DIGITAL MIGRATION
AND ITS IMMEDIATE IMPLICATIONS
TO ADVERTISERS

MEDIA ANALYSIS DEPARTMENT
EXECUTIVE SUMMARY AS AT JANUARY 2015.

So far in Kenya, phase 1 of the digital migration is already ongoing. So far, 44% of Kenyans have migrated to the digital platform. The major barriers cited are the relatively high cost of the set top boxes (average $320) and lack of awareness or know how on what to do. According to Geopoll data, 18% plan to switch over within a year.

However key broadcasters that control 80% of the viewership share, will continue to broadcast on analogue up until June 2015 following the Supreme Court ruling that had allowed them time to put their infrastructure in place.

The local broadcasters’ consortium has planned to put in circulation 5 million set top boxes at heavily subsidized costs ($30 per unit) with no monthly payment to stem the loss of viewership. Currently, there are about 3.4 million homes in Kenya that have TV sets, most of which are in urban areas. With these efforts from the local broadcasters’ association, the rural areas will also get access to digital TV.

All major set top box providers are currently broadcasting the main free to air channels following the Supreme Court ruling. However, the 3 major local broadcasters are up in arms over this ruling citing copyright infringement issues.

In conclusion we at Scangroup LTD, don’t envisage a major drop in overall viewership because the major local broadcasters have been licensed to have their own set top boxes at subsidized rates working with various stakeholders including banks. They are currently in the process of converting their present infrastructure so as to build access to digital signals across the country.
1 | BACKGROUND

The International Telecommunication Union (ITU) set a worldwide digital terrestrial television migration deadline of 17th June, 2015. In order to meet this deadline, the East African Communication Organisation (EACO) aligned their digital switchover plans and set a digital migration deadline target of 31st December 2012.

Kenya has on various occasions tripped along the path towards this digital migration, especially with the convergence of technology and policy related issues. However, the Kenyan government announced the calendar for the analogue switch-off, with the process set to begin in Nairobi on 31st December 2014. The migration is set to be completed on 30th June 2015, when the rest of the country is set to have switched over to digital broadcasting.

Broadcasters had also complained about issues such as the availability of DTT receivers and foreign ownership rules which had not been addressed. The Supreme Court ruled to allow that more players be licensed to transmit the digital signal.

In Uganda, the migration to digital TV broadcasting in the Kampala Metropolitan area kicked off on 13th August 2013 after the signal distribution equipment was handed over to the Uganda Broadcasting Corporation (UBC).

According to Eng. Godfrey Mutabazi, the Executive Director of the Uganda Communications Commission (UCC), there will be simultaneous broadcasting of the digital and analogue signals. He stated that the migration process will be completed by the end of 2014, implying that Ugandans have at least a year to purchase set top boxes.

The Uganda Digital Migration Policy states that UBC is responsible for the supply of subsidised set top boxes to Ugandan citizens, in a bid to make the gadgets more affordable. Despite the policy in place, pay TV operators currently remain the main distributors of the decoders as UBC is yet to implement the guidelines.

The pay TV operators across East Africa are:

- **DSTV** – Africa’s premier cable offering and has the widest footprint in the region. It is also the most expensive though offering a wider range of content.
- **Zuku** – Run by Kenya’s Wananchi Group and has presence all over East Africa. Serves as a second-tier cable channel to DSTV.
- **StarTimes** – A Chinese firm that has presence all over East Africa.

In Kenya, we have two new entrants; Radio Africa Group’s Bamba TV and the Royal Media Service–Nation Media Group–Standard Group’s consortium known as Africa Digital Network (ADN), both of which are currently in the testing phase before eventual national rollout.

Pay TV operators will be required to provide free to air channels which must be broadcast on their platforms even if one’s subscription to the service has expired.

The thorny issue in the digital migration process in Uganda has been the policy that provides for UBC to be the sole signal distributor; a matter that has not gone down well with stakeholders in the sector. They argue that there could be conflict of interest since UBC will be the only signal distributor and at the same time a content provider.

Tanzania is the only country to have met the EACO deadline, by beginning their digital migration process in major urban areas. The analogue switch-off completed in the capital city, Dar es Salaam on 31st December 2012 and in Tanga, Dodoma and Mwanza early 2013.
TV IN TANZANIA AFTER DIGITAL MIGRATION

Immediately after the digital migration in Tanzania, TV stations experienced a drop in viewership. Some stations however, such as Channel 10 and Star TV saw an increase, as they were already available on all major decoders.

**Past Seven Day Incidence of Access**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio</td>
<td>79%</td>
<td>88%</td>
</tr>
<tr>
<td>TV</td>
<td>37%</td>
<td>33%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>7%</td>
<td>16%</td>
</tr>
<tr>
<td>Magazine</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Internet</td>
<td>6%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Source:** TAMPS 2014  
**Base:** 25M

Overall TV viewership dropped from 36% to a low 15%.

This however increased several months after the migration as more and more people acquired set top boxes.

**Source:** TAMPS 2014  
**P7D 8.4M Viewers**
The decoders available in Tanzania: Star Times has more popularity within the urban areas while DSTV and Zuku in the rural.

**EFFECTS OF ACQUIRING DECODER ON VIEWERSHIP**

Most of those who acquired decoders indicated that they had started consuming content from different sources since they now had access to them. People have now started watching non-local stations as the decoders also beam content from international news stations. They will also watch more movies, sports and documentaries as compared to before. This has also lead them to watching TV more than they used to.

**TV ACCESS**

Immediately after the switch off, majority of those who hadn’t acquired decoders were watching TV from other households.

A year after the migration, many acquired set top boxes and now watch TV from their own homes.
2 | KENYA

2.1 | CURRENT SCENARIO

TV OWNERSHIP

1. Central – 40%
2. Coast – 26.6%
3. Eastern – 20%
4. Nairobi – 61%
5. North Eastern – 3.5%
6. Nyanza – 18.7%
7. Rift Valley – 23.1%
8. Western – 18.5%

TV penetration in the country is at 44.80% while in Nairobi it is at 99%. Apart from Nairobi Province, TV ownership is less than 50%, giving TV a high growth potential.

<table>
<thead>
<tr>
<th>PROVIDER</th>
<th>SET-TOP BOXES DISTRIBUTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Star Times</td>
<td>250,000</td>
</tr>
<tr>
<td>DSTV+GO TV</td>
<td>190,000</td>
</tr>
<tr>
<td>ZUKU</td>
<td>117,300</td>
</tr>
<tr>
<td>Independently Supplied DVB-T2 Boxes</td>
<td>50,000</td>
</tr>
<tr>
<td>Bamba TV (still in testing phase)</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Currently in Kenya there are approximately 560,000 set top boxes. Star-Times takes a huge percentage of this figure (45%) followed by DSTV (34%).

This represents a penetration level of about 12% of the overall audience in Kenya. It follows that Nairobi, which has the largest penetration of TV sets in the country also has the highest penetration of set top boxes in the country with the current figures estimated to be 60%.

2.1 | THE MIGRATION

The first phase of the switchover in Kenya has already been implemented for Nairobi beginning 1st January 2015. The second phase shall be implemented on 2nd February 2015 and shall cover Mombasa, Malindi, Nyeri, Meru, Kisumu, Webuye, Kakamega, Kisii, Nakuru, Eldoret, Nyahururu [Nydundo], Machakos, Narok and Lodiani [Rongai]. The third and final phase will take place on 30th March 2015 covering Garissa, Kitui, Lodwar, Lokichogio, Kapenguria, Kabarnet, Migori, Voi (Vuria), Mbwinzau/Kibwezi and Namanga.

NMG SMG RMS consortium are still seeking an extension on the deadline, as they need more time to supply the set top boxes. They want to be able to import and distribute DVB-T2 set-top boxes en masse as they believe they will lose out on viewers once the countrywide migration is finalised. The top 4 TV stations that form this consortium are not available on either PANG or SIGNET decoders.
Dr. Bitange Ndemo, the immediate former PS Ministry of Information and Communication noted that the migration has fragmented the broadcaster’s value chain. They will now need to organize their content towards thematic areas to create and win viewers. This poses a huge challenge, however, media organisations like Kenya Broadcasting Corporation are set to be split into two separate entities with one operating as an infrastructure provider and another as a content company.

2.2 | WHY MIGRATE?

Francis Wangusi, the Director General of the Communication Commission of Kenya (CCK) stated that the migration would help broadcasters utilize their scarce resources to provide relevant and local content to the viewers. In the same vein, CCK will continue to manage the scarce broadcasting frequency spectrum responsibly through frequency planning, licensing and handling approval mandates bestowed upon them.

Furthermore, EAC member countries worry that further delays could lead to them becoming a dumping ground for analogue equipment, should they lag behind in completing the switch-off to the digital broadcast.

- **Varied Access** - The Set Top Box which will be used to receive the digital signals also has the capability to interface with more devices such as cell phones, memory cards and internet modems. This will provide viewers with access to many more services and information.

- **More content, more channels** - Digital signals take up much less bandwidth and enable more channels to be broadcast on the available frequency.

- **Electronic Program Guide** – Ease of navigation between channels and identifying current & future on screen programmes.

- **Access to radio programs** - Set top boxes have access to radio frequencies thereby enabling access to radio platforms from TV sets.

2.2.2 | DIGITAL MIGRATION STRUCTURE
2.2.3 | SPHERE OF CHALLENGES

88% of Kenyans are aware of the requirements to access digital TV signals.

Source: TAMPS 2014T

The major reason for those who haven’t acquired decoders yet is the cost of acquiring the device, and the monthly access charges.

The Kenyan public still have a number of questions regarding the digital migration.
2.2.4 | HOW CCK CAN ENSURE A SUCCESS STORY

- Roll out of an effective media campaign
  - CCK to roll out a campaign drawn to illustrate the benefits of the migration as well as the deadline to all consumers. This will be in a three-phased approach; from Nairobi, to the major cities and lastly to the entire country.
  - The campaign should also enhance credibility of the analogue switch off calendar. This should have a trickle effect from the Nairobi switch off to the rest of the country.

- Ensuring a strong partnership between all the stake holders
  - Partnerships between Media Owners to roll out individual campaigns to strengthen the message
  - Celebrity/presenter driven endorsements to inspire the consumer through testimonials
  - Leverage on community forums, demonstrations among other awareness driven activities

3 | CONCLUSION

3.1 | ASSUMPTIONS

- Prohibitive costs – Most of the digital decoders require installation and monthly costs. This is applicable for DSTV, Zuku and Star Times. The installation costs are once-off but then there are also monthly costs which start off at a minimum of KES 199.00 (Star Times’ Nyota package) to a maximum of KES 8,500 (DSTV’s Premium package). New players such as Bamba TV now offer a one off installation cost of KES 3,500 for lifetime access to TV signal.

- Slow uptake of television as compared to other technologies - Low growth rates since television uptake historically has been quite low compared to other technologies and this is evident especially as compared with mobile phone technology. (http://www.technologyreview.com/news/427787/are-smart-phones-spreading-faster-than-any-technology-in-human-history)

- Other forms of entertainment & information that will prevail while there is the switchover to digital transmission
  - **DVD** - copies of popular series and movies retail for KES 50 on. These are usually of acceptable quality and are available well before most of the same series (or movies) are aired on TV. DVDs will therefore fill in the entertainment aspect for most people.
  - **Radio** - has higher penetration than TV in Kenya. This is at about 92% of the overall population. Radio news updates are hourly thus making information more frequently available for many. Radio’s high reach is also driven by the fact that most mobile phones have FM capabilities thus allowing people to listen to radio while on the go.
  - **Print** - will come a close second as a source of information, although the penetration of newspapers is currently low.
3.2 | IMPLICATIONS

TV PENETRATION PROJECTIONS

As shown by the projections (3.1. TV PENETRATION PROJECTIONS), TV reach is set to drop. The overall TV reach numbers might not get back to the current levels for at least a year as some people might decide to forego the acquisition of a digital decoder altogether. As per the case study in Tanzania people will seek entertainment, news and information through alternative sources that include DVDs, radio and cell phones.

<table>
<thead>
<tr>
<th>Nairobi</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Month 7</th>
<th>Month 8</th>
<th>Month 9</th>
<th>Month 10</th>
<th>Month 11</th>
<th>Month 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worst Case</td>
<td>46.16%</td>
<td>46.18%</td>
<td>46.20%</td>
<td>46.27%</td>
<td>46.34%</td>
<td>46.41%</td>
<td>46.53%</td>
<td>46.64%</td>
<td>46.76%</td>
<td>46.92%</td>
<td>47.09%</td>
<td>47.25%</td>
</tr>
<tr>
<td>Middle Ground</td>
<td>46.18%</td>
<td>46.23%</td>
<td>46.27%</td>
<td>46.39%</td>
<td>46.51%</td>
<td>46.62%</td>
<td>46.79%</td>
<td>46.95%</td>
<td>47.11%</td>
<td>47.33%</td>
<td>47.54%</td>
<td>47.75%</td>
</tr>
<tr>
<td>Best Case</td>
<td>46.26%</td>
<td>46.38%</td>
<td>46.49%</td>
<td>46.66%</td>
<td>46.82%</td>
<td>46.98%</td>
<td>47.19%</td>
<td>47.41%</td>
<td>47.62%</td>
<td>48.10%</td>
<td>48.58%</td>
<td>49.06%</td>
</tr>
</tbody>
</table>

3.1.1 | TV PENETRATION PROJECTIONS

<table>
<thead>
<tr>
<th>Kenya</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Month 7</th>
<th>Month 8</th>
<th>Month 9</th>
<th>Month 10</th>
<th>Month 11</th>
<th>Month 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worst Case</td>
<td>11.73%</td>
<td>11.72%</td>
<td>11.74%</td>
<td>11.75%</td>
<td>11.76%</td>
<td>11.76%</td>
<td>11.78%</td>
<td>11.79%</td>
<td>11.80%</td>
<td>11.82%</td>
<td>11.85%</td>
<td>11.87%</td>
</tr>
<tr>
<td>Middle Ground</td>
<td>11.74%</td>
<td>11.76%</td>
<td>11.77%</td>
<td>11.78%</td>
<td>11.80%</td>
<td>11.81%</td>
<td>11.83%</td>
<td>11.85%</td>
<td>11.86%</td>
<td>11.89%</td>
<td>11.92%</td>
<td>11.95%</td>
</tr>
<tr>
<td>Best Case</td>
<td>11.79%</td>
<td>11.82%</td>
<td>11.85%</td>
<td>11.88%</td>
<td>11.92%</td>
<td>11.95%</td>
<td>11.98%</td>
<td>12.02%</td>
<td>12.06%</td>
<td>12.11%</td>
<td>12.15%</td>
<td>12.20%</td>
</tr>
</tbody>
</table>

3.1.2 | TV PENETRATION PROJECTIONS

Reach figures following the digital migration are for forecast purposes only and might change drastically based on the first three months observations.

The reduced costs of entry for establishing a TV station will lead to more TV channels. Currently, there are more than 30 free-to-air TV channels that are available on the standard digital TV decoders. This will lead to fragmentation as they all offer the same opportunity to view. Hence for a brand to achieve the required GRP threshold, one will have to place advertising on more TV stations unlike in the past when the major 6 or so free to air TV stations (Citizen TV, NTV, KTN, KBC, K24 and QTV) would suffice.

This new fragmentation also means that there will be reduced ratings per station. Out of the new stations on the Digital platform, most have regional focus in terms of content and language used in their broadcasts e.g., KASS TV (Rift Valley), 3 Stones (Central Province), Victoria TV (Nyanza Province), etc. As the roll-out moves into the other cities/towns and, eventually, the rest of the country, we expect campaign planning to move away from just national focus to regional focus. This will also call for development of television copy in the relevant languages.
There is a major opportunity to develop more robust media research through partnerships between the signal providers and advertisers. These partnerships will allow us to operate with immediacy because the more refined research has overnight ratings instead of the current mode of Past 7 days compiled on a quarterly basis using the diary method.

3.3 | CONCLUSION AND RECOMMENDATION

In conclusion we have looked at some strategies we can employ as we move into the digital phase taking cognisance of any loss viewership and other new challenges facing the broadcasters.

Content Barter Program barter and branded entertainment with upcoming stations be highly applicable as strategies for advertisers because the new stations will not have sufficient content as required. With branded content, there will be the much needed exposure whilst the stations build their audiences. This will give advertisers more leverage with the media houses because they will be seen as partners instead of regular advertisers. The content will however need to be well developed (e.g. OLX Show) to ensure that it is entertaining and does not lose the marketing message.

Build Reach with other media: Radio, outdoor, print and digital mediums will be highly important to make up for the lost reach. Because of its high penetration, radio will become the most important medium as it cuts across all LSMs. Outdoor provides the visual effects offered by TV. Digital will be used to cut through the higher LSMs, and will also appeal to the younger age groups who are primarily always on the internet.

Targeted TV Buying Selective buying on TV should be skewed to prime time, as this will control CPP inflation in the short term. Based from learnings from Nairobi, we will be able to determine what stations will be key for the rest of the country as Nairobi has a multi-cultural background, and may provide a general overview on trends.

In addition to partnering with the digital signal providers, there should be partnerships with international content producers and media houses in order to:

- Secure ad spots
- Get discounts on airspace
- Achieve regional spread

As mentioned earlier, the costs for setting up a TV station are lower, and this presents a good opportunity to set up a TV channel. This requires the input of relevant partners to ensure that the content offered is engaging and informative.