Finance and Investment Cell
Shri Ram College of Commerce

DECONSTRUCT 3.0

OTT Platforms

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WHAT IS OTT?

The OTT industry has seen a massive growth during the COVID-19 era, due to lockdowns and people being stuck at home for months together, but what does OTT actually mean? An acronym that Generation X, Y, Z and everyone in between is well versed with, stands for "Over The Top." This means that content is available over the internet without the need of a cable provider. Content can be streamed anytime, anywhere, all one needs is a stable internet connection and they can watch shows, movies, documentaries or even sports of any genre that they like. The process of becoming a user of an OTT platform is as simple as anything can be in today's modern world. A monthly/annual subscription has to be paid for a plan of the person's choice and with the internet the user can enjoy uninterrupted services. The platforms use artificial intelligence to analyze the kind of content being watched to give prompt and near perfect suggestions.

OTT platforms can be downloaded on mobile phones, laptops, computers and tablets. They can also be used through "CTV". CTV stands for Connected Television, i.e. any television set that can use the internet to stream videos. Most of the time they have apps downloaded in them. Devices that are classified as CTV include smart TV's with a built in internet connection, devices that plug into the TV regardless if it is smart or not like the Amazon Firestick, Apple TV, Roku, etc.

Nowadays, reports predict that around 46 million households in the USA itself will have their paid cable services cut off by 2024. Though one can access similar services through these platforms as well traditional TV, there are some major differences between the two which would justify people's inclination towards OTT platforms:

- The way content is delivered is different. Traditional television requires a dish/cable connection that shows broadcasted material. However, in OTT it is directly available through the internet.
- There is a lot more flexibility in OTT platforms. Users can watch whatever they want to, after the requisite payment. However, in television, there are unnecessary payments made for channels that are never used and they might not be able to watch what they want as that depends on what is being telecasted.

With immediate gratification having become the norm of society, OTT fits perfectly as the user can watch whatever they want and whenever they want. On the contrary, one cannot carry the TV around and neither can one enjoy the exact content one wishes to view whenever they want.

OVERALL HISTORY OF THE OTT INDUSTRY

Television was introduced before the 1930's, however, it gained momentum in the US only in the 1950's when radio programs started being converted into television programs. Gradually for some people, TV became a part of life. However, it did not offer any flexibility in the broadcasted content. People still remember that they had to make themselves free at the time the show was being streamed and would have to wait for the following episode for at least a week. Any innovation usually comes with the predicament of solving some problem and the same happened in the Media Industry as OTT platforms entered. This problem of inflexibility and little consumer choice was solved by the OTT industry.

Although not very believable, Netflix has been present since 1997. Disrupting the videos/DVD rental business through stores, Netflix rented DVDs by mail, hence, becoming the first online DVD rental place. In 1999, it went a step further and announced a subscription plan of $15.95 per month that allowed customers to rent 4 DVDs at a time with no return-by dates. In 2000, it got rid of late-fees charged and had absolutely no return date for a subscription of $19.95.

By the early 2000's the world was seen adjusting to the concept of the internet. Netflix waited for improvements in internet speed and in 2007 launched the option of online streaming of content. With this, the growth of the CTV industry was also seen. This is because people wanted to watch premium content on the big screen of their television and hence the concept of connecting their PC to the TV developed.

In 2007, Apple launched Apple TV that would feed in videos, photos, content from a Mac/PC to the TV. In 2008, Samsung introduced its internet connected TV that would allow all streaming platforms to be available on one remote control and in 2010, they rebranded it to smart TV.

And over the last decade, the OTT industry has bloomed like no other.

INDIAN HISTORY

The first Indian OTT platform was BIGFlix launched by Reliance in 2008. Following this, Digivive launched an OTT platform called NexGtv that could stream live TV along with other content that had been created. It was the first mobile application to show India's largest cricket event - Indian Premier league.

- In 2013, the OTT industry gained momentum in India, when both Sony and Zee launched their platforms called SonyLiv and DittoTV respectively.
- In 2015, India's most subscribed OTT platform Hotstar was launched by Star India. As of July 2020 it has 300 million subscribers and 350 million downloads.
- In 2016, Netflix entered the Indian subcontinent and went on to register itself as a limited liability partnership in 2017. It earned a net profit of over 20 lakhs in that fiscal year. In the same year, another OTT giant Amazon Prime was launched. With over 2000+ movies and 400+ shows, it offers content in 6 other Indian languages besides English.

- In 2017, Hoichoi was the first regional language OTT launched in India. It has launched 30 new shows and 12 new films in Bengali, having acquired more than 200 Bengali films. In 2018, it entered the Bangladesh and United Arab Emirates markets adding a potential 180 million customer base.
- In June 2017, besides these OTT giants, India had regional platforms as well. SunNXT has more than 4000 Tamil movies and 200 Tamil shows. SUN NXT, a regional OTT platform was launched by Sun TV network in languages such as Telugu, Tamil, Malayalam, Bengali and Kannada.

The main reasons that the OTT industry saw a steep growth landscape in India is as follows:

- India has a huge percentage of the youth population, more than 450 million. With around 63% of its population being youthful, it has one of the largest target audiences for the OTT industry.
- India had around 749 million internet users in 2020 and this figure is expected to grow to 1.4 billion by 2024. With increasing internet penetration, the availability of OTT platforms multiplies and it provides more incentive for investment especially by foreign companies like Netflix and Amazon.
- India has cheap data available. 1GB of data costs around $0.09 which is approximately Rs.6.6, whereas there are countries whose internet packages go up to $27.5. The global average is $5 and the US is above that at $8. India has a huge advantage in this aspect.
- Another reason is the large amount of investment promised by various platforms for developing Indian origin content. In 2018, Netflix had committed to invest INR 600 Crores in the production of original Indian content. While, in 2019, Hotstar promised to invest INR 120 Crores on the development of original content.

RISE OF OTT PLATFORMS DURING PANDEMIC

India observed the historic Janta curfew on 22nd March 2020 and subsequently a pan-India complete lockdown was announced. No one would have ever anticipated that this complete lockdown would continue till 31st May 2020. Even during the unlock phase, there were many restrictions imposed either by the Central or the state authorities. Around eighteen months have passed and as the country returns to normalcy through a successful vaccination campaign, sectors such as education, theatres, etc. are still opening in a phased manner.
Amidst the lockdown, the Indian population resorted to recreational activities with family members. The online platforms played an integral role in the same. India had a strong internet user base with over 749 million internet users in 2020 which has expanded to 825 million in Q4FY21. A high internet user base, in addition to an at-home environment and lack of recreational opportunities, led to increased demand for OTT platforms and thus these platforms grew at an exponential pace. Furthermore, from the creator's point of view, the uncertainty of reopening of cinemas along with cash crunch encouraged creators to enter into deals with OTT platforms. Amidst the pandemic, OTT platforms helped to create a win-win situation for audiences as well as creators. A lot of content in the form of web series and movies among others is now being released on these OTT platforms. Many of them have been widely appreciated by the users.

Paid subscriptions on OTT video platforms grew to 29 million by July 2020, a 31% rise in around four months, as per IBEF. According to the annual M&E report by the Boston Consulting Group (BCG) along with the Confederation of Indian Industry (CII), SVoD (subscription video-on-demand) has registered a 55-60% year-on-year growth in India in 2020. As per Ormax Media, across 40 million-plus paying (SVOD) audiences, there are 96 million active paid OTT subscriptions in the country, i.e., per paying audience member has subscribed to an average of 2.4 subscriptions. As per a report by PwC, India is the world's fastest-growing market for OTT service providers.
With an annual growth rate of around 29%, India is expected to become the sixth-largest market by 2024. Furthermore, the massive investments made by OTT services will help subscription video-on-demand make up 93% of the total OTT revenue (as compared to 87% globally), increasing at a CAGR of 30.7% between 2019-2024, from US$ 708 million in 2019 to US$ 2.7 billion.

REVENUE MODELS

1. **SVOD (Subscription Video on Demand)-**
   Businesses that adopt the SVOD model charge a recurring fee from the consumers for accessing their video platforms. Subscribers get full access to the content available on such platforms and can stream as many videos as they like. OTT applications generate revenue through the subscription money that is paid by the users to view the content. The subscription value varies from platform to platform. This model is adopted by online streaming giants like Netflix, Amazon Prime, and Sony Liv.

2. **AVOD (Ad-Based Video on Demand)-**
   AVOD businesses generate revenue through ads. As per this model, consumers can watch videos for free. These platforms then charge a fee to advertisers to place commercial breaks in between their content. Ads can be in the form of video ads, sponsor screens, sponsored content and more. This model is adopted by Voot & MX Player.

3. **TVOD (Transaction Video on demand)-**
   In a TVOD model, customers buy or rent videos one at a time. TVOD is also sometimes referred to as pay-per-view (PPV) or pay-per-download (PPD). This model comprises two steaming options that can be chosen by the subscriber as per their needs.

4. **Hybrid**-
   This model may be a combination of various models. In this model, the OTT platform offers both free and paid subscriptions to its users. By combining elements of the three OTT business models above, they can enhance their user experience and generate more revenue. Some businesses like Disney+ are blending SVOD with TVOD. Disney+ costs about $7/month, but will soon offer TVOD access to new films. Another prominent example, Hulu blends AVOD and SVOD. Low-level subscribers pay a small fee to watch their programs with ad interruptions. High-level subscribers pay more, and get to watch with no ad breaks.

MERGERS AND ACQUISITIONS

MARCH 2019

Disney purchased 21st Century Fox Company on March 20, 2019 for $71.3 billion to own Fox's entire film and TV libraries.
It also gained its few movie studios, most importantly, 20th Century Fox and its associated prestige films arm Fox Searchlight along with many TV networks, namely FX and National Geographic Channel. This gave Disney a lot of new brands that have been more closely associated with stories as the target audience is adults. Both Fox Searchlight and FX are known to bag a lot of awards at the Oscars and Emmys.
After this deal, Disney acquired Fox's 30% stake in Hulu. Pre- acquisition, it already owned 30% of Hulu. With this deal, its ownership stake in the streaming service rose to 60%, making it the majority owner.
Disney is also the owner of the Indian media company- 'Indian TV Giant Star' which holds a number of sports and entertainment channels and assets including Hotstar.
After this acquisition Disney also owns Sky's share in Tata Sky.

AUGUST 2019

CBS and Viacom were very different companies. CBS was a traditional TV network which derived most of its ad sales from big brands. On the other hand, Viacom was a company which relied more on social media and influencer marketing. Years of infighting between both companies, both of which are owned by Sumner Redstone and his National Amusements firm, was followed by the merger of Viacom and CBS to ViacomCBS. This deal did not involve any cash exchanging hands, but a rather significant stock swap.
The all-stock deal was attributed as an acquisition of Viacom by CBS. After finalizing this deal, the stakeholders of CBS now hold approximately 61 percent of the new firm while owners of Viacom hold the remaining 39 percent. The CBS-Viacom merger involved only a stock swap in the ratio of 3:5; wherein six shares of CBS were exchanged for ten shares of Viacom. At the time of the merger, CBS had a market capitalization of $18 billion. This merger valued Viacom at $11.8 billion, which was higher than Viacom's past market capitalization of $10.5 billion. The new entity was therefore valued at $30 billion.
Due to the vast CBS broadcast network and cable channels, the company will now have the largest share of TV audience. Given the competitive market scenarios, the companies decided to merge together. This was due to the small size of both companies which were incapable of facing their competitors who have very deep pockets. One of the most expressed reasons for this merger, as stated by the management, was that it will result in significant savings as a result of increased synergy. It had been claimed that $500 million per annum will be saved as a result of this merger. For instance, at the time of the merger CBS held a contract to broadcast the NFL in the United States. This is one of the biggest sporting events in the US. Therefore, CBS signed a very expensive deal to secure the rights to broadcast it. CBS used to pay a massive $1 billion per annum for the privilege. This contract is up for renegotiation in 2022. It is expected that a lot more platforms will bid for the rights to broadcast NFL. CBS did not have the ability to compete in the market alone unless it brought Viacom on board as well. Thus, this merger was imperative to ensure better content.

MAY 2021

Amazon acquired MGM for $8.45 billion in May 2021 .
This merger was undertaken as an initiative for boosting streaming services to compete against Netflix and Disney+.
In spite of shelling out a huge amount each year, Amazon's entertainment channels have been a smaller part of the conglomerate. A significant chunk of Prime members use the included free Prime Video streaming services. Out of the 200 million-plus users of Amazon Prime, over 175 million streamed video in the year 2020. Post this acquisition, a huge number of entertainment content and TV shows will be added which could be a boon for both.
Prime Video has grown to become one of Amazon's biggest expenses at $11 billion for 2020 for original and licensed content. Amazon's Prime subscribers have been seeing a steady growth rate. Prime membership comes with a bundle of services including Prime Video, which differentiates Amazon streaming from other competitors like Netflix or Disney+.

SEMTEMBER 2021

Media and entertainment giant Zee Entertainment Enterprises Ltd's board has given in-principle approval for its merger with Sony Pictures Networks India (SPNI). Zee stated that the company and SPNI have entered into a non-binding term sheet to bring together their linear networks, digital assets, production operations and program libraries.
The shareholders of Sony Pictures, will hold a majority stake in the merged entity and Zee Entertainment to hold 47.07% and the balance 52.93% stake to be held by shareholders of Sony India.
Majority of the board of directors of the merged entity will be nominated by Sony Group
As part of the transaction, Punit Goenka will continue to be the Managing Director and CEO of the merged firm Zee Ent. The entity will be a publicly listed company in India.
According to the term sheet, the promoter family is free to increase its shareholding from the current - 4% to up to 20%, in a manner that is in accorda nce with applicable law.
The shareholders of Sony will also infuse growth capital into SPNI as part of the merger such that SPNI has approximately USD1.575 billion at closing, for use in pursuing other growth opportunities.
Zee Entertainment Enterprises said its board approved the merger of the company with Sony Pictures Networks India (SPNI), in line with its strategy of achieving higher growth and profitability as a leading media and entertainment company across South Asia

EFFECT OF OTT ON THE CABLE INDUSTRY

A new term has recently gained entry into common parlance - "cord-cutting" - and it is hardly related to the practice of severing umbilical cords of newborns. This terminology alludes to the novel trend of switching over subscriptions from the traditional cable or satellite television watching to the newer, Internet-based OTT platforms - thereby "cutting" the "cords" of televisions. Apart from the increasing population of 'cord cutters', there is also a rise in the number of 'cord-nevers" - people who have never opted for television viewing, i.e. choosing internet services from the very beginning; something of this kind would have seemed impossible a few years ago. While the OTT platforms seem to be speeding towards popularity, the cable industry seems to face a commensurate decline.

The reasons for these trends in both limbs of the entertainment industry are quite varied and, undeniably, obvious. One of the most important contributors in the flourishing of the online entertainment sector is widespread high-speed internet availability, in almost every nook and corner of not just India but the entire world - anyone can now stream content they like anytime, anywhere. However, internet availability alone is not responsible for the surge in viewership; OTT has several benefits of its own.

A major advantage of OTT viewing platforms over standard TV is the provision of uninterrupted, ad-free content watching experience to subscribers; the conventional television shows would have about 20 minutes of just advertisement in what is supposed to be a 30-minute long episode. Along with seamless viewing, OTT platforms also offer a wider variety of shows, from episodic series to hour-long movies, touching several kinds of themes - from light comedic entertainments to those addressing social issues, and whatnot. Also, with the relatively lax censorship of content on the online platform - something the television industry has never been privy to - the creators get to expand the range of ideas they can work upon, ultimately leading to an improved quality and quantity of programmes. All these factors, combined by the comparative monotone of standard television content, has led to a boom in the OTT industry.

One added benefit of this media platform is the ease of viewing using handheld devices, as opposed to the bulky television set, and a relatively cheaper subscription compared to conventional watching. This provides special ease to the present working generation with a busy and fast-paced lifestyle with oddly timed leisure hours - the viewer can watch shows of their choice according to their own convenience. It has also come as a boon in the pandemic-afflicted times when television had little to no new content to offer, alleviating stress and boredom during lockdowns, in the era of 'binge-watching'.

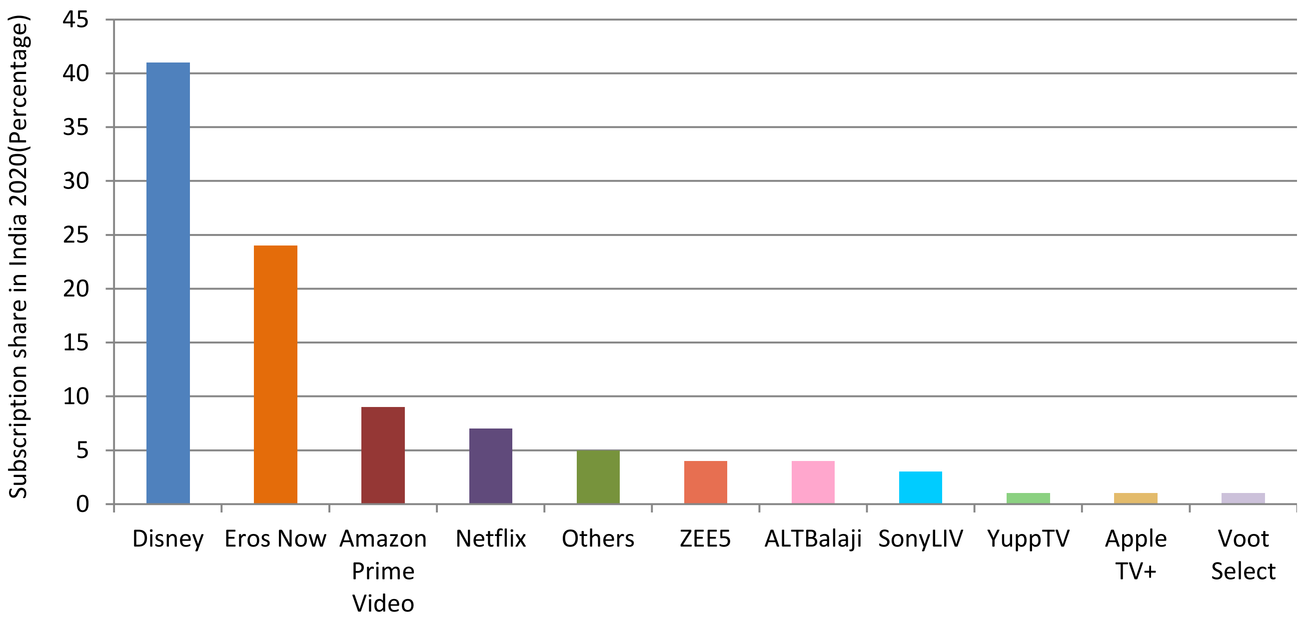
Needless to say, the earnings of the cable and satellite television industry have been badly hit by the rise of internet-based media. Not only have they been deserted by a huge share of their once-loyal users, even famous television and film producers have ditched the traditional broadcasters for the new, and presently more profitable, OTT platforms. And, while not everyone has completely left their TV sets for the fancier entertainment sources, many have - thus adversely affecting revenue.

In order to mitigate the damage incurred by the falling TV popularity, many of the television bigwigs have resorted to an alternative source of profit - the OTT platform itself. Key players like Disney, Sony and the like have released their own online applications luring people in with not just latest shows but the classic favourites as well. While this move has saved many a company from losses, it has also thrown the television industry as a whole into an even bigger loss; while the increasing number of contenders and the resulting competition in the OTT industry have bolstered its growth, the shift of focus of these companies from mainstream television has led to lesser content for the same.

With a conducive environment as well as a consumer-friendly, flexible approach, the OTT media has already proven that it is here to stay for many years, to say the least. The only saving grace for the television industry would be the creation of equal, if not more, creative content than its stronger counterpart. Even if, in some distant future, the popularity of OTT declines, the TV industry would have to ensure it stays that long in the market to be considered as an alternative, lest it be overshadowed yet again by some other, more desirable option. Or else, like dodos and everything else extinct, the coming generations would read of the television only in history textbooks.

CASE STUDY

The past few years has seen an 'over-the-top' growth in the popularity of OTT platforms. The OTT sector in India is expected to reach US$ 5.12 billion by FY26. Currently, India has about 40 OTT platforms.
Owing to the COVID-19 induced pandemic, the Indian SVOD market, with OTT video subscriptions, reached about 62 million subscriptions in 2020 from about 32 million in 2019, this wasn't the only reason for the rapid growth.



The robust growth of digital infrastructure due to nudges by the government and cheap data prices, the digital media segment was able to post a 26% increase in FY20. Key growth drivers responsible for this were rising demand for content among users as well as affordable and varied subscription services. This paired with a matching increase in demand and supply of quality content had a huge impact on the sector. Although there was some resistance due to an increase in package prices, 2020 saw about 60% Y-o-Y increase in paid video-on-demand subscriptions

Disney+ Hotstar leads the Indian SVOD market with 41% market share. In 2020, the company saw its user base increasing from about 8 million users to 25 million users by the end of the year. Eros Now is the second largest platform with 24% market share followed by Amazon Prime at 9%.

Reports estimate that about 90% of subscriptions for Eros Now were bundled users. The company leverages strategic collaborations with domestic telcos, such as BSNL, Idea Cellular, Reliance Jio, and payTV operators such as Tata Sky Binge+, Airtel and Xstream.

Government Initiatives

The Government of India has also recognized the growing potential of this sector and has taken various initiatives to support this sector's growth. Initiatives such as digitizing the cable distribution sector to attract more institutional funding, increasing the FDI limit from 74% to 100% in cable and direct-to-home (DTH) satellite platforms and granting industry status to the film industry for easy access to institutional finance. Furthermore, to include all digital platforms and digital (OTT) players under a single roof, in May 2021, the Indian Broadcasting Foundation (IBF) announced the move to be renamed as the Indian Broadcasting and Digital Foundation (IBDF).

Trends

According to IANS report, most viewers prefer to consume content on their mobile phones, followed by TVs and personal computers. This is probably because of growth in the number of smartphone ownership as well as cheaper mobile data sources. As per a FICCI-EY 2019 report, Indians spend 30% of their phone time—and over 70% of their mobile data—on entertainment. This is probably why Netflix in 2019 introduced its famous mobile only plan in India at Rs. 199 per month. Under this plan, users can stream standard definition quality content on either a tablet or a smartphone. The 2021 FICCI-EY's media & entertainment industry report projects that the share of regional language consumption on OTT platforms will cross 50% of the total time spent by 2025.

Let's have a glance at the various OTT Platforms in India:

Name	**Cost**	**Features**	**Others**
Disney+ Hotstar	Disney+ Hotstar is priced at Rs 1,499 per year for the Premium plan and at Rs 399 per year for the VIP plan. The Premium plan allows users to consume content without any restrictions, while, the VIP plan has a few restrictions, users cannot watch content like HBO originals.	Subscribers can watch a number of original series, Disney shows and movies, and live sports. The service gained popularity due to the number of live sports events it streams.	Disney+ Hotstar is currently the most subscribed to OTT platform in India according to Counterpoint Research.
Eros Now	The subscription based business model comprises 3 different plans in India. The monthly price is set at Rs 49, whereas the quarterly and annual prices are set at Rs 79 and Rs 399, respectively. All these plans give users access to a complete library with the ability to stream without ads as well as download to watch at a later time.	The platform has over 11,100 high-quality films that include award-winning movies. The platform has its originals too. Moreover, users can also use it to stream music as well as certain international channels such as ARY TV and HumTV.	It is part of Eros Digital which is the Indian arm of the American multinational media company ErosSTX. It also has a youtube channel which boasts of 18 million subscriber base, making it one of the top 100 subscribed channels in India.
Netflix	Its price starts at Rs 199 per month, however, that plan only lets users view content in SD quality on their smartphones or tablets. The basic plan starts at Rs 499 per month which allows users to stream on one screen at a time in SD quality. The Standard plan, priced at Rs 649, allows users to access content on two screens in HD quality. The premium plan costs Rs 799 and offers customers access to Ultra HD as well as HD content on four screens at a time.	It contains a plethora of content. From movies to TV shows, it is full of content for every age group out there. Apart from having access to movies released worldwide, it also gives consumers the ability to stream netflix original shows.	Netflix is one of the most expensive streaming platforms in India.

Amazon Prime Video	The service is priced at Rs 999 per year and at Rs 129 per month.	Under these plans the company offers customers access to 4K content, unlimited downloads and access to a huge library of content.	Amazon Prime Video is one of the most affordable OTT platforms you can subscribe to. This is because it offers customers free and faster delivery with Amazon Prime, early access to exclusive deals on the site and access to Prime Music.
ZEE5	The service is priced at Rs 999 per year or Rs 99 per month for the all access pack. There is an additional all access pack with Gaana+ subscription priced at Rs 198 per month.	It has a huge content library, including the Zee original TV series and movies. The platform also consists of various monthly regional packs like Tamil, Telugu, Kannada at different monthly and yearly price points.	-
Sony LIV	It is priced at Rs 29 for seven days, Rs 99 for 30 days, and at Rs 299 for six months.	The platform consists of a lot of live sports. Apart from this, the platform also includes a number of shows and movies. It also consists of a dedicated section for live Sony TV channels. There are a lot of regional shows on the platform also.	-

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