Rise of OTT Platforms in India: A Case Study of Monetisation Models & Regulatory Concerns

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Abstract

Purpose: With the advent of the digital era and significant ICT advancements, Producers and content providers are leveraging data-driven forms of online streaming of the data to target consumers individually. The present study integrates Regulatory concerns regarding the data available on online streaming platforms and to study the monetisation models to investigate consumer behaviour towards adoption of online streaming platforms or Over-the-Top (OTT).

Design/methodology/approach: The study uses exploratory research design mainly focused on Indian context, which has seen a significant increase in the number of OTT users in recent years. This paper uses fundamental approach because it relies on secondary data taken from various published articles, Journals, websites and Reports. The paper based on thematic and theoretical approach.

Findings: The findings indicate that the OTT market is thriving and has the potential to expand significantly in the future. Prior to the rise in consumption, there were no laws or regulations governing the content that was made available through over-the-top services. But as OTT demand grows and subscription rates climb, there is a need for subjectivity since the content on OTT is more vivid than on conventional platforms. Later, to address these issues, the MIB has published the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules in 2021, these new laws require OTT platforms to have a robust, three-tier grievance redressal system for the regulation. But further, along with the advancement of the digital environment and technology for content distribution, the regulatory framework for the digital industry will also need to be reviewed. To create an effective and equitable regulatory system, policymakers and stakeholders need stay in contact. This will assist to ensure that any significant limits are fine-tuned, implementation challenges are overcome, and regulatory abuse is avoided.

Practical implications: The present study is one of the initial attempts to understand the Regulatory concerns regarding the OTT contents. The current study helps to gain insight about the rise of OTT or online streaming services in India. Future research can compare the regulatory regimes of other nations in terms of OTT with the Indian scenario.

Originality/value: As the country moves to digital, it is critical to grasp the regulatory issues and developments in the OTT business in relation to the present OTT contents available to the audience.

Keywords: Over-the-top (OTT); Monetisation Models of OTT; Regulatory Concerns

Introduction

With new advancements in the telecommunications sector and digital technology, new approaches in the entertainment industry have evolved, particularly for content distribution reasons, the online streaming services or OTT platforms has become the new form of content consumption for customers. OTT is defined as "A service platform built on the Internet that provides video streaming (e.g., Netflix) or communication service (e.g., line), for OTT TV as an example, the audience enjoys video application service through the Internet, which makes OTT TV a broadcasting platform independent of traditional means. Hence, OTT TV is a substitute for cable TV and vice versa, and its boom or bust has effects on the number of cable TV subscribers and thus revenue" [1]. Busson, Paris and Simon (2016, p.17) stated that "Newcomers in the fields of broadcasting and content delivery, OTT content means online delivery of video and audio without the ISP being involved in the control or distribution of the content itself and the traffic is not managed. According to BEREC (2016) OTT are the "Services as content, a service or an application that is provided to the end user over the open Internet." According to Statista "OTT Video refers to a digital media distribution model where users can access and watch video content at their convenience, usually through an online platform or service". Digital formats are being used more often to consume media worldwide. Customers now have the opportunity to access the media material of their choosing, whether it be for information, entertainment, or social interaction, whenever and wherever they want thanks to the growth in the number of devices capable of supporting digital media and the acceleration of internet connection speed [2].

OTT users have gained momentum through the evolution of low-cost smart TV and other consumer electronic, open nature of Internet, and ever-growing contents [3]. Disney+ Hotstar, Amazon Prime Video, and Netflix currently have the largest user bases for over-the-top services in India. However, there are a number of local OTT companies that are supported by production houses and are in direct competition with major international players, such as Sony LIV, Voot, Zee5, Eros Now, and ALT Balaji. By FY23, India is having more than 500 million subscribers to online video, and this number is expected to rise with the use of smartphones and the internet. According to current trends, OTT providers could increase their paid subscriber base by offering a variety of pricing options and a diverse range of content [4]. According to the PwC Global Entertainment & Media Outlook: 2020-2024 research, OTT video content growth is occurring both inside and outside the house as a result of the proliferation of Smartphone devices and internet-connected television sets. Revenue will be driven mostly by subscription VOD, which will grow at a 30.7 percent CAGR from $708 million in 2019 to $2.7 billion in 2024. According to the research, India is the fastest-growing OTT industry, with a 28.6 percent CAGR, and will be the sixth-largest market by 2024. In 2024, India's OTT market will surpass South Korea, Germany, and Australia to become the sixth-largest market. The primary causes of people's propensity for OTT channels include the adoption of smartphones, computers, tablets, and inexpensive internet packages [5].

Online and over-the-top (OTT) services have had a substantial influence on economies in both developed and developing nations, mostly favouring small firms and people. They do, however, introduce additional dangers, such as regulatory difficulties and a lack of worldwide agreement on best practices. Traditional network operators' investments in fibre-based infrastructure and emerging mobile access technologies such as LTE may suffer as a result. Substitution effects can result in reduced effective pricing for customers, benefiting both consumers and network operators. To capitalize on these variables, network operators must rethink their operations, but the potential benefits of online and OTT services are considerable for customers and society as a whole [6].

Research objectives

Keeping this Background in view, the present study was undertaken with below listed specific objectives:

• Exploring the rise of Over-The-Top platforms in India.

• To explore the Monetisation models of OTT platforms and the reasons of popularization and business growth of these platforms over the years.

• To have the insight into the regulatory concerns regarding OTT platforms in India.

Methodology

The study uses exploratory research design mainly focused on Indian context, which has seen a significant increase in the number of OTT users in recent years. This paper uses fundamental approach because it relies on secondary data taken from various published articles, Journals, websites and Reports.

The Rise of Ott Platforms in India

In emerging economies, where there is a high demand for local and sports content and OTT (over-the-top) streaming is increasing most quickly, there are significant prospects due to the combination of vast rural populations that have previously been neglected and the rise of mobile internet).The development of industries like e-commerce, digital marketing, online education, on-demand entertainment, etc has been greatly impacted by knowledge of and usage of technology [7].

In India, the OTT Industry emerged with the advent of BIG Flix, which was India's first OTT platform created it in 2008 by Reliance Entertainment in order to meet the expanding demands of India's digital industry, which offered 2000 HD movies in nine Indian languages: Punjabi, Hindi, Telugu, Malayalam, Gujarati, Marathi, Bhojpuri, and Bengali [8]. Digivive released India's first OTT mobile app NexGTv in 2010, which gives access to both live TV and on-demand content. NexGTv was the first app to broadcast the Indian Premier League live matches on smart phones in 2013 and 2014, after that up until 2013, the OTT market grew at a moderate pace [9].

In terms of video/audio content, YouTube is by far the most popular online video platform in India. In September 2011, India soon rose to second position in the world in terms of YouTube video uploads, and by the end of 2013, it accounted for 58 percent of Indian online video watching. However, four of the top

10 YouTube channels in India-"Star Plus," "Colours TV," "Zee TV," and "SET India"—were Hindi General Entertainment Channels [10]. The considerable expansion in the OTT sector began around 2013, when Ditto TV and Sony Live were introduced to meet the increased demand of customers. Zee Entertainment Enterprises Limited (ZEE)'s "Ditto TV" platform was a video-on-demand platform that featured programming from all media channels, including Star, Sony, Viacom, and ZEE. Ditto TV began in 2012 and offers its services in all foreign areas like the United States, United Kingdom, United Arab Emirates, New Zealand, Australia, and others and in February 2018, the service was merged with ZEE 5. Sony Liv, debuted in January 2013, which is part of Sony's network of television channels [11]. The number of smartphone customers began to increase in 2015 and the main factor driving an increase in internet usage in India's rural and urban areas was the country's transition from 2G and 3G to 4G [12], which further boosted the demand for online streaming.

Netflix and Amazon Prime are two famous streaming service providers in India, which were started in 2016. Netflix is an American corporation based in Los Gatos, California, it has a wide selection of award-winning TV series, movies, documentaries, and Netflix originals, it has established a strong presence in the Indian market, offering three subscription plans: Basic, Standard HD, and Premium Ultra HD on the other hand Amazon Prime video, often known as Prime video, is an American-based video-on-demand streaming service provided by Amazon.com, and was first introduced in India in Bengaluru and to entice users to use its services, it first provided a 60-day free trial period. In 2015, Star India also debuted Hot star in India, later the Walt Disney Company purchased both the Star and the Hot star in 2019 and changed their names to Disney+Hotstar in 2020. Along with these significant OTT market companies, ALT Balaji, Jio Cinema, Voot, and MX Player are notably present in the Indian market they were all introduced in orbit between 2016 and 2019. The need for high-quality and user-friendly content has risen as a result of all these OTT channels. The talent in different corners of the world may now be seen on a global stage because to OTT [13].

Some of the significant elements that have fuelled the growth of OTT platforms include: Improved Connectivity, Cheaper Equipment, Lower-cost Data Plans, Comfort (at any time and wherever), Binge watching, A wider range of options available in Edutainment Localized Content, Fewer commercial breaks & Content Personalization also after the corona-virus (COVID-19) epidemic, the country's OTT platforms had seen a significant increase in content consumption and subscriber numbers, and as a result, they are attempting to satisfy viewers' growing desire for entertainment [14]. People have become used to the new entertainment platforms as a result of all these developments, which have also increased the rise of OTT platform consumption [15].

Indian OTT Market

The OTT Video industry was expected to generate $3,666.00 million in revenue by 2023. Revenue is estimated to grow at a 9.39% annual rate (CAGR 2023-2027), resulting in a market volume of US$5,250.00m by 2027. Video Streaming (SVoD) is the largest market, with a market volume of $1,696.00 million in 2023.

In terms of global revenue, the United States generates the most (US$126,500.00m in 2023). The number of users in the OTT Video market is estimated to reach 528.90 million by 2027 and user penetration was 30.0% in 2023, rising to 36.0% by 2027. In 2023, the average revenue per user (ARPU) in the OTT Video market was expected to be $8.59 USD [16]. On the other hand, the OTT Video market in India is expected to reach US$4.06bn in 2024, with a CAGR of 7.43%, resulting in a market volume of US$5.81bn by 2029. The largest segments still are Video Streaming (SVoD), with a projected volume of US$2.02bn in 2024. The United States is projected to generate the most revenue, with US$132,900.00m in 2024. The market is expected to reach US$5.81bn by 2029, with user penetration projected to increase from 40.8% in 2024 to 48.3% by 2029. The average revenue per user is US$3.13 in 2024. Airtel Xstream is estimated to have 0% usage share in the OTT Video segment [17].

Data from Statista, **Figure 1** shows Revenue from OTT and video across India in 2020, with estimated until 2026.

Data from Statista, **Figure 2** reveals the number of users of OTT services in India from 2017 to 2029.

Content available On OTT

A new generation of youthful viewers with open minds and unique viewpoints on the world and its current issues are being targeted by OTT platforms, in addition to shattering the outdated tropes of mainstream Indian television, the programming on these streaming platforms also appeals to the rapidly changing sensibilities to the youthful viewers who are tired of the stereotyped television shows that dominated the Indian small screen for decade. The market for content featuring issues regarding daily life and contemporary topics of the society and also the regional language and dialects is growing.

OTT services' content set them apart from television programming. Big production firms and their creative teams put in a lot of work to create the material. People are very interested in new stories that appear as web series. Once you start viewing a show or web series, you'll likely finish all the episodes in one sitting. To view their favourite TV episodes and web series, people had to wait a long time. Additionally, young people are now watching content
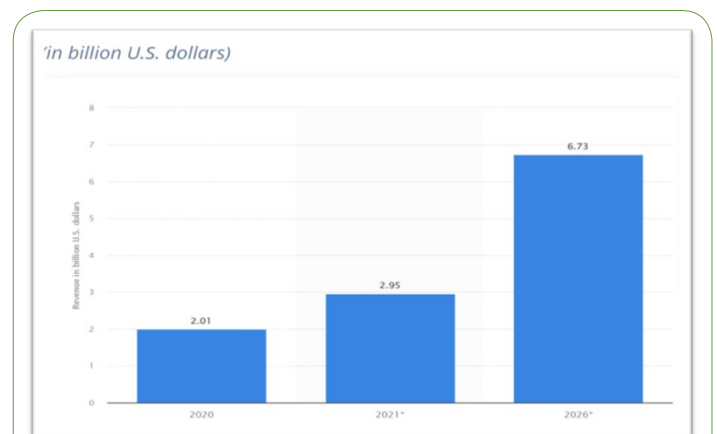

Figure 1   Revenue from OTT and video across India in 2020, with estimates until 2026.
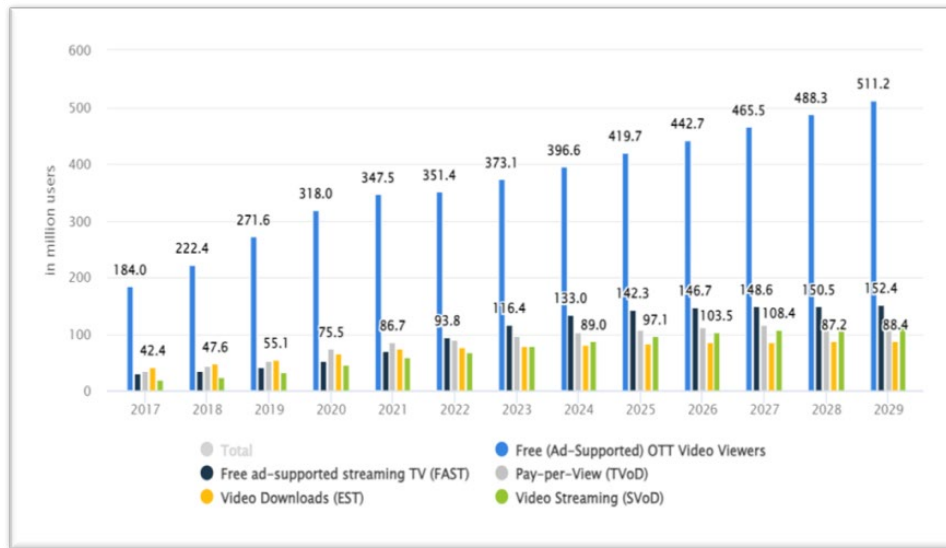
Figure 2 Number of users of OTT services in India from 2017 to 2029.

on OTT platforms instead of traditional TV programming [18].

The Indian youth are strongly impacted by web series and internet streaming material [19]. The web series content featured on online platforms appeals to young people's attention. The violence, sexual assault, and abuse in the OTT platforms' material have a psychological impact on Indian kids [20]. Modern mediated youth culture in India was characterized by soap operas and reality shows that aimed to reflect global taste as the internet and mobile devices gained in popularity and as a result, modern programming is bolder, harsher, and more honest, relying on explicit content and language to appeal to its young audience [21].

Data from Statista, **Figure 3** reveals the number of Subscribers by various service providers of OTT in India from 2017 to 2022.

The programming on these platforms is more explicit, with a focus on nudity, violence, and crime, and stands in stark contrast to traditional Indian television. Due to the abundance of HD channels, video on demand services, and subscription-based business models that have emerged in this new television era, service providers are now more competitive than ever and the content of contemporary broadcasts has undergone more innovation as a result of the fight for viewers. OTT platforms in India started with a clutch of sexually explicit programs, and then broke with the sensual syndrome by moving toward realistic stories and shifting to dealing with issues once considered taboo in Indian society. From topics related to sexual desires to stories related to crime, depression, and the struggles of young people in small urban towns, streaming channels reaped a jackpot in profits. [22].

OTT platforms provide creators with creative freedom, allowing them to express themselves beyond the limits of traditional media. This openness allows for challenging language, as witnessed in shows such as sacred games and orange is the new black. Some platforms cater to specialized audiences, such as young adults and teenagers. However, violent language can promote unfavourable stereotypes and contribute to a culture of harassment. Mubi, Viki, Al Jazeera English, and Curiosity Stream are a few sites that provide content from other cultures. In the extremely competitive world of OTT platforms, creators may feel compelled to create content that stands out and generate buzz [23].

Monetisation models of OTT industry

The OTT market is divided into three categories: freemium & transactional video on demand (TVOD), subscription video on demand (SVOD), and advertising video on demand (AVOD). The ad-based model (AVOD), which depends on commercials to generate money, continues to dominate the industry, but the subscription-based market (SVOD) is still expanding considerably [24].

Although the country's OTT companies continue to primarily rely on advertisement-based video on demand (AVOD) to monetize their services, subscription-based video on demand (SVOD) and freemium models are gaining popularity, thanks in large part to attractive content like sports. Additionally, sponsored content has become a significant method for revenue generation, with businesses incorporating their marketing messages directly into the material [25].

OTT platforms in India include Netflix, Amazon Prime Video, Disney+ Hotstar, Zee5, Voot, and SonyLIV. Netflix provides a combination of worldwide and Indian material, such as TV series, films, and documentaries. Amazon Prime Video provides a combination of Indian and foreign entertainment, including as movies, television shows, and original content. Disney+ Hotstar provides a combination of worldwide and Indian entertainment, such as movies, television shows, sports, and news. Zee5 provides a diverse range of Indian material, whilst Voot, created by Viacom18, provides a combination of Indian and international content. SonyLIV, introduced by Sony Pictures Networks India, provides a combination of Indian and international entertainment [26].
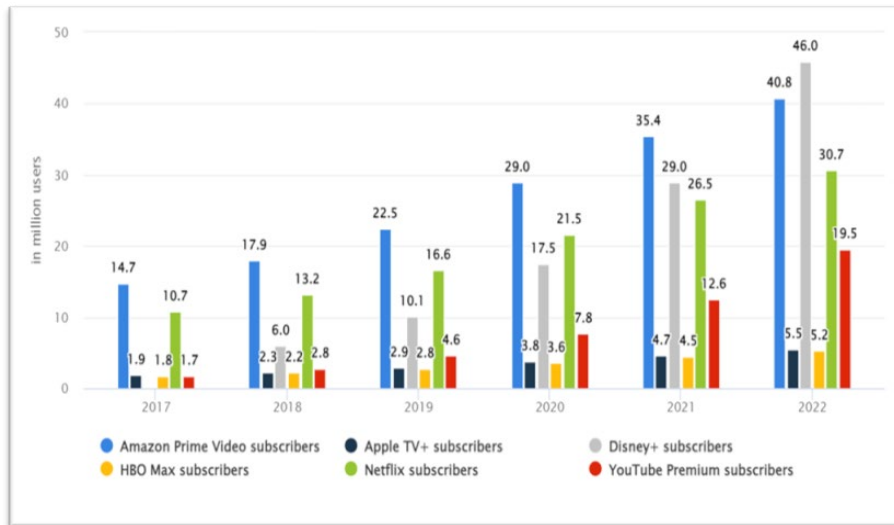
Figure 3 Number of Subscribers by various service of OTT in India from 2017 to 2022.
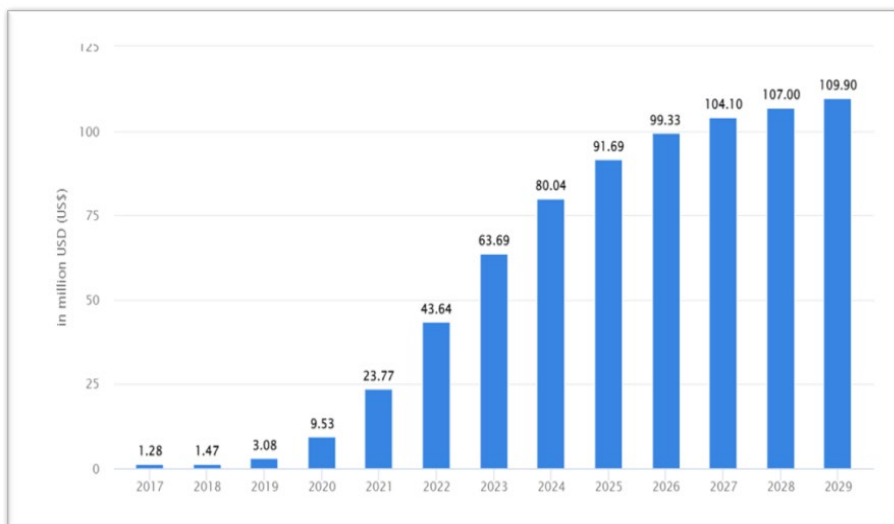

Figure 4 Revenue change free ad-supported streaming TV and advertising video-on-demand.

Data from Statista, **Figure 4** shows Revenue free ad-supported streaming tv and advertising video-on-demand in India.

Regulatory concerns

The creation of content for digital media has been completely unrestricted and unhindered by regulations. A tremendous increase in the number of OTT platforms launched in India as a result of the Indian audience's increased content consumption, catering to their different tastes. However, this also led to a great deal of controversy, with both Indian and foreign shows becoming involved in arguments over issues like obscenity, slander, and hurting religious emotions, among others. In order to streamline the industry, the ministry of information and broadcast (MIB) has emphasized the need for OTT Platform regulation throughout the past year and held meetings with various parties. The MIB has announced the Information Technology (Guidelines for Intermediaries and Digital Media Ethics Code) Rules 2021 in light of this [27].

According to the new regulations, OTT platforms must have a strong, three-tier grievance redressal procedure. The OTT Platform itself will regulate at the first level through a grievance officer and post the officer's contact information online and the chief compliance officer, nodal contact officer, and grievance officer must all be appointed by the social media firms. An institutional self-regulatory body established by content publishers and their associations will serve as the second level. Industry specialists will make up this self-regulatory organization, which will be led by a retired Supreme Court or High Court judge or another prominent figure in the sector, members will be chosen from a panel created by the ministry and include up to six more members who are professionals in media, broadcasting, technology, and entertainment, according to the guidelines. The MIB established an inter-department committee at the third level, which will oversee and review appeals for judgments made at level two or if the MIB refers a complaint to the inter-department committee,

the Committee shall be composed of representatives from the Ministries of Information and Broadcasting, Women and Child Development, Law and Justice, Home Affairs, Electronics and Information Technology, Ministry of External Affairs, Ministry of Defence, the Indian Computer Emergency Response Team, and such other Ministries and Organizations, including domain [28].

If a complaint is lodged about an OTT show, the complaint is routed to the OTT platform's grievance officer, who is required to answer the complaint within 15 days. If the complaint is not satisfied with the resolution, they can appeal to the industry body's grievance committee, which has 15 days to respond. If the complainant is still dissatisfied with the outcome, they may appeal to the ministry [29].

Under each level, actions such as removing content, issuing an apology, issuing a warning, modifying the rating of the content, and so on are available. The inter-ministerial government group at Level III makes the final decision, which has prompted severe worries about censorship. The code of ethics outlined in the Rules established rules for categorizing content based on target audience, topics, content, tone, and impact. It also mandates that OTT platforms take India's sovereignty, security, and amicable ties into mind. "U" (appropriate for all ages), "U/A 7+" (suitable for persons aged 7 and above), "U/A 13+" (suitable for persons aged 13 and above), "U/A 16+" (suitable for persons aged 16 and above), and "A" (limited to adults) are the different content grading categories. Access control systems must be implemented by OTT Platforms for content rated U/A 13+ or above [30].

Regulations implemented in various countries include: In the United Kingdom, the Office of Communications (Ofcom) maintains broadcasting rules, which include protecting children and prohibiting dangerous content. In the United States, OTT platforms are subject to the same restrictions as traditional broadcasters for advertising and marketing tactics, but there are no explicit rules governing content. In Singapore, OTT platforms are subject to the Broadcasting (Class License) Notification, which mandates content standards and classification criteria [31].

Conclusion

India is a key market for OTT platforms, with the industry's expansion commencing with Reliance Entertainment's BIG Flix in 2008, the business developed gradually until 2014. In 2015, Disney+Hotstar and Amazon Prime Video gained traction among Indian audiences and in between 2016 and 2019, local players entered the Indian market.

According to data from numerous publications, the country's growing smartphone and internet user bases after 2015 resulted in an enormous spike across OTT platforms. The youth-oriented population and a diverse range of content were also major drivers of OTT platform's popularity in India. Content available on OTT platforms are more explicit than traditional platforms which began with a multitude of sexually explicit programs before moving away from the sensual syndrome by switching to realistic narratives and addressing issues that were previously taboo in Indian culture. Streaming channels made a fortune, making

money from stories about sexual urges to crime, depression, and the problems of young people in tiny cities.

Furthermore, the entertainment business is apparently benefiting from OTT services. COVID gave the industry a boost and that as a result, subscription rates had increased due to the availability of free time and need for entertainment and edutainment during lockdown, which changed consumer behaviour towards OTT and sped up demand. OTT firms are progressively monetizing their services through subscription-based video on demand (SVOD) and freemium models, with sports being a prominent content type. Sponsored content has also become a substantial revenue generator, with firms embedding marketing messages directly in the material.

OTT platforms had to follow the government's regulatory directives. The government issued guidelines for creating a three-tiered grievance resolution procedure and allowing users to self-classify content according to their age. As a result of the numerous complaints that were handled in previous years, these restrictions restrict the flexibility of OTT participants. People are now more at ease utilizing OTT services because of the convenience and variety supplied without advertisements. Trends indicate that the OTT market will grow rapidly over the coming years as well. Businesses now have to contend with customers' shifting preferences for OTT platforms over conventional services.

Suggestions

The regulation of OTT platforms is a multidimensional subject that requires a balance between creative freedom and content suitable for all audiences. As their popularity increases, governments and regulatory organizations should review and adjust their rules. OTT services often contain mature content with harsh language, which may not be suitable for all audiences. Parents can use parental controls to limit access to the explicit content over these platforms, as the impact of this can negatively affect children who lack maturity to comprehend the distinction between right and wrong, friction and reality. Platforms must ensure content is appropriate for all audiences and promptly address viewer concerns.

Future scope and limitations

Further researches can be done on:

1. Study the psychological impact of OTT platforms on college students.

2. Study the patterns of using OTT platforms by youth in terms of usage of their time.

3. Comparative Study of Regulation of OTT platform by different countries with Indian context.

4. Study the usage pattern of users above 50 years of age in India.

In terms of regulations and OTT evolution, the study is only focused on the Indian environment. Additionally, OTT research is still in its infancy in India and is dispersed among a number of different categories, and in this area, there is a dearth of literature.

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