

CREATING  
**RISK**  
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*OTT PLATORM | 14-01-2022*



**GRMI**

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# Introduction

- OTT stands for Over-the-Top
- a convenient little term that explains the new delivery method of film and TV content over the internet without the need for traditional broadcast, cable or satellite pay-TV providers.
- In simple terms, we're talking about people paying an internet provider, for internet access to watch Netflix, without paying for cable TV.
- Examples of OTT platform are- Netflix, Amazon Prime, Voot, Apple TV, Disney+ hotstar.
- many ways you can access OTT platforms, including via your computer, phone, tablet, smart TV, or gaming console.



# Why is OTT platform disrupting ?

- The world is already seeing a major shift of choice from traditional cable or satellite pay-tv service, IPTV options to OTT platforms.
- One is not forced to watch that is being aired at the moment.
- data prices being slashed in almost a lot of regions that consume high amount of data, it has become a viable channel for the cord-cutting generation
- Pandemic is a major catalyst in the success of OTT industry
- It is not only for entertainment but also for other purposes like online education.
- There is a Censor board eg CBFC, BCCC for films and television but **nothing for OTT.**
- According to pwc report, India is world's fastest growing OTT market.

# Revenue model of OTT platform

First, the platform spends money to make or buy its content, and then the content is sold by charging a charge from the audience or users.

- **SVOD** – subscription money that is paid by the users. This is adopted by online streaming giants like Netflix, Amazon Prime, and Sony Liv.
- **AVOD** – users to view the content for free. This model is adopted by Voot & MX Player
- **Hybrid** – This model is a combination of both SVOD and AVOD. offers both free and paid subscriptions. This pattern is followed by Hotstar plus, and Zee5.
- **TVOD** - This kind of revenue model is followed by Sky Box Office, Apple's iTunes, and Amazon Video Store

# Some TRIVIA About Revenue

Star & Disney India had sold almost 95% of the advertising inventory of IPL 2021

The broadcaster had signed 12 sponsors for its OTT platform Disney+Hotstar

Its sponsors include Dream11, Vimal Elaichi, Upstox, Livspace, UB (Kingfisher Packaged Drinking Water), Unacademy, AMFI, Phone Pe, Swiggy, Amazon, Volkswagen and Fresh2Home.

Originally, Star was expected to cross Rs 3,200 crore in advertising revenue in the year's edition of IPL.



# Regulations Across The Globe

## INDIA

- The centre has notified a digital media ethics code which classifies the content into five categories which are U for universal, U/A 7+, U/A 13+, U/A 16+ and A (adult).

## SINGAPORE:

- It is one of the highly regulated markets and is regulated by Infocomm Media Development Authority (IMDA). content meant for viewers above 18 and R21: that is for those above 21 years.

## EUROPEAN UNION

- There are no regulations that are laid down for governing digital content

## AUSTRALIA

- the content is regulated by The Broadcasting Services Act 1992 that lays down a guideline and mechanism

## INDONESIA

- is a country with very strict anti-pornography laws that require digital platforms to cut out any manner of nudity. It blocked out Netflix since 2016 with the argument that the platform did not comply with the country's regulations

## CHINA

- platforms such as Amazon Prime and Netflix are banned. Its mission is to promote local entertainment.

## SAUDI ARABIA

- Netflix was forced to pull out an episode of a comedy show Patriot Act where the host criticised the crown prince of the country



# How Did Netflix Shape the OTT Industry?

## *The Netflix Effect*

- Netflix, Inc. is an American subscription streaming service and production company. Launched on August 29, 1997, it offers a library of films and television series through distribution deals as well as its own productions, known as Netflix Originals.
- It allows our members to watch TV shows and movies without commercials on an internet-connected device.
- There are a lot of success stories that contribute to the streaming movement of visual content and one of it its Netflix- blockbuster .

# BLOCKBUSTER - NETFLIX

Up until 1990, the world saw movies at home — one tape, then DVD, at a time. Blockbuster was one solid name in the industry. But something interesting happened toward the end of the nineties. In 2000, that the CEO of Netflix offered up Netflix to Blockbuster for \$50 million. No deal. It was a huge mistake for Blockbuster. In 2007, everything changed when Netflix first went OTT. From then on, Blockbuster (despite trying to go OTT a few different ways) was constantly wiping its face clear of Netflix's dust.

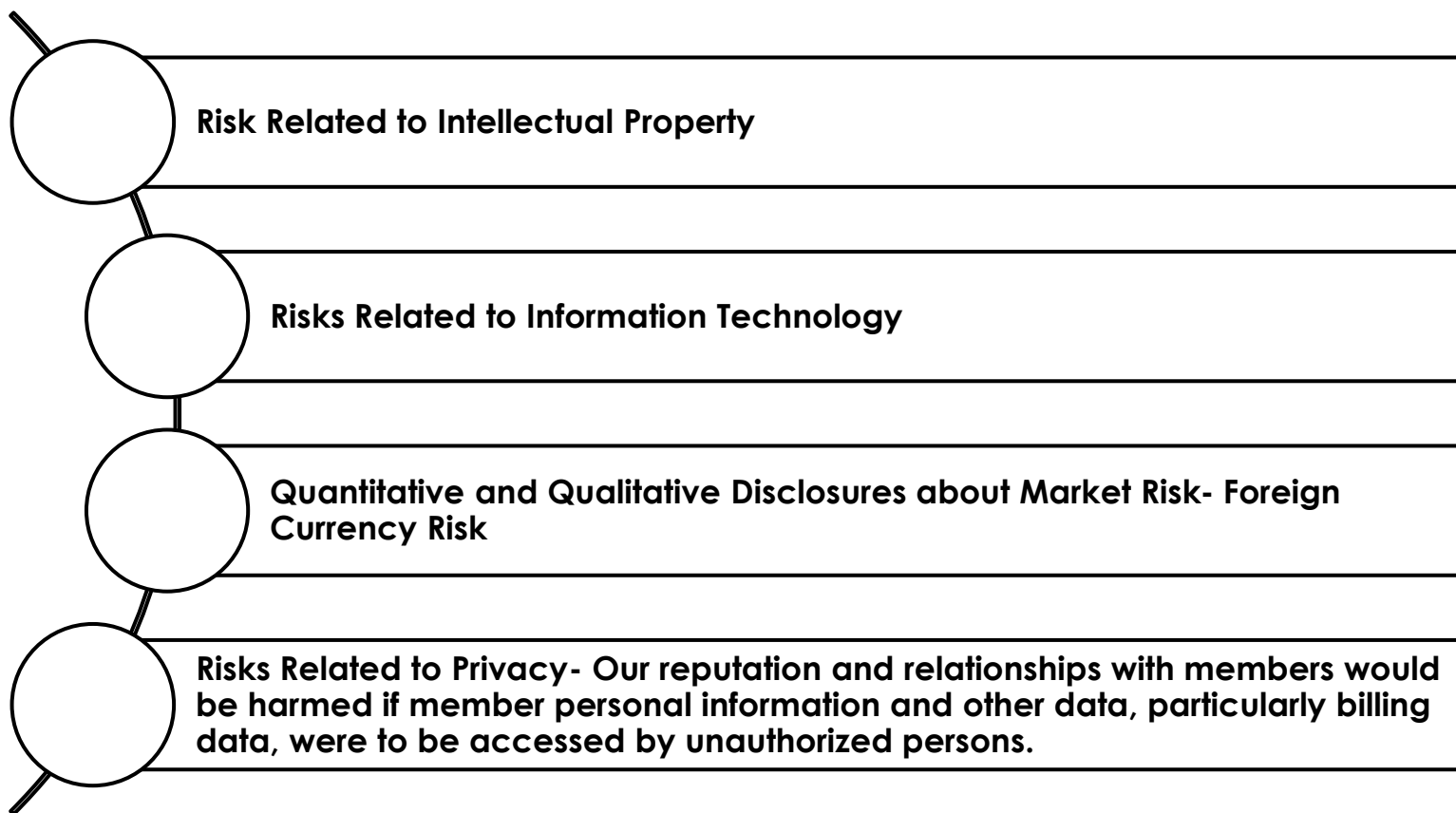
## **What did Netflix do right?**

They recognized the monumental shift in how people consume content. Netflix got the first movers advantage. Blockbuster waited until the trend caught on.

# Risk factors for Netflix as per its Annual Report

- To attract and retain members.
- Unforeseen costs and potential liability in connection with content we acquire, produce, license and/or distribute through our service.
- We rely upon a number of partners to make our service available on their devices.
- payment processing risk.
- If government regulations relating to the internet or other areas of our business change

# Risk factors for Netflix as per its Annual Report



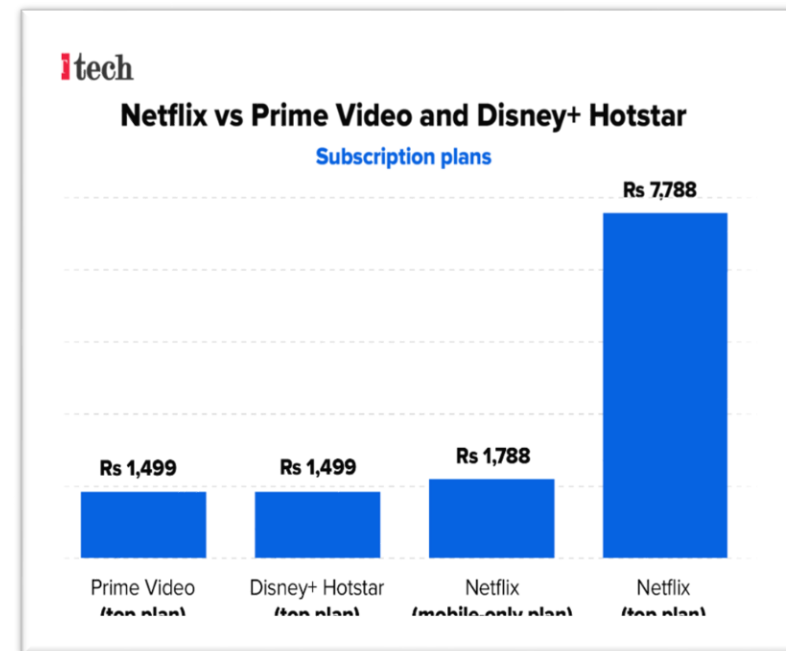
# Risk Control Measures by Netflix

**With auto-debit payment facility being deactivated from 1 April 2021, as per the RBI guidelines.**

- Banks should obtain approval of the customers before paying third parties.
- The guidelines state that from April 1 Additional Factor Authentication would need banks to send a notification to customers five days before the scheduled payment.
- The transaction will only take place after approval from the customer. This is needed for all transactions, however the small the amount is.
- If the amount is above Rs. 5000 banks also need to send one time password for carrying out the payment, which generally does not happen in OTT industry payment.

# Measures To Mitigate Its Competition Risk

- Netflix announced on that it was reducing the price of its subscriptions in India to boost its user base.
- The timing was no coincidence, as rival Amazon Prime Video had previously announced an increase in its prices effective Tuesday.
- The largest price drop is for the basic full-service plan, It is now priced at just Rs 199 a month, a 60% cut from Rs 499.



# Challenges faced by OTT platform

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**The wrong audience profiles**

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**Poor technological considerations**

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**Wrong content targeting**

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**User experience not up to standards**

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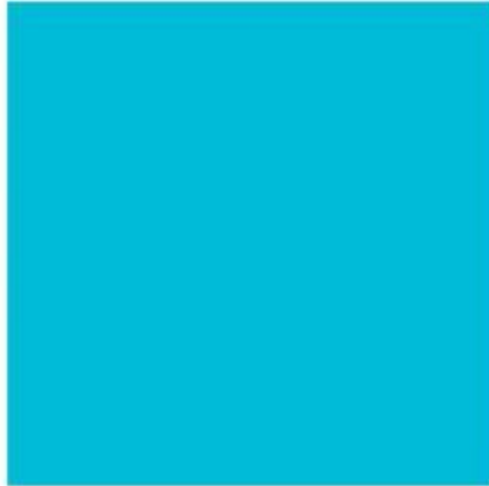
**Video piracy**

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**Retention**

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**Lack of Infrastructure**



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# Thank you!

