



NOW STREAMING: THE BATTLE FOR OTT DOMINANCE

AUDIO TRANSCRIPT

It's 6.30 a.m. on April 15, 2019. While some people in India are getting out of bed or getting their kids ready for school, thousands of others are turning to their mobile phones and smart TVs. Why? To live stream the first episode of the eighth and final season of the epic fantasy drama series, Game of Thrones.

With the rise of Over the Top (OTT) video streaming players in India, people no longer have to wait several days or weeks to watch their favourite shows. They can watch them in real time, uncut and uncensored, simultaneously with millions of other fans worldwide.

It's no surprise then that pay-TV is showing strong signs of slowing down globally, both in terms of subscriptions (total number of pay-TV subscribers dropped 4.1 percent in 2018)¹ and viewing time. While the trend will take time to catch on in India, its onset is inevitable. At the same time, buoyed by the convergence of low data prices, accessible handsets, a wide ecosystem of content creators and an absence of sharply segmented content options on mainstream TV, India is well on its way to becoming the second-largest digital video viewing market by 2020.

Although TV and video streaming in India are expected to co-exist in the near to midterm future, adoption of OTT technologies is outpacing, and will continue to outpace, the growth of TV, especially among the younger audiences. With more than 30 active OTT players and counting, competition for eyeballs and share of wallet in the growing OTT streaming pie is also intensifying.

India's data usage per smartphone is the highest in the world at 10 gigabits per month. This figure can double by 2025, fueled by video streaming.

So, what will differentiate successful OTT players from unsuccessful ones?

In this article, we delve into the key questions industry leaders are thinking about while evaluating the role of the digital video sector in the overall media landscape. We'll also look at how players can prepare themselves for the future.

PRIMETIME FOR OTT

The launch of Reliance Jio in September 2016 triggered a revolution in the domestic telecom sector. Data consumption skyrocketed. Competition intensified. Tariff wars began. With the average price of a smartphone being INR 10,000 and a quarter of mobile user base already owning smartphones, OTT streaming players brought in content accessibility to ensure that anyone with a smartphone could stream videos, most of them for free. OTT streaming services allowed content creators to create hyper-segmentation, which allowed them to target youth with niche and specialty content. Broadcasters had a lot of intellectual property—their own content—which they could use to power their own OTT platforms. With more than 600 million people in India below the age of 25 in 2018, this enabling ecosystem led to a surge in OTT services uptake.

THE BIG PICTURE

Now that the dust on the initial burst has settled, stakeholders in the value chain, such as content creators and aggregators, have turned their attention to matters other than customer acquisition. Here are three pertinent questions they need to ask to push for revenue growth.



1. Is OTT streaming additive to the category of video viewership or is it growing in lieu of other segments?

Cord-cutting—the process of cutting expensive cable connections and switching to a low-cost TV channel subscription through OTT broadcast—as a phenomenon is showing signs of growth in urban markets. But it is nowhere near as pronounced as it is in the US or European markets. Almost all data sources point to OTT growth being strongly additive to the overall video growth. With an estimated base of 250 million users, OTT as a sector is no longer playing at the fringes but is a mainstream media segment in its own right. Strictly viewed from this lens, it has been a resounding success and has led to the overall growth of the media sector.

2. What is the tipping point for the OTT sector where the scale of viewership translates into revenues?

While the current user base statistic of approximately 250 million is impressive, it is expected to grow dramatically to half a billion by the coming year. But more importantly, almost all global and domestic operators are finding it challenging to monetize this ever-growing base of consumers. Fiber-to-the-home is the big hope the industry is banking on to help scale up monetization through increased at-home consumption. However, this challenge is not unique to India.

Globally, digital video viewing has 45 percent of the overall viewing share but only 23 percent of the proportionate revenue share.

How players in India bridge this divide through inventive pricing and product disruptions will be the key factor in determining whether this sector can elbow its way to the top in the media industry revenue sweepstakes.

3. How will the sector deal with the trust dilemma?

Though not in the same boat as the social media bigwigs struggling to retain user trust, the absence of formal regulation is increasingly becoming a hotly debated topic for OTT providers. Whether it's about personal data or just the nature of unregulated content available on these services, there is a need to do more to

reassure the consumer base that the currency of trust is being safeguarded and will not become a deterrent to usage and growth in the times to come.

FORMULA FOR A SUPERHIT

So, how can players of this delicately poised sector go on to become leaders of new-age entertainment services? Through a combination of insights from Accenture research and discussions with industry leaders, we have narrowed down to five key tenets for OTT providers to make a wise pivot and succeed over the next 18–24 months.

1. HYPER-SEGMENT YOUR CONTENT OR GO MASS

OTT players will need to choose which side they want to lean on—create ultra-niche, super-specialty content or create content for the masses. Any muddled thinking on this will lead to a subpar product. In the future, consumer technology companies will increasingly focus on original content to retain their hold over a loyal consumer base.

Hence, it is imperative for current OTT players to understand their consumers and create content based on their needs.

2. PARTNER TO ONBOARD, NOT TO SYNDICATE

Partnerships will continue to be a key avenue for growth for OTT players. This construct provides a win-win opportunity for both players as well as consumers. But it is crucial for the players to leverage these partnerships strategically. Partnerships should be used to enable sampling, not for short-term syndication gains. Ensuring that the service owns the consumer should be the initial objective, with an intent to monetize this acquired user base in the long run.

3. SELF-REGULATE TO BUILD TRUST

OTT streaming services in India have a low barrier to entry, and that has led to a perception problem regarding data misuse and unsuitability of content.



Families are wary of unsupervised access, fearing exposure to inappropriate content or advertisements. In such a scenario, self-regulation is the best way forward for OTT players even as the government mulls bringing in some form of regulation. This will enable the sector, as a whole, to build trust with consumers.

4. BE INNOVATION-LED

OTT streaming services have grown significantly on the back of an enabling environment, but the next spurt of growth will need to be innovation-led. Companies will need to come up with new engagement innovations using experiential technologies such as Extended Reality and human-computer interactions such as gesture recognition and multi-persona recommendations. Also, pricing innovations such as sachet pricing and Transaction Video on Demand can extend the experience and enhance interaction with consumers. The key challenge will be to cross-engage the new generation viewers with traditional viewers to build a monetizable base for subscription or advertising-led models.

5. FOCUS ON THE NOW, AND THE NEW

While OTT streaming services focus on planning for the next wave of growth, they also need to invest strategically in their current set of services. This will enable them to improve and build upon their core capabilities, while accelerating investments and embracing new technologies. This approach will assure continued revenue generation from the core business, which can be reinvested in the future of the business. It is important to strike a balance between the Now and the New. Often, while organizations are busy racing to get to the New, the core business may falter, depriving them of the revenue and resources needed to compete while attempting to transform.

TUNE INTO NEW POSSIBILITIES

The prioritization and delivery of these five tenets will require bold vision and intense focus. When done right, it will prepare OTT players to thrive in the New. The transformation will begin with adapting to new technologies and new ways of doing business, and then moving on to building capabilities to deliver services at speed and scale.

Every initiative focused on content, engagement, growth and monetization must be based on consumer and business needs. OTT providers that create and sustain consumer relevance in this dynamic, hyper-competitive market will be the winners of this exciting shake-out.

This article is written by

ADITYA CHAUDHURI
Managing Director and Lead - Communications,
Media and Technology, Accenture in India

AND

MATTEO MAGA, Managing Director and Lead –
Communications & Media, AAPAC Accenture

Copyright © 2019 Accenture
All rights reserved.

Accenture, its logo, and High
Performance Delivered are
trademarks of Accenture.