**Over-the-top (OTT) Media Industry**

(Focus on Video Streaming Content Providers)

**Over the top** (**OTT**) is a media distribution practice that allows a [streaming](https://en.wikipedia.org/wiki/Streaming_media) [content provider](https://en.wikipedia.org/wiki/Content_provider) to sell audio, video, and other media services directly to the consumer **over the internet** via [streaming media](https://en.wikipedia.org/wiki/Streaming_media) as a standalone product, bypassing [telecommunications](https://en.wikipedia.org/wiki/Competitive_local_exchange_carrier), [cable](https://en.wikipedia.org/wiki/Cable_television) or [broadcast television](https://en.wikipedia.org/wiki/Broadcast_television) service providers that traditionally act as a controller or distributor of such content.



The ecosystem of audio-video online streaming in India has evolved with more than 40 video Over-the-top (OTT) platforms. The major attributes to rise of the OTT industry -

* **Decrease in charges of data plans**
* **Increase in smartphone penetration**
* **Mobile Optimization**
* **Increase in customer demand on ease of consumption**
* **Increase the number of international viewers.**

The OTT industry rely on **exclusive content either original or acquired**, leads to loyalty of the customers based on content quality not available on other competitors platform.

Indian OTT platforms have reached masses and providing at least something for every user among a vast array of the customers. Be it Netflix and Amazon Prime with mainly exclusive content along with acquired movies and tv shows, Eros Now with its huge library of Indian films, Zee5 with its wide regional offerings, Sony Liv and Hotter with their TV content and premium sports and English entertainment content, Sun Not with its South Indian Offering, TV 18 with its multi-lingual new platform, Voot for its kids focus or many more, all these make the picture clear that a lot of content being made available to Indian consumers.

**OTT trends that shaped up in 2017.**

(Source-<http://www.ey.com/Publication/vwLUAssets/ey-re-imagining-indias-me-sector-march-2018/$File/ey-re-imagining-indias-me-sector-march-2018.pdf>)

* **Global expansion -** OTT players stand at the brink of a global opportunity as global consumers spending on SVOD is slated to total US$18.7 billion in 2017, a 28 per cent rise from 2016.
* Apart from the worldwide launch of Zee5, Zee launched Weyyak, its Arabic language OTT platform.
* Hotstar launched SVOD service in US and Canada at a monthly charge of US$9.99 and C$12.99. Eros Now has entered the South African market through a partnership with telecom provider, Telecel Global, allowing its consumers’ access to Eros Now’s library.
* ALT Digital has a partnership with Lemon Advisors to strengthen its international distribution through alliances with telecom operators, internet service providers, and OEMs.
* Viacom’s VOOT is set to make an international debut this year. B4U too is expected to launch an OTT platform, catering only to international audiences.
* **Partnerships became pivotal -** Both global and local players have been focussed on exclusive content to drive subscriptions, resulting in content and distribution partnerships.
* Many OTT players have also been setting up their own studios to create differentiated content.
* The report suggests that Neflix is considering setting up studio facilities in India for production of shows.
* Original Content Original content has been the main distinguisher in the now crowded OTT space.
* Netflix will be launching 100 hours of content catering to the Indian market.
* Big Synergy is slated to create six to seven web shows for platforms such as ALTBalaji, Netflix, Amazon Prime, Vuclip, Applause Entertainment and Voot.
* **Production houses expanded in scope -** The battle for original quality content has resulted in an impetus of scope for production houses. Digital content creators now include SaReGaMa, Golden Karavan, Applause Entertainment, Vishesh Films, Balaji, Shemaroo, Endemol, OML, and more.
* **Regional content investment grew -** It is estimated that 75 per cent of Indian internet users will be from rural India and 75 per cent of these users will consume content in local languages. OTT players such as ALTBalaji, SonyLiv, and Hotstar have been offering content in various regional languages including, Tamil, Telgu, Bengali, and Punjabi.
* Amazon Prime has partnered with Bengali cinema’s Shree Venkatesh Films (SVF) to expand its Bengali content. SVF on the other hand has a subscription led OTT platform, Hoichoi offering vast Bengali content.
* **New avenues of revenues merged -** OTT players are increasingly looking towards new revenue options such as brand association and advertising. Arre Original generates 75 per cent of its revenues through brand associations, 10 per cent through advertising and the rest from syndication to platforms.
* **Distribution through telecom players -** Players such as Reliance Jio, Vodafone, and Airtel have launched their own OTT services to grab a share of the pie. Vodafone has Vodafone Play, Airtel launched Wynk music while Jio has Jio Movies. BSNL partnered with Eros Now to bundle and launch, Eros’s offerings across existing and new data users of BSNL in association with SpeedPay, its multi purpose wallet.
* BSNL and Idea have also partnered with Zeel’s Ditto TV, whereby the OTT service will be available their internet users.

**List of risks in the industry**

**External Risks**

* Competition in same industry
* Competition in fragmented industry
* Increased content rights cost
* Net Neutrality
* Regulatory Compliance
* Change in regulation on online streaming
* Change in viewers preferences / demand
* Limited storage on subscriber devices
* Lack of 4G devices
* Slow 4G penetration or transfer to 4G PAN India
* Failure of / Slow internet connection
* Increase in cost due to technology advancement - 5G or new technology
* Management contracts / joint ventures / partnerships
* Legal
* Risk due to compressing of margins
* Slow Transition to big screen phones
* Natural Disaster

**Internal Risks**

* Content Security
* Content Piracy
* Subscriber Authentication
* Non-integration with multiple devices
* Increased In-house content production cost
* Non performing exclusive / in-house content
* Inefficient, expensive back office processes
* Unable to attract or retain key personnel
* Lack of infrastructure
* Cyber Security risk
* Unable to reach global target audience
* Equipment failure

**Explanation of each risk in the industry**

**External Risks**

* **Competition in same industry -** Any potential action by the competitor(s) or new entrant (in the same video streaming industry) may leads to effect the revenue of the content platform even if the player is topping the chart. These factors need to look into serious consideration before the formulation of the strategy by the management. Any flaws in the decision and not taking competition in account may leads to decrease in the overall revenue of the platform.
* **Competition in fragmented industry -** Any potential action by the competition in fragmented industry (eg. Direct to Home Services etc.) may leads to effect the revenue of the content platform even if the player is topping the chart. These factors need to look into serious consideration before the formulation of the strategy by the management. Any flaws in the decision and not taking competition in account may leads to decrease in the overall revenue of the platform.
* **Increased content rights cost -** Content based on exclusive rights is one of the major revenue stream of these platforms. Any increase in the rights cost can effect the platform’s revenue adversely if the number of subscribers are same and the rights cost get increase.
* **Net Neutrality -** Ability of the corporates to block content, slow down the video streaming services and provide “fast lanes” for preferred partners is a crucial risk as it may leads to dissatisfaction of the customers.
* **Regulatory Compliance -** Regulatory compliance is a vast subject, full of different rules and regulations in different countries. Platform need to comply with all the applicable rules and regulations. Failure to do this can not only result in huge fines, but in some cases, imprisonment and also in loss of reputation.
* **Change in regulation on online streaming -** Any change in rules related to online streaming regulation can directly effect the operations of the platform. Platform doesn’t have control on such changes.
* **Change in viewers preferences / demand -** Any change in the preference of the customers and related patterns related to content can directly effect the demand for the platform. Not taking customer preferences / demand into consideration during formulation of strategy may leads to loss of competitive advantage and decrease in revenues.
* **Limited storage on subscriber devices -** The application and content requires device space to store, limited storage on subscriber’s device may lead to less usage of the platform.
* **Lack of 4G devices -** Lack of 4G devices among the potential subscribers may leads to lack of new subscribers to the platform.
* **Slow 4G penetration or transfer to 4G PAN India -** Video streaming platform require good internet speed for undisturbed streaming. Slow 4G penetration or non-transfer of subscriber’s devices to 4G Pan India may leads to lack of new subscribers to the platform.
* **Failure of / Slow internet connection -** Ongoing slow or failure in internet connection may leads to customer dissatisfaction.
* **Increase in cost due to technology advancement - 5G or new technology -** Technology advancement like 5G, new operating system devices etc. may leads to increased operating cost. Platform need to keep itself updated on the technology front to move ahead in the industry as technology is advancing at a fast speed and any platform in the industry can have a competitive advantage if it keep upgrading its IT system as required. Otherwise not changing with the speed of technology may leads to loss of competitive advantage and also revenue losses due change in customer preference due to advancement in technology by the competitor(s).
* **Management contracts / joint ventures / partnerships -** Ineffective management contracts, joint ventures or partnerships due to wrong terms and conditions or any other reason may leads to material financial losses or even reputation loss.
* **Legal -** Any individual, action or event, internal or external that may make the platform involved in legal issues. Proper actions need to be taken to avoid such action or activity otherwise may leads to material financial losses, imprisonment or reputation loss.
* **Risk due to compressing of margins -** The effect of any internal or external events that leads to decrease in the overall revenue due to decrease in the profit margin. For example when a new competitor enters the same location or existing competitor lowers its costs, increased regulatory controls are imposed on the industry (Like GST), new legislation is introduced that fundamentally changes the market. This will leads to decrease in overall revenue of the platform.
* **Slow Transition to big screen phones -** Potential subscribers using small screen phones may transit to big screen phones may leads to lack of new subscribers to the platform.
* **Natural Disaster -** This may leads to disruption of operations.

**Internal Risks**

* **Content Security -** The industry rely on the content of the videos and the security of the content is crucial for each platform. Any compromise on this front may leads to loss of content and competitive advantages.
* **Content Piracy -** Acquired or exclusive content by any platform is the main revenue stream for any platform. Any kind of piracy happening over the content may leads to financial losses to the platform.
* **Subscriber Authentication -** Lack to ensure that only authorized subscribers can access the content may leads to unauthorized use of the subscriptions.
* **Non-integration with multiple devices -** Lack to deliver services on multiple devices without costly integration expenses may leads to increase in operating cost.
* **Increased In-house content production cost -** Internal or external events that leads to increase in in-house content production cost may leads to increase operating cost and decrease in competitive advantage.
* **Non performing exclusive / in-house content -** Platform invest in producing in-house content or to acquire exclusive content. Non-performance of the content may leads to financial loses.
* **Inefficient, expensive back office processes -** This may leads to increase in operating cost.
* **Unable to attract or retain key personnel -** Increase iteration rate may leads to high new recruitment / training cost or reputation loss.
* **Lack of infrastructure -** Lack of infrastructure may leads to customer dissatisfaction.
* **Cyber Security risk -** The platform is technology based and any kind of cyber attack may leads to financial losses, loss/leakage of customer data, non-compliance or even reputation loss.
* **Unable to reach global target audience -** This may leads to lack of new subscribers to the platform.
* **Equipment failure -** Failure of technical equipment may leads to customer dissatisfaction or financial losses.

There are risks in each industry but it will not wrong to say that in coming future there will be more video streaming services, more original content and video streaming services will get more personalized.