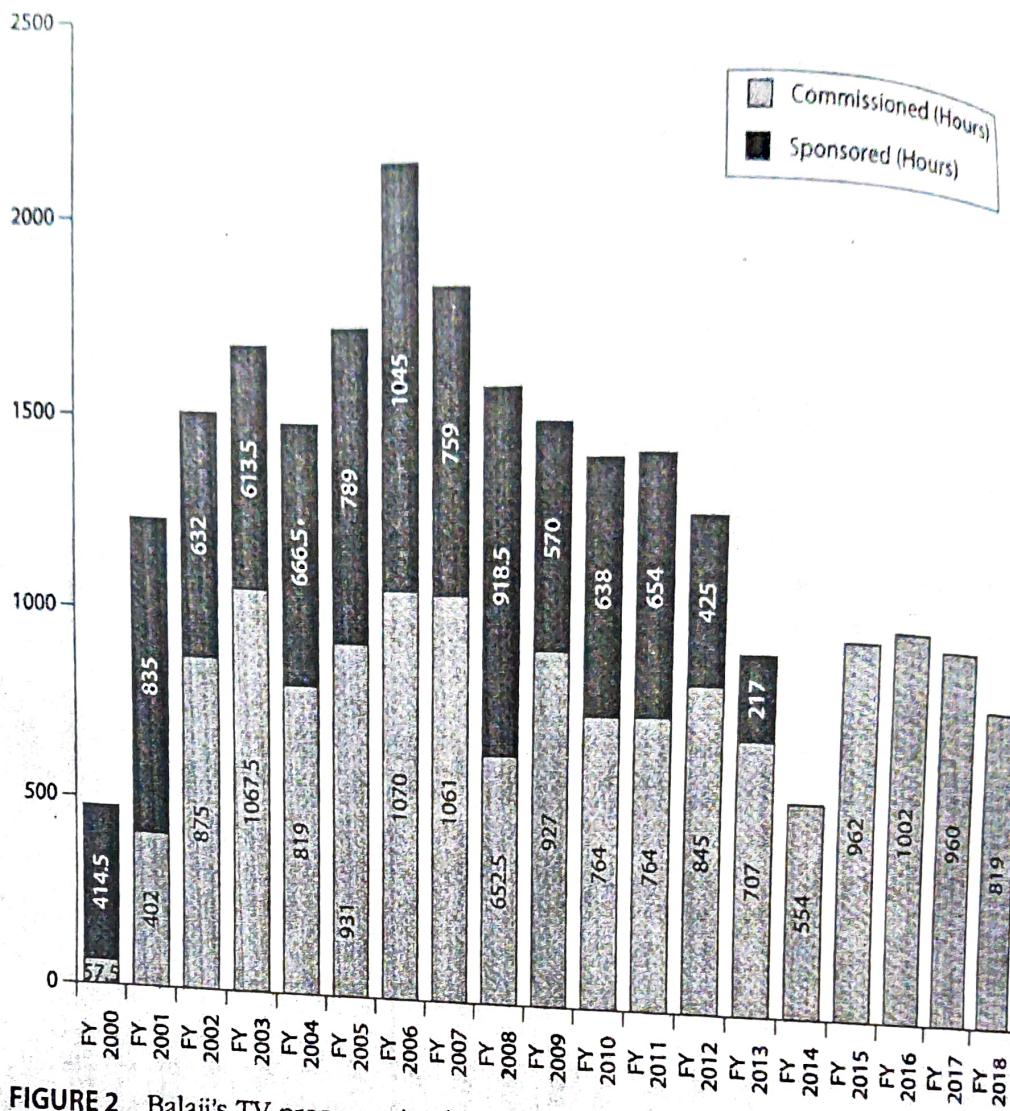


FIGURE 1 Indian TV subscribers split by distribution platform

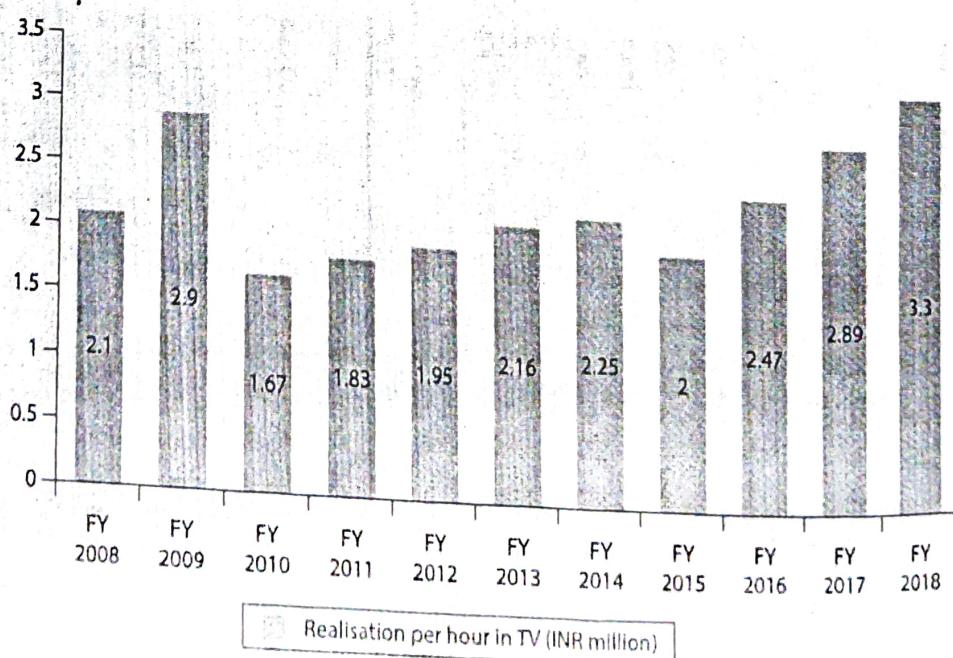
**Note:**

Free Dish is a free-to-air (FTA) satellite TV service by state-owned broadcaster Doordarshan (DD). It is the only FTA satellite TV service in India.

Source: KPMG-FICCI.



**FIGURE 2** Balaji's TV programming hours  
Source: Annual Reports.



**FIGURE 3** Balaji's realizations per hour in TV  
Source: Annual Reports.

TABLE 4 Financial performance of Balaji (All figures in ₹ billion)

Balaji Telefilms Ltd (TV only)										
Financial Year	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Total Revenue	4331.7	3028.1	2809.5	2199	1494.3	1590.2	1612.3	1660.3	1865.4	3075.1
Total Expenses	377.4	2447	2226.2	1969.5	1267.7	1344.6	1434.1	1597	1540	2465.2
Operating Profit	557.6	581.1	583.3	229.5	226.6	245.6	178.2	63.3	325.4	609.9
Interest	-	8.4	-	2.8	11.9	0.9	-	-	-	-
Gross Profit	557.6	572.7	583.3	226.7	214.7	244.7	178.2	63.3	325.4	609.9
Depreciation	138.9	117.7	87.2	76.1	54.5	78.6	71.1	107.1	103.3	235.2
Profit before Tax	467.1	455	496.1	150.6	160.2	166.1	107.1	-43.8	222.1	374.7
Tax	30.4	167.6	172.8	51	70.3	37.4	0.7	-0.1	18.1	197.5
Deferred Tax	10.2	-22.3	-47.5	-23.1	-10.4	-4.6	-9.7	-9.6	52.1	-86
Profit after Tax	163	309.7	370.8	122.7	100.3	133.3	116.1	-34.1	151.9	263.2
Balaji Motion Pictures Ltd.										
Financial Year	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Total Revenue	77.3	229.9	1107.3	2717.8	448.5	840.2	302	212.9	399.3	365.1
Total Expenses	124.9	438.7	1154.5	2975.2	424.7	750.1	272.7	301.5	631.9	282.5
Operating Profit	-49.7	-208.8	-47.2	-257.4	23.8	90.1	29.3	-88.6	-232.6	83.6
Interest	2.4	106.2	0.1	1.8	-	1.4	-	-	-	-
Gross Profit	-51.1	-315	-47.3	-259.2	23.8	88.7	29.3	-88.6	-232.6	83.6
Depreciation	-	6.3	6.4	3.5	1.6	0.4	0.4	0.4	0.3	-
Profit before Tax	-51.1	-321.3	-53.7	-262.7	22.2	88.3	28.9	-89	-232.9	83.6
Tax	-	-	-	-	-	-	5.7	-	0.2	28.7
Deferred Tax	-	-	-	-	-	-	-	-	-	-
Profit after Tax	-51.1	-321.3	-53.7	-262.7	22.2	88.3	23.2	-89	-233.1	54.0

TABLE 4 Financial performance of Balaji (All figures in ₹ billion) (*Continued*)

Sources: Capitaline; Ballai's Annual Reports.