



Unravelling the digital video consumer

Looking through the viewer lens

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Introduction

India's online video market is potentially one of the most exciting markets and businesses in the world. It is estimated that India will have more than 500 million online video subscribers by FY 2023, and this would make it the second biggest market in the world behind China alone.

In India, the internet video traffic is projected to reach 13.5 Exabytes (EB) per month by 2022, up from 1.5 EB per month in 2017; with video contributing 77 per cent of all internet traffic by 2022.¹ The largest gain in this rising consumption for the viewer is in terms of the options available of the kind of content to watch, depth of interactivity available on engagement with video and many viewers spilling over the line to become creators.

As India witnesses the change in the definition of mass general entertainment, movies and sport are likely to be 'driver content' and digital original series would likely be an important tool in defining this transition in culture. A déjà vu of what India saw in the early days of cable television this universe is going to be divided into 'the bundled' and 'the a-la-carte' model, with telco/internet service provider (ISP)/ network partners, original equipment manufacturers (OEMs), broadcasters, movie studios, tech aggregator platforms all playing a key role in the development of this universe of audiences. India will continue to be a challenging market in terms of audience pivots on language, content genres, access and several million consumer cohorts to truly exploit the mid to long tail of online video.

A few of the opportunities to look forward to in this business from an India lens would be

- Quality Indian narratives traveling beyond the South Asian audiences around the world
- The true evolution of the technology stack in order to efficiently deliver content to different audience types, in different languages and genres
- Evolution in the business of 'Big Data' resulting in more qualitative viewing sessions and predictive viewer behaviour. An ancillary but significant use case to also effect consumer purchase patterns across products and services
- Collaboration would be an important theme including cross-border and this would have different shapes and forms that we haven't seen in the traditional media business
- Interactive video gets true meaning as now a viewer doesn't only 'watch the video' but will also be able to 'feel the video'

1. Cisco VNI Internet traffic forecast

There is a significant probability that in Tier 3+ markets in India, consumers would experience the internet for the first time with online video hence making it a gateway tool for a true 'Digital India'.

We have compiled this report which provides a balanced view of online video wherein we break down and analyse the facets of audiences, content

genres, consumption patterns, device types, distribution models and globalisation of VOD with some forward-looking statements based on deep consumer research, business analysis, real data and open data of platforms and services. The results further accentuate the reason of all companies and colleagues contributing to the growth and development of this eco-system.

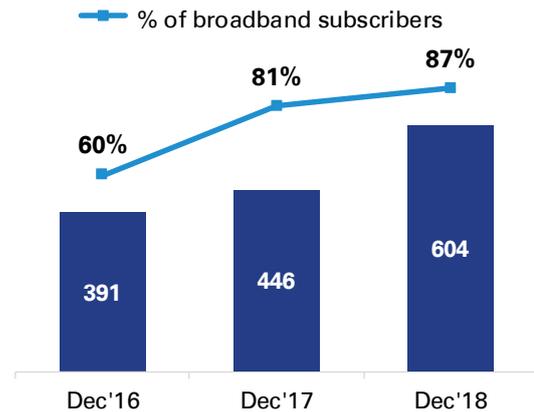


The online video landscape in India

The Online video market in India crosses 300 mn

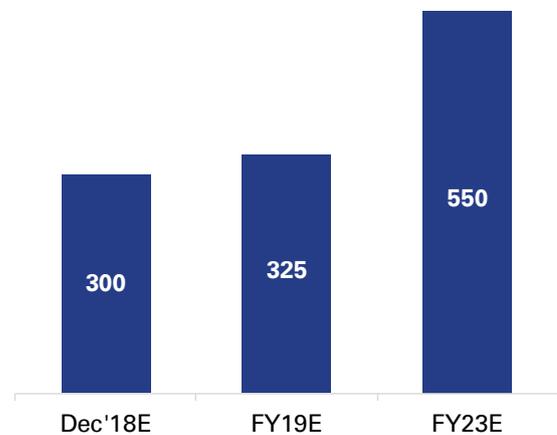
The growing high speed internet user base in India has been the catalyst for online video viewer growth in India, which has reached a critical mass of more than 300 million users by FY19.

Internet subscribers in India (Mn)



Source: TRAI performance indicator reports

Online video viewers in India (Mn)



Source: KPMG in India Analysis

Factors influencing the growth of online video in India^{2,3,4,5,6,7}



Second highest per capita consumption of online video in the world



Cheapest mobile data in the world (INR18.5/GB) (2015- INR313/GB)



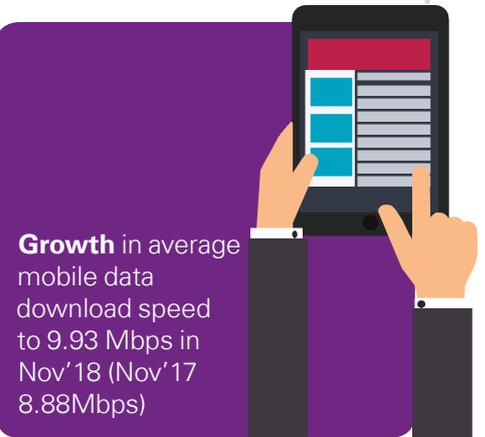
Growth in rural internet penetration to 24 per cent in 2018 (2016- 13 per cent)



Growth in smartphone users in India to ~340 Mn in 2018 (2015- 200 Mn). 11 % growth in feature phones shipments, higher than smartphones growth in 2018.



Growth in average data usage per subscriber per month to 8.7 GB in 2018 (2016- 0.88 GB)



Growth in average mobile data download speed to 9.93 Mbps in Nov'18 (Nov'17 8.88Mbps)

Number of OTT players in India



Source: KPMG in India Analysis

- The state of online video 2018, Limelight Networks ; accessed on 04 April 2019
- India's mobile data is cheapest globally, Times of India ,March 2019; accessed on 04 April 2019; How low-cost data is powering India, Fortune India, Dec 2018; accessed on 04 April 2019
- TRAI performance indicator reports
- Smartphone Penetration In India Is On The Rise, Set To Reach 373 Crore Users In 2019, India Times, January 2019; accessed on 04 April 2019; Feature phones still outselling smartphones in India as market grows by 10 percent: Counterpoint,91 mobiles, January 2019, accessed on 04 April 2019
- TRAI performance indicator reports
- India ranked 111th in mobile internet and 65th in fixed line broadband speeds: Ookla, Times of India ,December 2018; accessed on 04 April 2019

Monetisation models prevalent in the Indian market

| Monetization models of OTT players in India | | |
|---|---|---|
| Monetization Model | Details | Key Players |
| Advertising video on demand (AVOD) | Users have completely free access to content and platform earns all revenues through advertisement | Youtube, VOOT, MX Player, TVF Play, Arre |
| Subscription video on demand (SVOD) | Users pay subscription charges and get access to the entire catalogue of content, which is behind the paywall | Amazon Prime Video, Netflix, Eros Now, Yupp TV, Sun Nxt, HOOQ |
| Freemium | Hybrid OTT business model that combines various features of AVOD and SVOD models. Catch up TV is usually available for free across such broadcaster backed Freemium platforms | Hotstar, Sony Liv, Zee5 , ALT Balaji |
| Transactional video on demand (TVOD) | Users pay one-time payment per view on live events, series or movies instead of subscribing to a large library and costlier packages | Veqta |

The above monetisation models are distinct from telco-backed OTT platforms such as Jio Cinema, Jio TV, Airtel TV etc., which are largely aggregators of content from other broadcasters and online video

platforms, and provide bundled services to their subscribers with the cost of content packaged with the cost of data, voice and text messages for each pre-paid or post-paid plan.



Distribution strategy and depth

OTT players across the board have been focusing on developing a robust distribution strategy to have a widespread presence across their target audiences and across various device ecosystems. Thus, alliances

with telecom operators, cable TV / DTH operators, original equipment manufacturers (OEMs) and others are being actively forged to ensure an optimum distribution depth.

| Key distribution partnerships of OTT players in India | | | | | |
|---|----------------------------------|--|--|--|--|
| Player | Telcos | OEM | | Others including platforms and channels | International partnerships |
| | | Smart TV | Streaming device | | |
| Eros Now | Airtel, BSNL, Jio, Vodafone Idea | Android TV, LG smart TVs (World-wide), Xiaomi Mi TV (India), Cloudwalker, TCL, Samsung | Apple TV+, Amazon Fire Stick, Chromecast, Roku, Jadoo TV, Tata Sky Binge | Inmobi, Paytm, Amazon Channels, Etisalat Arena | Virgin Media, Apple TV+, Wasu Media, Vodafone Qatar, Comcast, Maxis, Dialog, XL Axiata, Etisalat, Iqiyi, Freesat, Netrange, Vewd, Foxxum |
| Netflix | Airtel, Vodafone Idea | Hisense, LG, Panasonic, Philips, Samsung, Vu | Chromecast, Amazon Fire Stick, Roku | | Comcast, Hilton, Sky TV |
| Amazon Prime Video | Airtel, BSNL, Vodafone Idea | LG, Samsung, Sony, Panasonic, Philips, Sharp | Amazon Fire Stick, Chromecast, Apple TV Roku, Nvidia Shield | | Comcast |
| Hotstar | Airtel, Jio | CloudWalker, Vu, Android TVs, Apple TV | Chromecast, Amazon fire stick, Tata Sky Binge | Hooq | |
| Sony LIV | Vodafone Idea | Android TV, Sony Bravia TV | Chromecast, Amazon Fire Stick | Lionsgate, Amagi, Paytm | Comcast, Hilton, Sky TV |
| Zee5 | Airtel, Jio, Vodafone Idea | Samsung, Apple TV, Android TVs | Chromecast, Amazon Fire Stick | Gaana, Nestaway | |
| ALT Balaji | Airtel, Jio, Vodafone | Vu, Apple TV, Android TV | Chromecast, Amazon fire stick | Yupp TV | |

Source: KPMG in India Analysis based on primary and secondary research

Note: The above list is indicative of distribution depth and does not exhaustively capture all partnerships

Partnership with telcos - Content partnerships with telecom companies have emerged as the preferred distribution channel for OTT players. Such partnerships not only help to expand the reach but also helps boost subscription income for these players



Partnership with OEMs - OTT players have partnered with different hardware manufacturers including smartphones, smart TVs, streaming devices, gaming consoles etc. to allow users to easily access these apps on their preferred devices



Partnership with TV/broadband players - Various OTT players have partnered with DTH operators through integration of apps into the set top boxes, allowing the user to access the services with a dedicated remote button. Services like Tata Sky Binge provide the user with a dedicated hardware to access the OTT apps on their television sets, irrespective of whether the TV has a 'smart' functionality or not



Cross-platform partnerships - Some players have also forged partnerships among themselves to mutually benefit and leverage each other's strength. For example, 'Zee5' and 'Alt Balaji' have forged a content sharing arrangement to co-create original content in Hindi, which will be available exclusively on both the platforms.



Strategic initiatives by SVOD players in India

Innovations in pricing to boost subscriptions

- Pack durations and sachet pricing - While monthly packs are a part of the subscription offerings by most players, sachet pricing by players like Zee5 and Sony Liv, and mobile only packs by the likes of Netflix are recent innovations to drive subscriptions
- Also, Eros Now has partnered with Veriown to distribute content to partly connected/disconnected Tier 3-4 villages at subsidised pricing⁸.
- Regional packs – Players like Zee5 are starting to addressing the needs of regional only audiences through customised regional packs
- Offline payments – To tap the large Indian cash economy, players like Hoichoi and Hotstar are trying to leverage top-up cards and cash payments to grow their subscriptions

Fostering consumption and engagement

- In a bid to create highly engaging experiences for users, OTT platforms have tried to experiment with different types of interactive elements ranging from contests / games that can be played in parallel while viewing live video content. For example, the 'Watch N'Play' initiative by Hotstar across IPL 2019; the 'Sing-Along' initiative on Sony Liv for the latest season of Indian Idol are some examples of platforms trying to foster continued user engagement.
- Eros Now has launched 'TV Se Pehle', wherein movies premiere on the platform prior to their satellite broadcast; another initiative aimed at engaging the audiences with popular movie content.

Original content as a differentiator

In a highly competitive environment with more than 30 VOD platforms in India, as players look to differentiate themselves, massive capital commitments have been made by SVOD players for building libraries of diverse original content over the last couple of years. Some of the key investments announced by leading players include

- Hotstar has earmarked INR120 crore in early 2019 to make special shows in 7 different languages for the Indian market⁹.
- Eros Now is investing USD50 million to create 100 new original shows for their platform¹⁰.
- Netflix plans to come out with 4 web-series in 2019 and 15 Indian original feature films by 2020¹¹.
- Amazon Prime Video has announced that it plans to double its original content offerings for India in 2019 with at least 7 shows scheduled for launch¹².
- Zee5 intends to release 72 new originals in 6 languages over a period of time till March-2020¹³.

8. Eros Now enters into partnership with Veriown Global, Inc, exchange4media, April 2019, accessed on 05 May 2019

9. Hotstar to invest Rs 120 crore in generating original content, The Economic Times, January 2019, accessed on 05 April 2019

10. Eros Now launches mini-series, to spend \$50-70 million annually on originals, Livemint, December 2018, accessed on 05 April 2019

11. Hotstar adds to streaming drama with originals, Livemint, January 2019, accessed on 05 April 2019

12. Soon, Amazon may add cable channels to Prime Video in India, Business Line, March 2019, accessed on 05 April 2019

13. Indian Streamers Ramp up Original Productions, Variety, March 2019, accessed on 06 April 2019

Regional content getting the deserved attention

As nine out of 10 new internet users in India are likely to be Indian language users it is vital for VOD players to cater to this audience in their native language. As a result, SVOD platforms have started to focus on building a library of regional content that includes movies and originals over the past 12-18 months. Although the existing regional lineup largely consists of movies with a handful of originals, dubbing has emerged as an effective tool for players to quickly expand the breadth of original and movie content available across multiple regional languages

Online video – Transcending geographies

After making inroads in the Indian market, many SVOD players have started to expand internationally by launch geography specific offerings to increase monetisation for their content. For example, Star India has discontinued the distribution of its TV channels in the U.S.A. and Canada and offers content only through its VOD service in the two geographies¹⁴.

Eros Now has presence in more than 135 countries across the globe with multiple international partnerships driving subscription growth. The extensive list of international partnerships include telcos/partners like Virgin Media, Apple+, Wasu Media, Maxis, Dialog, XL Axiata, Etisalat, etc. and streaming platforms like Amazon Prime Video, iQiyi and others¹⁵.



14. Hotstar Launches Its Premium Service in US and Canada, Gadgets 360, , September 2017, accessed on 06 April 2019

15. KPMG in India analysis, 2019, based on secondary research

Understanding the Indian online video consumer- Survey Methodology

Survey Methodology

For the purpose of this report, a survey was commissioned across 1,458 OTT users in 16 cities of India, to ascertain the usage of OTT platforms by consumers. The cities chosen were across different tiers as outlined below

- Metros – Delhi, Mumbai, Kolkata
- Tier 1 – Bengaluru, Hyderabad, Pune, Ahmedabad, Jaipur
- Tier 2 - Ludhiana, Panipat, Nagpur, Madurai, Coimbatore, Bhubaneshwar, Jamshedpur, Patna

The survey was based on a questionnaire which was conducted in person at each of the centres. The questionnaire was designed to gain insights around the OTT usage behaviour of the respondents across the following key aspects

- Duration and frequency of content consumption
- Content categories and genres consumed
- Preferences of users in terms of language of content consumed
- Long form vs. short form content consumption
- Movie consumption behaviour
- Day and time band analysis of content consumption
- Number of platforms used by respondents and subscribed to
- Reasons for subscription and non-subscription
- Propensity for cord cutting and reasons governing the same
- Consumption across distribution modes such as direct vs. telco-based
- Brand perception of key OTT apps

Summary of the key insights from the survey

Online video platforms are truly going mass in terms of frequency and duration of consumption. While the customer sets are fairly heterogeneous, there is a trend of homogeneity that was observed in terms of consumption frequency and duration across consumer categories

~70
min / day

Avg. time spent on
OTT platforms



12.5
per week

Avg. frequency of
access



~40
minutes

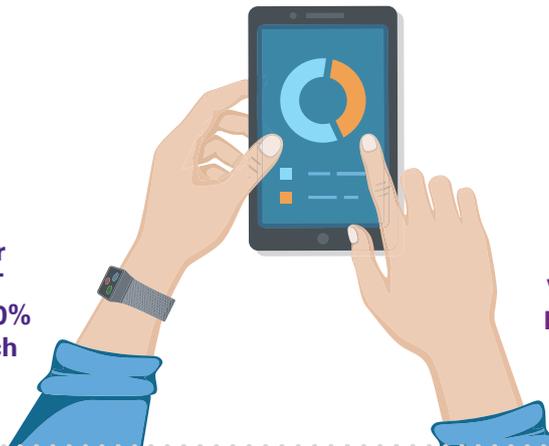
Avg. single session
duration



Indians continue to love their movies and movie related content. Original content is also emerging in a big way with a reasonable preference by respondents as compared to the supply of original content on platforms currently.

30%

of the respondents prefer watching movies on OTT platforms, with a further 20% Movie related content such as 'Music Videos'



10%

of respondents prefer watching 'Originals' on OTT platforms. Given the current supply of originals at <1% of overall content, this is a significant preference.

Long form content is gaining traction, while short form content continues to remain relevant, especially to cater to the millennial audience

30%

of average session duration >45 minutes, signifying the growing importance of long form content. However, short form content also remains highly relevant, with 25-30% respondents across age groups having single session durations of <20 minutes



The preference for content consumption is significant in the native languages across large parts of the country, with south India observed to be the most loyal to their native tongue

30%

Non Hindi & English

of respondents prefer watching content in languages other than Hindi and English. Native language preference highest in South India with Tamil, Telugu, Kannada and Malayalam the most preferred languages in the respective centres



The mobile first nature of online video in India makes it a truly 'Anytime, Anywhere' phenomenon

~87%

Of the respondents consumed content on their mobile phones. Although small, an interesting 5% of respondents consumed content on their Internet-enabled smart TVs, which could be an important growth avenue in the future

10 AM - 6 PM

29% of the respondents watched online video even during office hours, outlining the 'Anytime, Anywhere' nature of online video

Telecom platforms have emerged as a key distribution medium for OTT platforms, with a reasonable number of respondents accessing content through the telco apps on their phones

3 out of 10

respondents consume OTT content through telco platforms, outlining the importance of this distribution medium

Viewers are increasingly discerning in terms of the quality of content, when it comes to choosing or uninstalling OTT platforms

87%

of the respondents install a app considering the quality of content. Freshness and uniqueness of content the key determining factors for installation and uninstallation of apps, as well as respondents subscribing to platforms.

OTT video could usher in cord cutting sooner than expected

~38%

Of the respondents could consider cord cutting in the future as they responded to their entertainment needs being fully met online

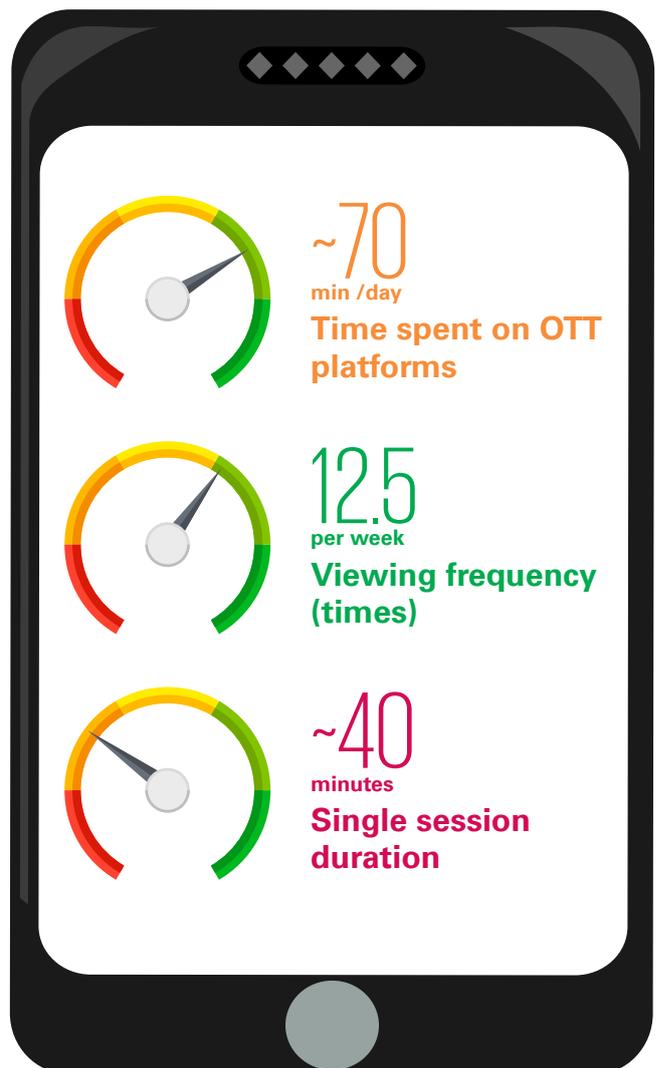




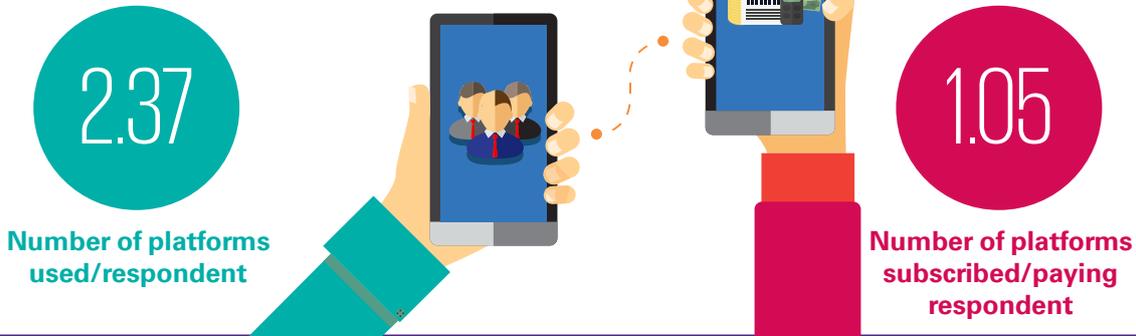
Online video in India – who is watching, how much are they watching?

The 'mass'ification of online video platforms in India – close to 70 minutes being spent per day by respondents

The online video market in India has evolved into a mainstream entertainment destination for Indian masses. The survey revealed that the respondents spent approximately 70 minutes per day or 8.2 hours per week on online video platforms on an average, with a viewing frequency of 12.5 times per week and a session duration of nearly 40 minutes per session.



It was also observed that number of OTT platforms used per respondent was 2.37, whereas number of platforms subscribed per paying respondent was 1.05 on an average.

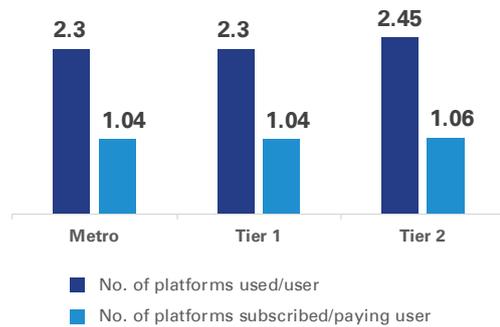


Homogeneous consumption patterns across heterogeneous consumer groups

Viewing frequency, session durations and app usage, when analysed across city tier, age groups and income brackets, revealed the following:-

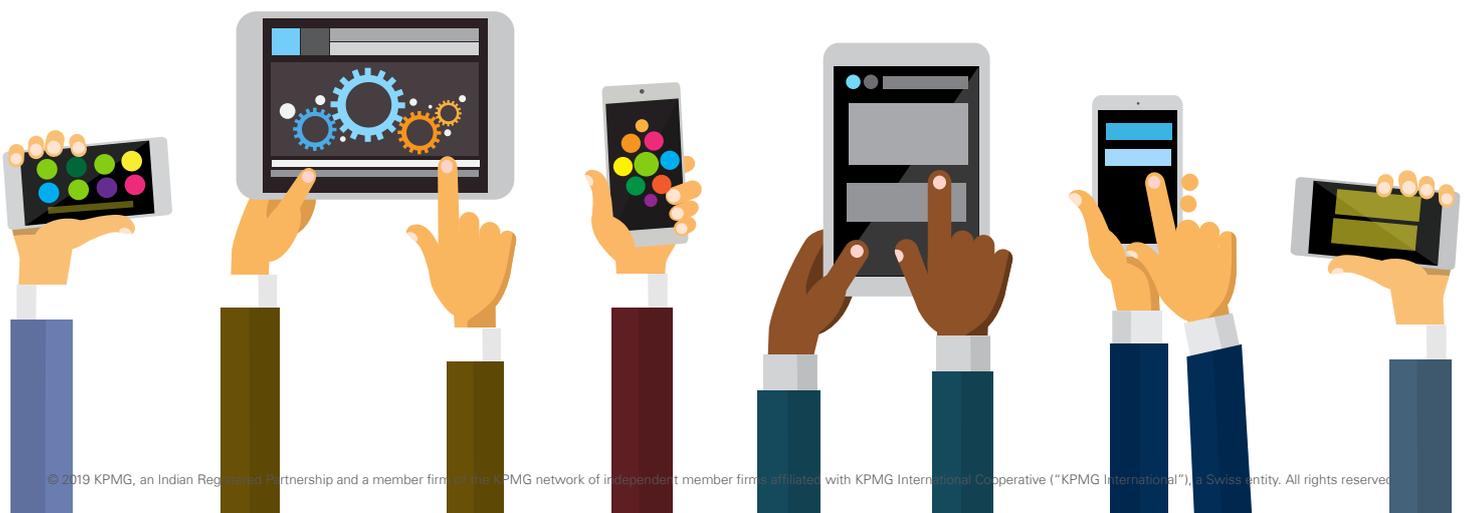
Audiences from all parts of the country are experiencing the online video phenomenon

| | Metro | Tier 1 | Tier 2 |
|-------------------------|-------|--------|--------|
| Time spent (hours/week) | 9.8 | 7.5 | 7.9 |
| Viewing frequency | 14.4 | 10.8 | 12.5 |
| Session duration | 40.6 | 41.4 | 38.0 |



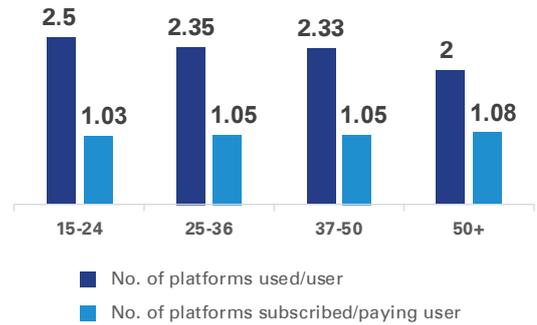
Respondents from Tier 2 cities were close to the overall average when it came to viewing frequency and session duration, pointing to the deep penetration of online video in these cities

Respondents from Tier 2 cities showed a higher penchant for online video apps and seemingly don't mind paying for these apps, outlining the democratisation of this medium across the masses



Digital video is no longer restricted to young audiences

| | 15-24 | 25-36 | 37-50 | 50+ |
|-------------------------|-------|-------|-------|------|
| Time spent (hours/week) | 8.2 | 8.3 | 8.2 | 8.1 |
| Viewing frequency | 12.5 | 12.6 | 12.4 | 11.6 |
| Session duration | 39.5 | 39.6 | 39.6 | 41.6 |

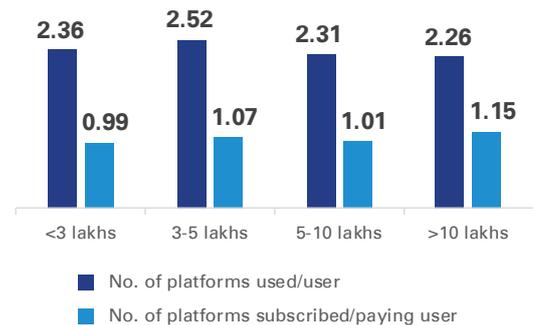


With age groups of 37+ years also spending a considerable amount of time on online video, it's appeal cuts across age groups, implying that online video is no longer a millennial phenomenon

Platforms used/user declines with increase in age highlighting the sampling behaviour of younger audiences whereas higher age groups display an increasing propensity to subscribe

Choices across income groups are consistent

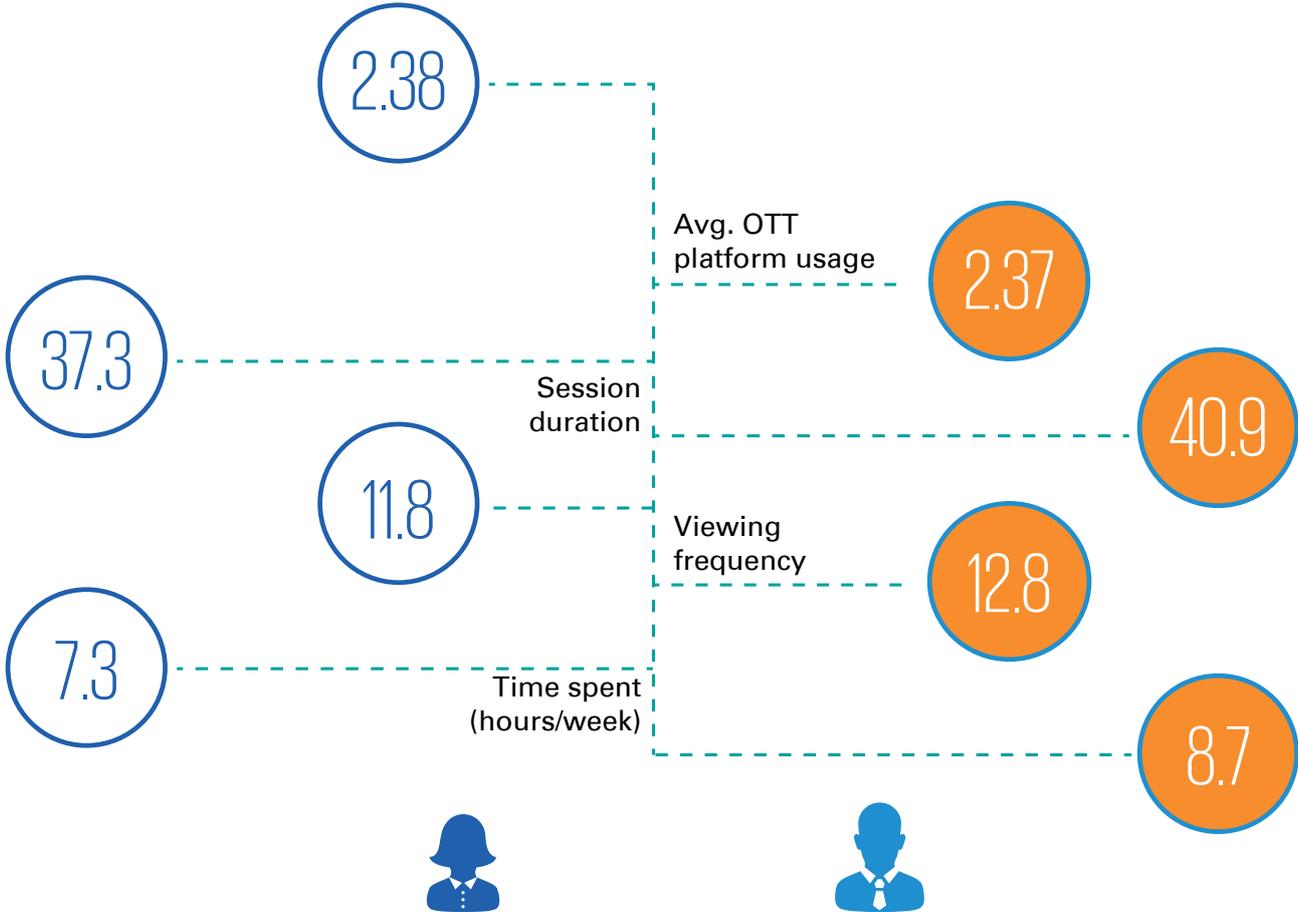
| | <3 lakhs | 3-5 lakhs | 5-10 lakhs | >10 lakhs |
|-------------------------|----------|-----------|------------|-----------|
| Time spent (hours/week) | 8.2 | 8.3 | 8.2 | 8.1 |
| Viewing frequency | 11.8 | 12.9 | 12.6 | 13.0 |
| Session duration | 37.7 | 41.9 | 39.0 | 41.7 |



The presence of a large volume of apps which provide free/freemium content to users has meant that online video isn't restricted to the urban, upwardly mobile audience. The same was illustrated by minimal differences in viewing frequency and session times across income groups

Respondents in the higher income groups subscribe to the maximum number of platforms owing to higher disposable incomes, which also corroborates with increasing subscription propensity with age

The online video consumption behaviour amongst the female respondents also showed encouraging signs. With the gap in viewing frequency and session durations between male and female respondents at only around 10 per cent, the same outlines the ubiquitous reach of the online video platforms across both the genders. This reach across genders is further reinforced by the average number of OTT platforms used by male and female respondents, which were found to be nearly equal.



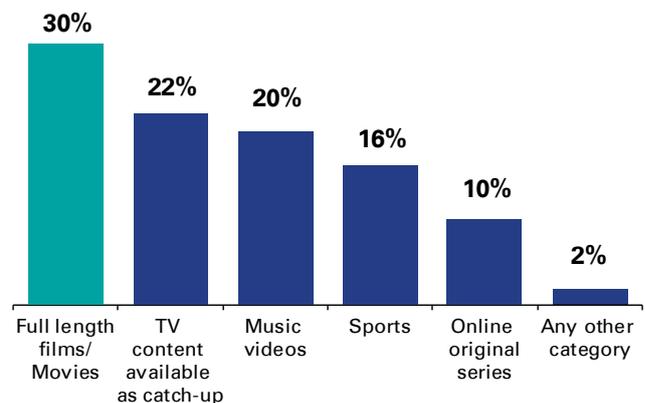
What are Indians watching on online video platforms?

Indians love their movies

Traditional content categories have dominated consumption preferences on online video platforms. The results from our survey revealed that movies and related content (such as music videos) were preferred by nearly half of the respondents, with catch up TV content following suit with 22 per cent of respondents preferring the same. Sports was significant at 16 per cent in terms of preferences as well.

While platforms have been investing heavily in creation of original content designed for digital audiences, the survey revealed that library content still dictates current consumption trends. This could potentially be due to the limited supply of originals (less than 1 per cent of overall content available on most broadcaster driven and global platforms) in contrast to library content that forms a bulk of the content available on online video platforms. For example, Eros Now has one of the biggest libraries of movies (more than 12,000 movie titles) and Zee5 has great depth of TV content (more than 50,000 hours). Considering this skew in availability of original content, user preference at 10 per cent for such online originals was observed to be significantly high.

Most preferred content category



Originals

Preference for originals was consistently between 10-11% across all age groups. This highlights the original content is no longer a millennial phenomenon and has found acceptance across all age groups.

Music videos

Music videos are most popular among the younger generation (15-24 age group)

TV content

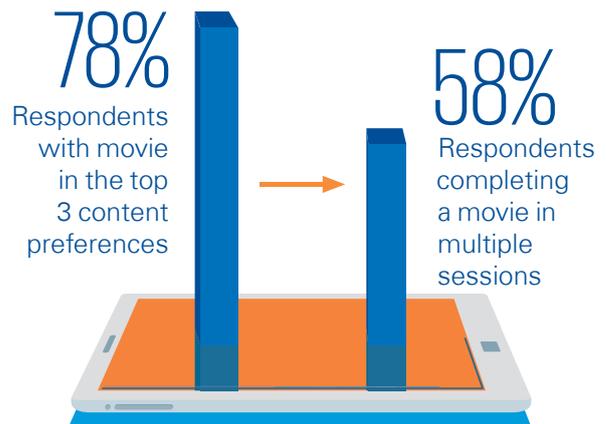
The preference for TV content was the lowest in 18-24 year age group, and was found to be increasing progressively with increase in age groups

Movie viewing experience is now more flexible

The duration of most content categories except movies tends to be short enough for consuming it over a single session. OTT platforms, by providing anytime and anywhere access, have empowered flexible viewing for longer forms of content like movies.

Our survey results revealed that users have started to use their discretion more often when viewing movies on OTT platforms. More than half (about 58 per cent) the respondents who preferred movies (among top 3 content categories preferred) watched it more than one session. This percentage was significantly higher for respondents in metros (~85 per cent) as compared to those in Tier1/2 cities, potentially highlight the relatively lesser disposable time on hand in metros.

There was a significant preference for flexibility in the East with nearly 4 out of 5 users preferring multiple sessions compared to the South where majority (~60 per cent) preferred to watch movies in a single session.

**Long form content gaining traction, short form content vital to capture attention span of millennials**

The average session durations captured through our survey gave insights into the trends around long form and short form content consumption across online video platforms. While nearly 40-45 per cent of the respondents preferred the 20-45 minute session duration, the >20 minute (short form) and <45 minute (long form) session durations were also significant.

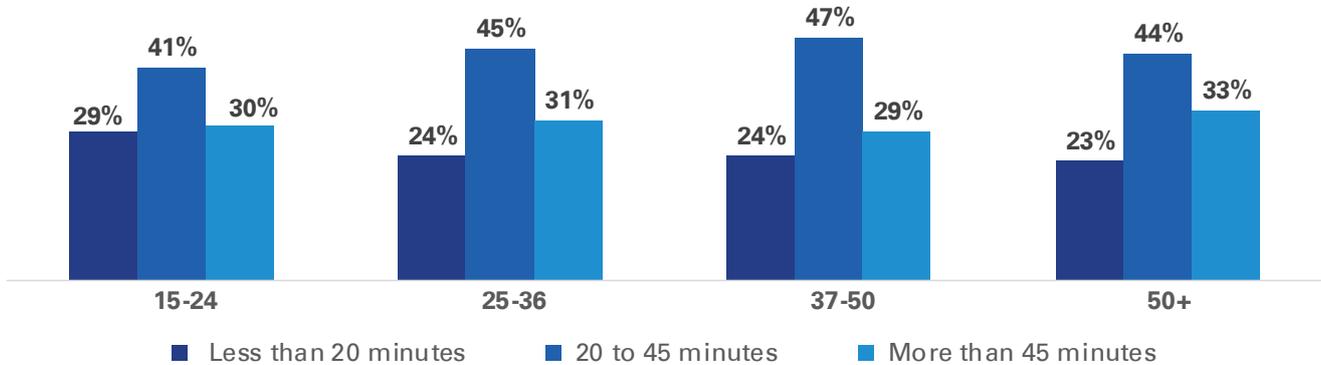
The age-wise analysis pointed to the fact that shorter session durations were more popular with the younger audiences, potentially due to lower attention spans. Online video platforms need to be **cognizant** of these trends, and adopt content strategies which have a healthy mix of both short form and long form content to cater to various audience niches.



In order to cater to these multi-format needs, OTT platforms like Eros Now and SonyLiv have started to create original content with episode durations of

less than 10 minutes. Eros Now plans to launch over 50 short form original series, known as 'Eros Now Quickies'.

Average session durations

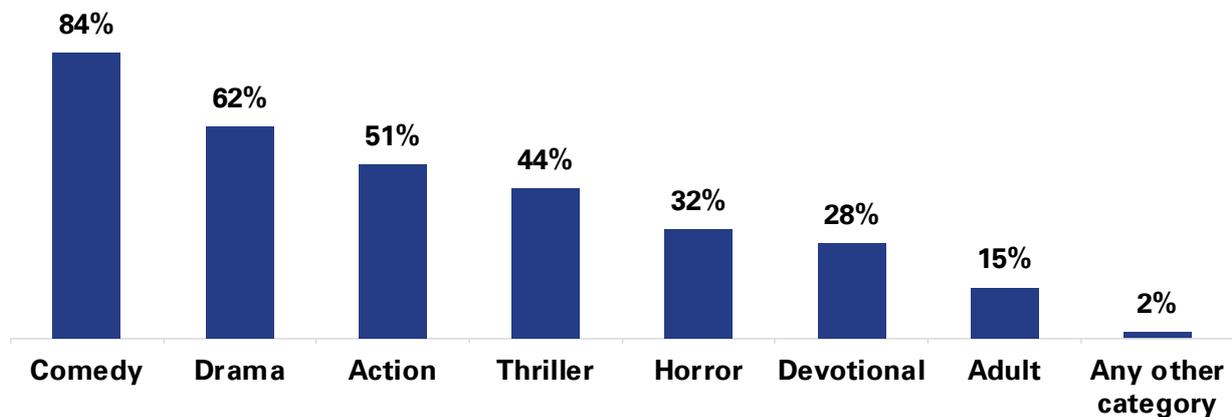


Comedy, drama and action are the trending content genres

When the survey respondents were asked about their genre preferences, it was observed that comedy dominated across age groups and geographies.

Survey results also revealed that viewers in metros had a higher penchant for action and horror compared to the others. Age-wise analysis of genre preferences also indicated that the proclivity for devotional and drama genres was increasing with age.

Genres of content watched (% of total respondents)





In which languages do Indians prefer online video?

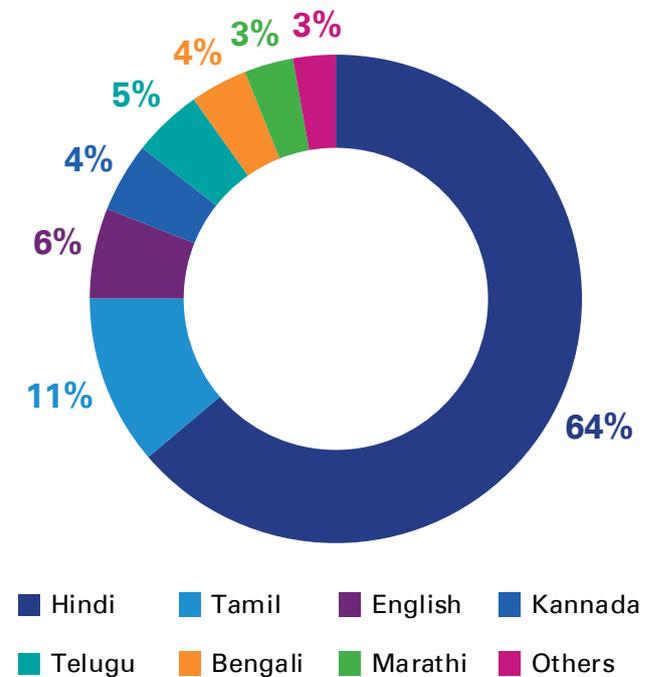
30% of the respondents prefer languages other than Hindi and English

With the internet and smartphone penetration in India reaching a critical mass, access to OTT platforms has become widespread across different cultures, regions, and languages. In order to cater to this wide audience base, platforms have been increasingly providing personalised content and experiences. One of the important aspects of this personalisation where the platforms have been investing heavily, is content creation in different Indian languages.

Our survey revealed that while Hindi dominated the online video consumption language preference with 64 per cent of the respondents alluding to the same, nearly 30 per cent of the overall respondents preferred consuming online video content in vernacular/regional languages. A significant 20 per cent of the preference was for South India based languages, clearly outlining the importance of South as an important market when it comes to content creation/market expansion decisions.

The preference for English was at 6 per cent, lower than the English speaking population in India, which is close to 12-13 per cent.

Language preference for online video consumption



One of reasons for the dominant preference of Hindi could be the supply of content, especially original content on online video platforms in the Hindi language. Currently, global platforms like Netflix and Amazon Prime Video have a large library of English originals, comparatively smaller library of Hindi content and a minimal presence in terms of regional content. However, India-specific platforms like Eros Now, Zee5, ALT Balaji etc. have a specific focus on Indian languages (Hindi and regional original content). Although on most of these platforms, dubbed content in regional languages is available, but the difference in content hours of native regional and Hindi originals is higher than 10X.

| Platforms | Originals (No. of hours) | |
|--------------------|--------------------------|----------|
| | Hindi | Regional |
| Zee5 | | |
| Amazon Prime Video | | |
| Eros Now | | |
| Hotstar | | |
| Alt Balaji | | |
| Netflix | | |
| Sony Liv | | |

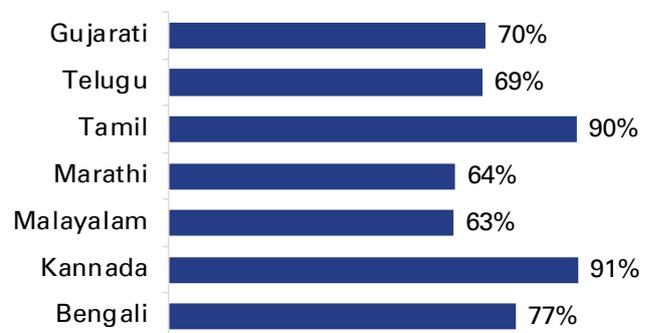
Source: KPMG Analysis for the period June 2018 to 14 June 2019



Regional language speakers have a clear affinity for content in their spoken tongue

While Hindi dominates at an overall level, interestingly the survey revealed that respondents displayed a strong penchant for content in the native, spoken language. For example, 90 per cent of the respondents speaking Tamil and Kannada language preferred content in their spoken language. Content preferences across other major language speakers such as Gujarati, Telugu, Bengali and Marathi were also found to be skewed towards their native language. This points to a large opportunity, waiting to be explored, for the online video players in terms of content creation and micro-targeting the demand that emanates from across the country.

% of language speakers preferring content in native language*



*Users whose top two language preferences for watching content includes their spoken language

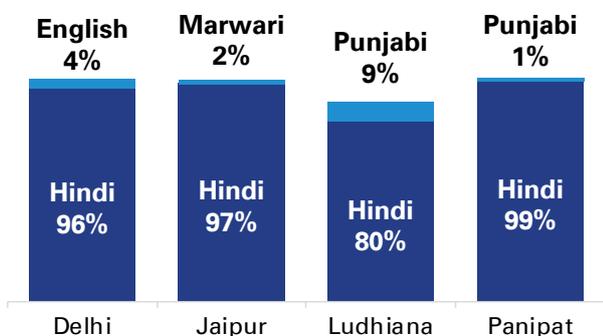
South Indian market is fiercely loyal to their native language; Hindi is highly relevant in East and West India

When the language preferences were analysed across different regions, it was observed that the Southern region had the strongest penchant for content in regional languages. In other regions, Hindi was largely preferred by respondents with regional languages gaining minority share. In West and East India, while the native language preference was important, Hindi was highly relevant. And as one would expect, the preference for Hindi was dominant in the northern regions.

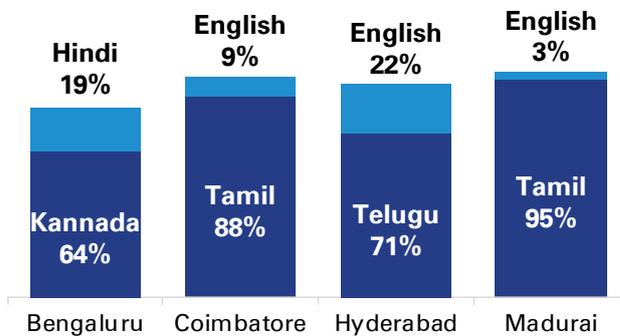
In three out of the four cities surveyed in South India, Hindi could not make it to the top two languages preferred by the respondents, signifying the strong demand for original content in South Indian languages. In fact, English got the second highest share of the most preferred language in these cities. In Hyderabad, this share was observed to be as high as 22 per cent probably due to the cosmopolitan nature of the working population.

Respondents most preferred language to watch online content

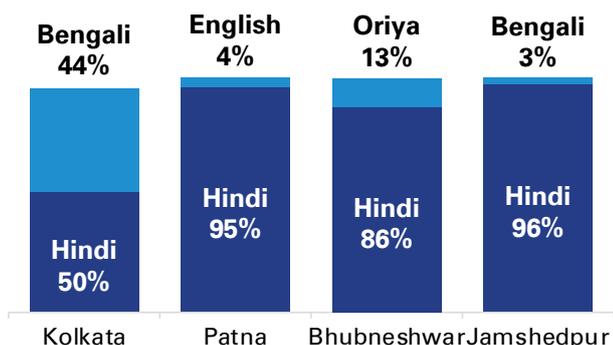
North



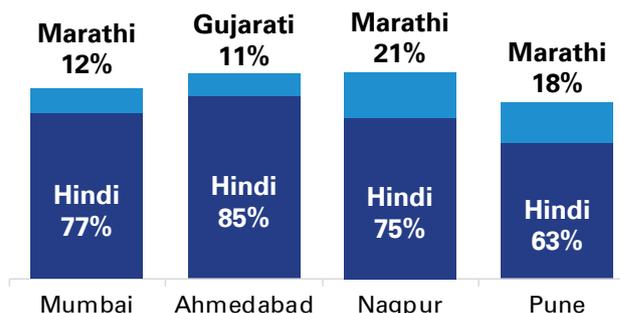
South

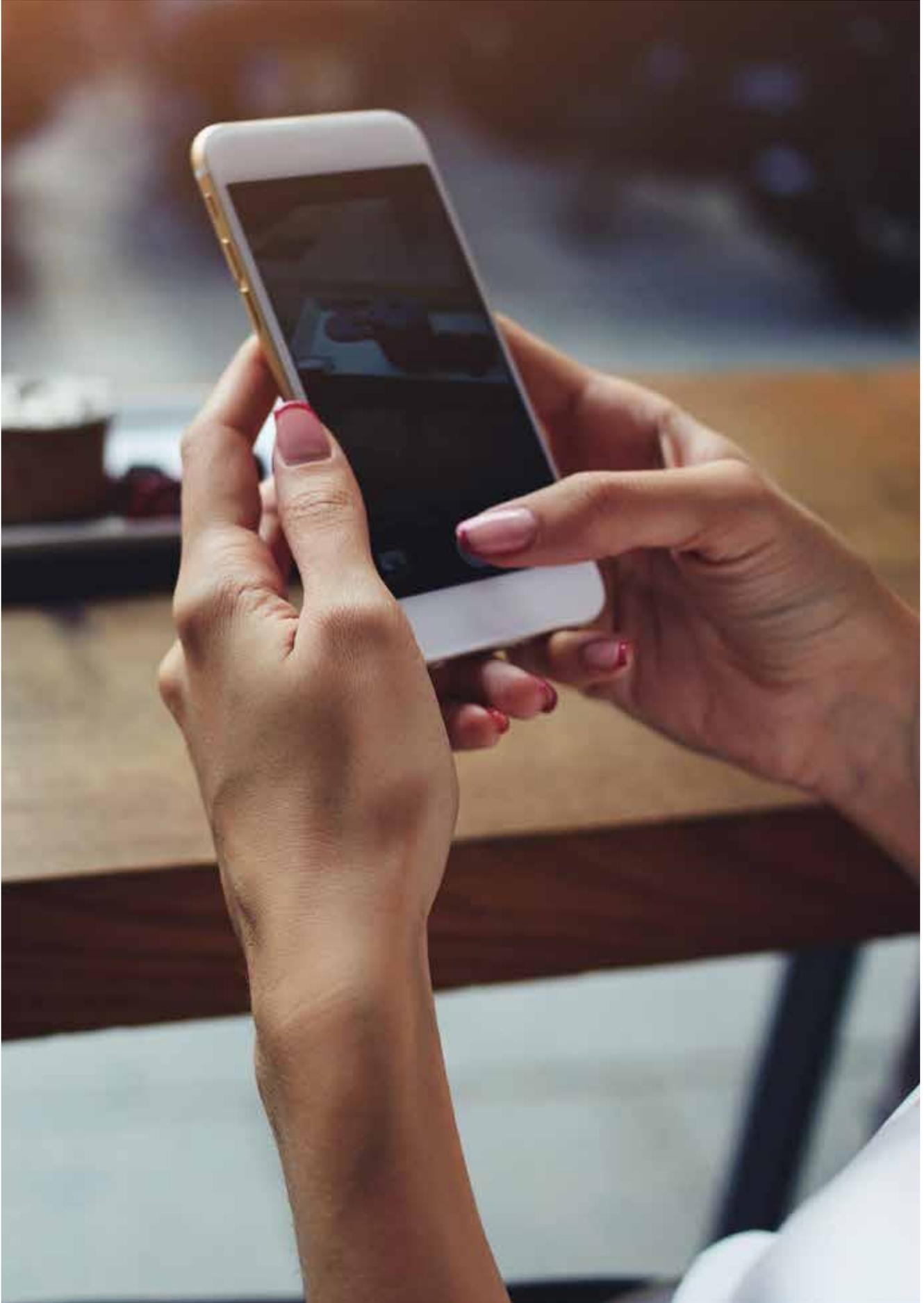


East



West





Where and when are the consumers watching online video?

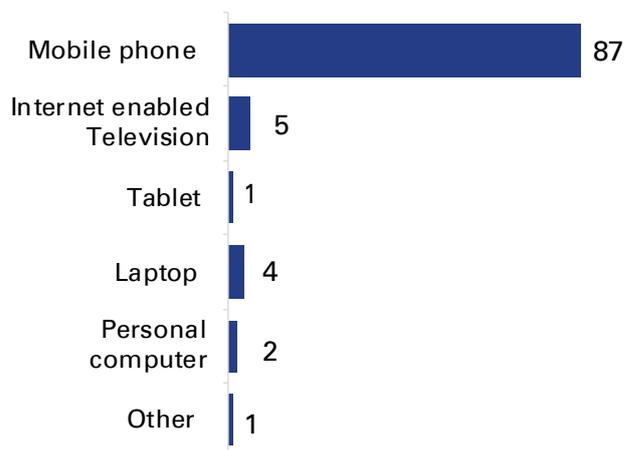
Mobile phones – the primary screens?

The proliferation of smartphones and smart feature phones in the country, coupled with affordable data have resulted in mobile phones becoming the dominant medium of online video consumption in India with wide-spread freedom of access.

Our survey highlighted what has been universally known, that 87 per cent of the daily time spent on online video by the respondents, is through the mobile phone. Interestingly, the second highest access device was the smart television, at 5 per cent of the online time spent, which outlines the affordability-led growth that smart TVs have been able to achieve in the market. In fact, the contribution of smart TVs doubles to 10 per cent for metro users, which bodes well for the democratisation of access of online video as well as potential for consumption of long form content on the larger screens.

As per the Counterpoint research on major OTT platforms in 2019, 27 per cent of Eros Now users watch content on Smart Televisions, which was the highest amongst all leading platforms. This viewership on Smart TVs points to the potential of movie consumption of large screens, with movies one of the major categories that are tailored to SVOD premium subscription businesses as well¹⁶.

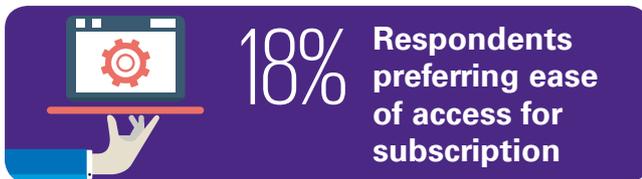
% of daily online video watching time (Overall)



16. Counterpoint Research's India OTT Video Content Market Consumer Survey, 2019

Anytime anywhere access driving adoption of video platforms

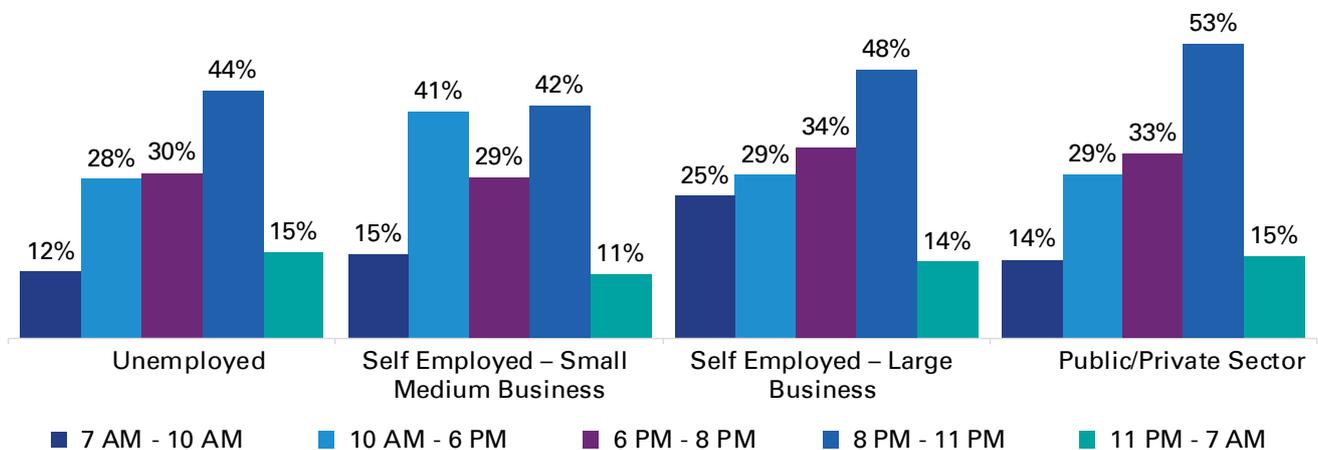
While the ubiquity of mobile devices, access to affordable mobile data has made it easy for users to access online video content at any place, and the user experience is amplified with video platforms adopting varied techniques like flexible video resolutions and offline viewing capabilities to provide a seamless experience to the user even when network speeds are fluctuating. The importance of this ease of access was evident in our survey with nearly 18 per cent of the respondents who paid for OTT doing so in order to get access to video at any place. This factor has greater significance in metro cities, owing to longer commute times, with nearly 30 per cent who subscribe paying to access videos at any place: making it one of the top three reasons for subscribing to OTT in metros.



Online videos are consumed throughout the day – even during office hours!

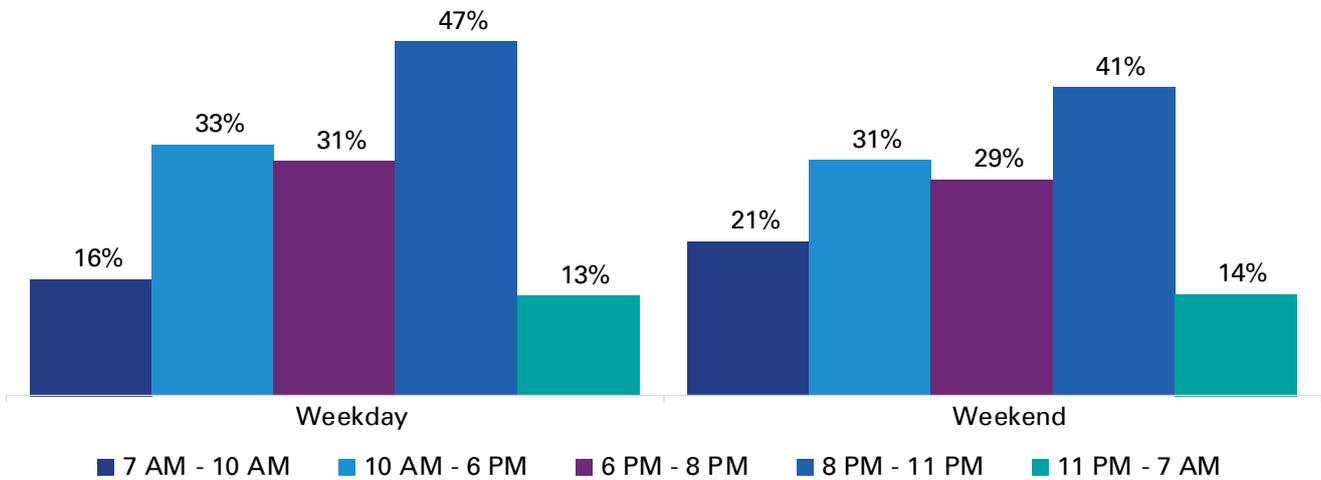
The flexibility of watching online video on smartphones has resulted in a relatively distributed content consumption pattern throughout the day. This was corroborated in our survey results when the time bands for online video consumption were analysed across respondents in different professions. It was observed that at least 12 per cent of the respondents in any profession watched online videos during morning commute time (7 a.m. – 10 a.m.). This number more than doubled for the evening commute time (6 p.m. – 8 p.m.) with more than 29 per cent respondents preferring this window. Contrary to common conceptions, it was also found that a significant chunk of users (more than 28 per cent of the respondents) watch video content during the traditional work hours (10 a.m. – 6 p.m.). With video consumption spreading out evenly across multiple time slots, online video platforms could look to maximise consumer engagement by having a content strategy that caters to consumer needs as per the time of the day.

Preferred time slots for online video consumption (across professions)



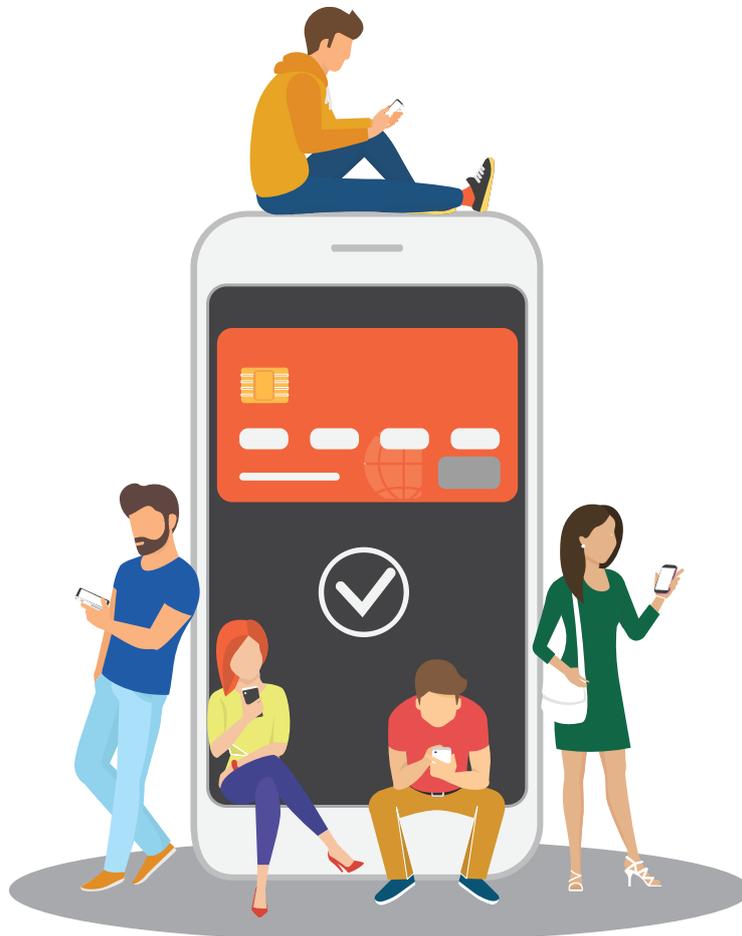
TV or OTT – prime time is here to stay

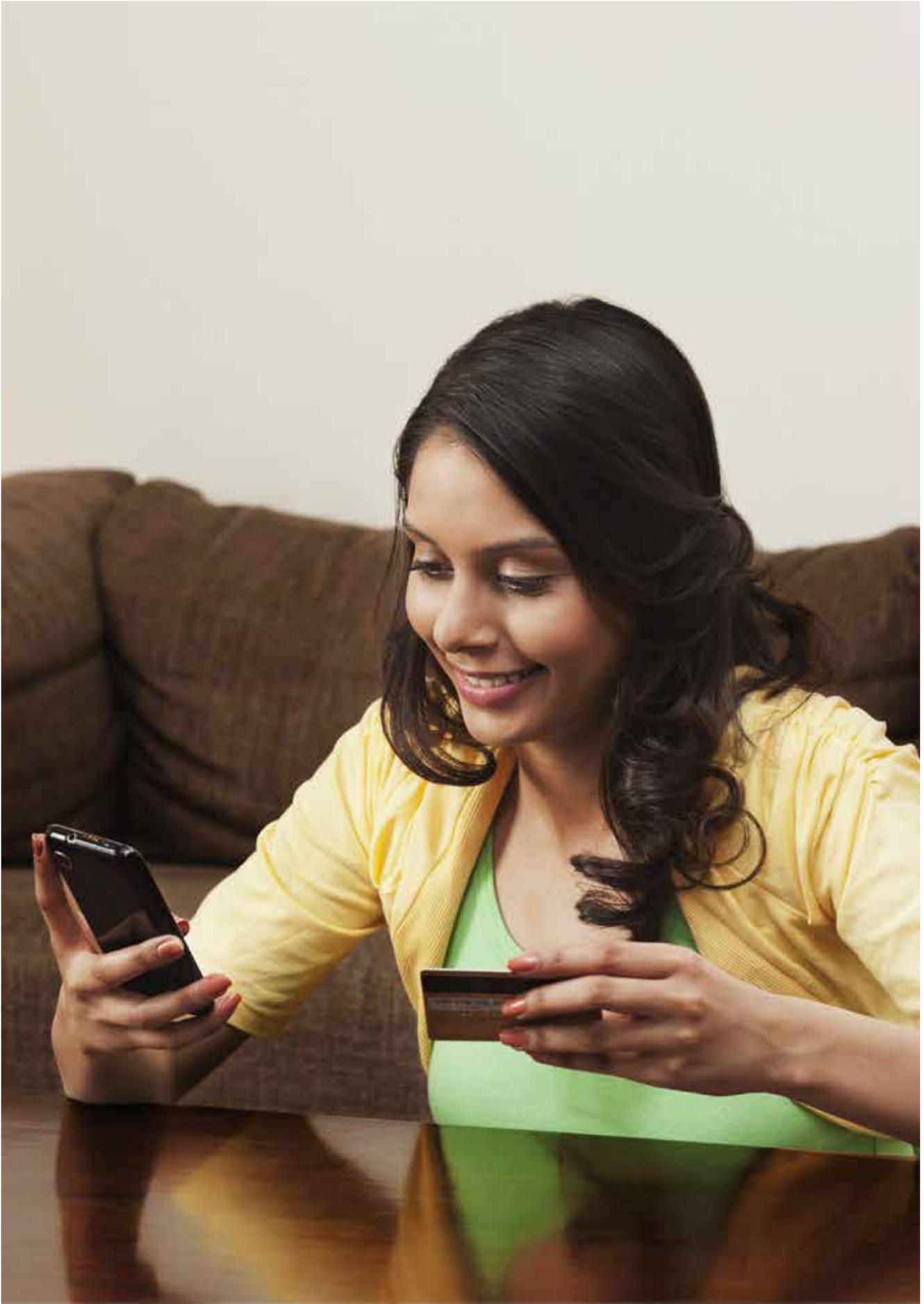
% of respondents across time periods (Overall)



In an appointment-viewing driven medium like TV, popular shows are aired in the evening window from 8 p.m. to 11 p.m. and compete for viewership among each other. While the emergence of OTT platforms has ensured consumers can watch their favourite shows/content in a non-linear fashion, the most

desired time slot for entertainment (online video) remains the same. This was evident in our survey results, which indicated that more than 40 per cent respondents preferred the 8 p.m. - 11 p.m. time band for online video consumption on both weekdays and weekends.





How is online video content being distributed?

3 out of 10 respondents viewed online video content on telco platforms

Since late 2016, when the impetus on 4G services picked up steam, content has become increasingly important for telcos across the board. In a bid to keep users locked in to their ecosystem, telcos have been partnering with multiple online video platforms (both AVOD and SVOD), with diverse content offerings ranging from Live TV to sports to digital originals. For online video platforms as well, telcos act as important distribution outlets to ensure their content reaches a critical mass of users, with minimal spends on own customer acquisition costs.

The importance of telcos as a distribution medium was evident in our survey, with 3 out of 10 users watching online video content on telco platforms, either solely or in conjunction with standalone online video platforms. Amongst the telco platforms, Jio TV saw the highest usage amongst respondents with Airtel TV a distant second.

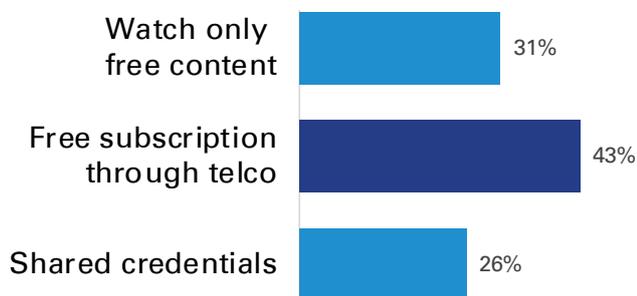


The primary/determining factor for usage of telco apps was found to be the availability of 'Live Television' on these apps, with 56 per cent of Jio TV users and 37 per cent of Airtel TV users, amongst the respondents, alluding to the same. The importance of original content was also evident with close to 32 per cent of respondents for both Jio TV and Airtel TV mentioning it as one of the factors for them choosing the said platforms.

Telco platforms are key distribution partners for some OTT platforms

The availability of diverse content offerings on telco platforms has meant that users can view content behind the paywall, through these telco apps without having to subscribe for it separately. Our survey results revealed that of the respondents who view SVOD content but don't pay for it, nearly 43 per cent have access to the said content through telco apps. Although the telcos are recovering some form of content cost from users, through the bundled voice, data and content plans that are on offer in the market.

SVOD consumers who don't subscribe to paid OTT

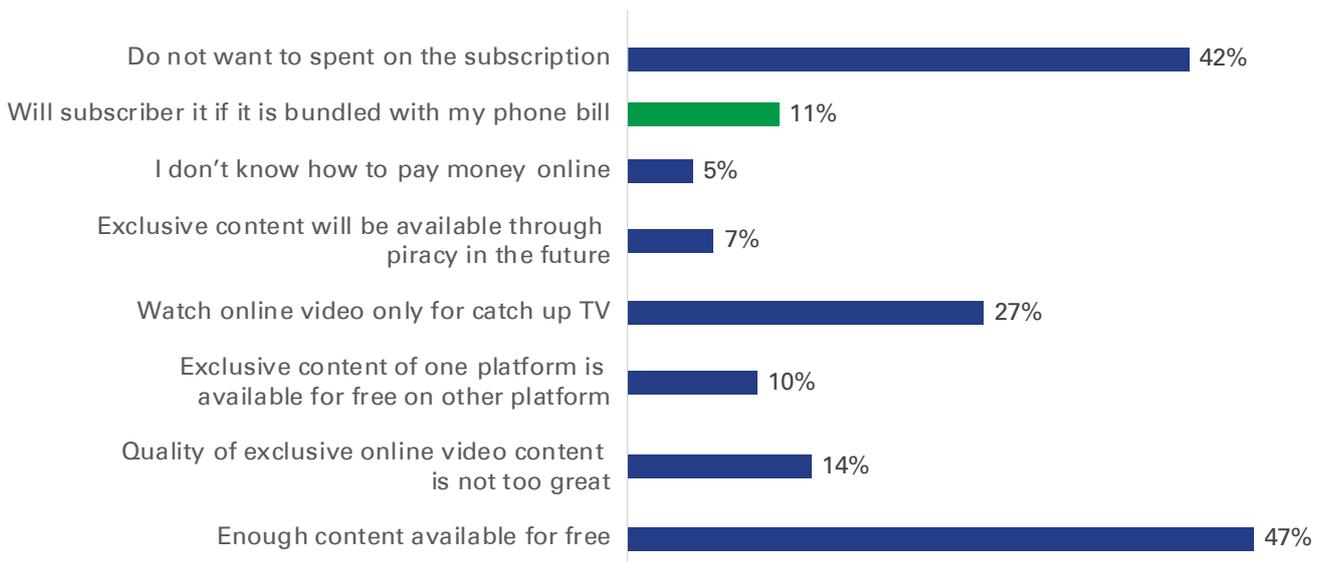


While nearly every OTT platform in India has capitalised on the reach of the telco distribution to maximise their audience, there are some platforms who have established a significant viewership base on the telco platform through the distribution partnerships. Eros Now and Zee5 are SVOD platforms which have amongst the largest width of telco partnerships in the Indian OTT ecosystem.

Telco billing may assist growth in direct subscription

Among the 34 per cent of respondents in metros who don't subscribe to SVOD content, a majority of them don't feel the need for subscription as they feel enough content is available for free or they simply don't want to spend money on online video. Interestingly, nearly one out of 10 users said that they would subscribe to SVOD platforms if their online video subscription was bundled with their telco bill. Recent efforts by telcos like Airtel and Vodafone Idea, having preview offers of SVOD platforms as a part of their premium postpaid offerings, eventually transitioning to a carrier billing-based subscription, reinforce the above findings.

Reasons of AVOD users in metros for not subscribing



Content is the proverbial 'king'

The key component for the success of an online video platform is the availability of content that resonates well with the audience. Both the quality and quantity of the content is extremely important to attract and retain customers on any online video platform. Our survey reaffirmed the critical nature of content, with it being the primary factor for nearly 87 per cent of the respondents, when it came to installing an online video app.



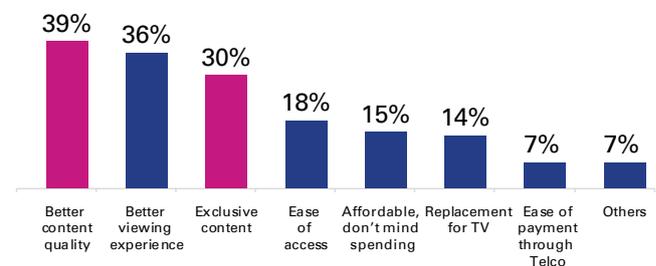
87%

Respondents install app for new content

Quality and exclusivity of content amongst the top reasons for SVOD subscriptions

Expectedly, content played the most crucial role when it came to respondents actually subscribing to a paid online video platform. 'Content quality' and 'content exclusivity on the platform' were amongst the top three reasons for respondents paying money for an online video platform. The same outlines the importance that exclusive, high quality, tent-pole content has in terms of attracting users to platforms.

Reasons for subscribing to OTT platform (% of total respondents)



A superior viewing experience and alternative to TV also important reasons for SVOD subscriptions

A superior viewing experience on paid online video platforms was observed as the second most important reason for subscription. The fact that most SVOD platforms provide an ad-free subscription experience could be one of the important determinants for a superior experience. The backend technology stack also plays an important role in the user experience from customer journey, predictive search functionality, minimum clicks to access their favorite video, load and buffering time to recommendation engines.

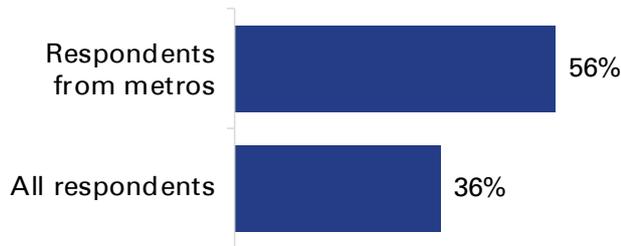
Further, a relatively small, but not insignificant ~14 per cent of the respondents considered subscription

to online video platforms as an alternative to TV subscription. This is an important aspect which points to a future threat of cord cutting/shaving in the country.

As per the Counterpoint research on major OTT platforms in 2019, 9% of Eros Now users spent more than 21 hours/week on watching online content, which was the highest amongst all major platforms. One of the factors aiding this engagement could be the quality of the Eros Now product and customer experience across device forms¹⁷.

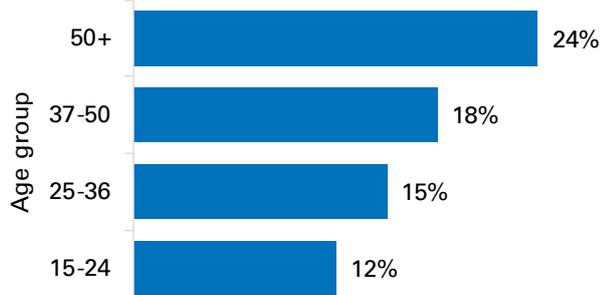
The above reasons for OTT subscription, when analysed across various aspects revealed the following:-

Better viewing experience



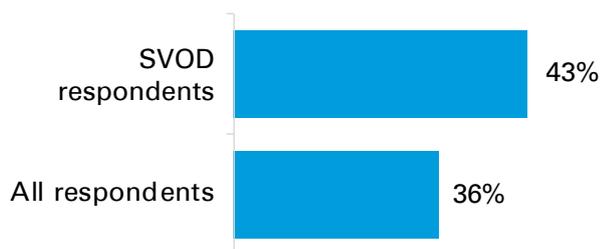
While quality of content remains the most important factor for respondents in Tier 1/2 cities, viewing experience had the highest importance amongst respondents in metros

Affordable, don't mind spending



The affordability factor for subscribing to online video content was found to be progressively increasing with age. The affordability can be deduced to be a function of increasing disposable income with increasing age

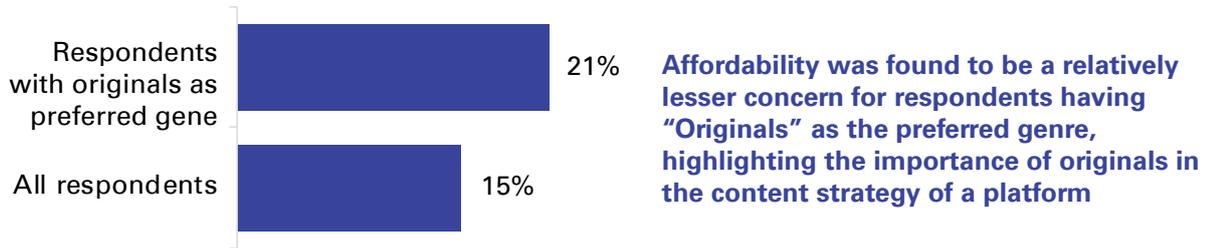
Better viewing experience



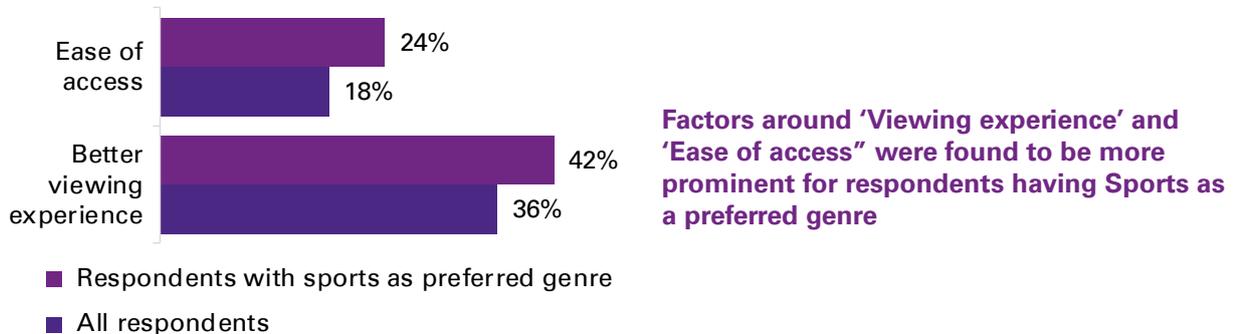
A superior ad-free viewing experience was found to be the most important factor for respondents with paid subscriptions, rather than content. The same again outlines the importance of the overall experience that a platform provides to a paid user.

17. Counterpoint Research's India OTT Video Content Market Consumer Survey, 2019

Affordable, don't mind spending



Sports as a preferred genre

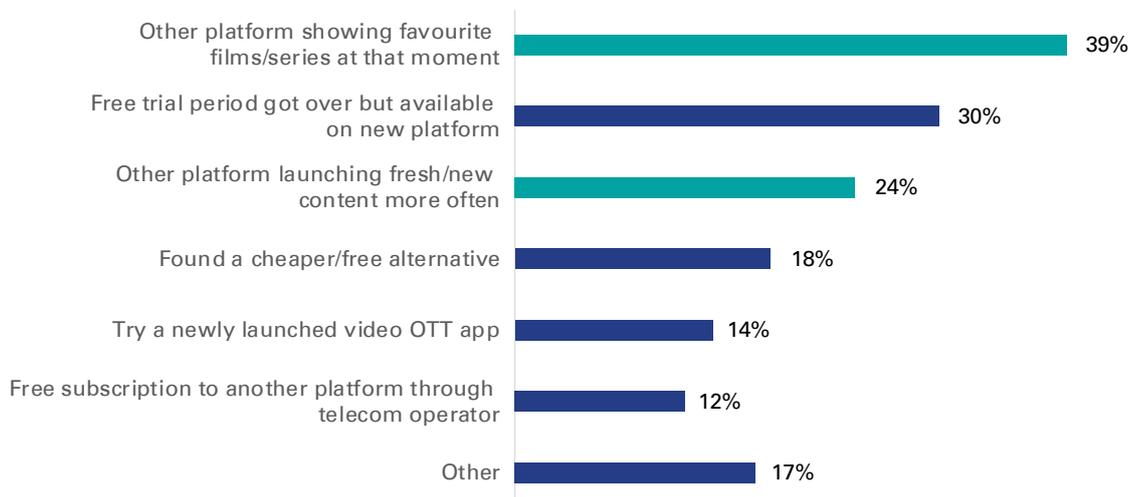


Switching between online video platforms? Content rules again

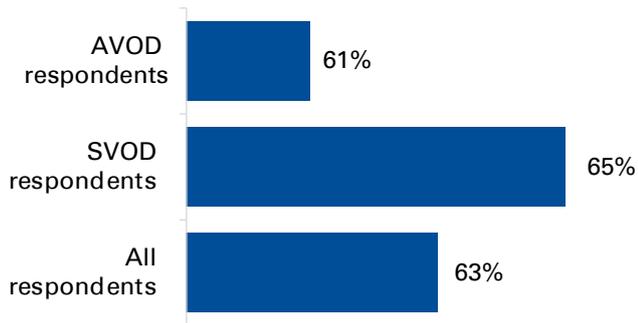
Content was found to be among the most important factors for switching between online video platforms by respondents. The primary reason for switching platforms was 'Favorite content on other platform at that particular time', with 'content freshness' being the third most important factor. This signifies the importance of hook-based/tent-pole content which

could prompt users to switch platforms, making it pertinent for a platform to upgrade its library with fresh content regularly to keep attracting and retaining users. Although, the second and the fourth most important reasons were related to monetary benefits, however, given the predominance of content freshness and quality, pricing does not seem to be the primary factor in decision making when it comes to switching between platforms.

Reasons for switching to other platform (% of total respondents)



Importance of content quality



Importance of free trials

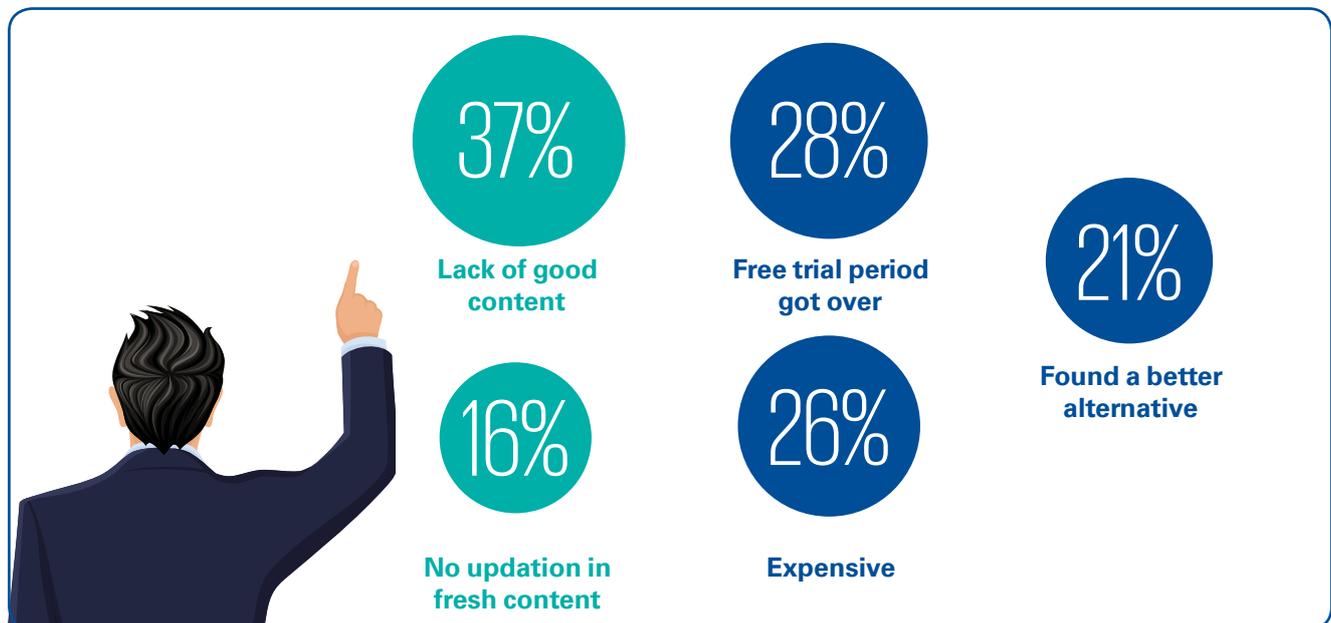


The switching behaviour, when analyzed across SVOD and AVOD users, outlined that SVOD users gave more importance to 'content quality and freshness' as compared to their AVOD counterparts. On the other hand, 'free trial period' as a factor was seen to be higher in AVOD users, highlighting their sampling behavior.

More than one-third of users unsubscribe from a platform due to lack of good content

When the reasons for unsubscribing from a platform were analysed, a majority of the respondents chose 'content quality' as the primary factor again, reaffirming the importance of compelling content as the primary driver for user retention.

Reasons for unsubscribing from OTT platform (% of total respondents)



Understanding the Indian SVOD subscriber

SVOD subscribers are deeply engaged with online video apps

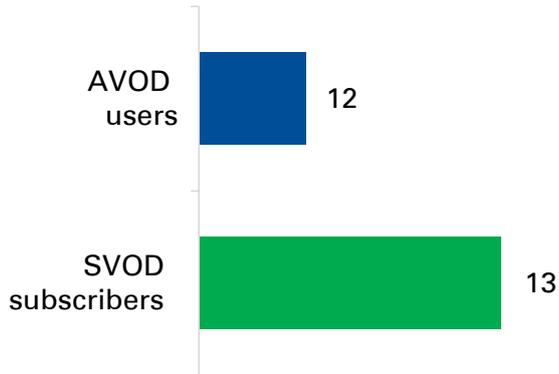
As consumption of video content continues to gain traction, subscriptions on online video platforms have also started to pick up over the last 12 to 18 months. As per our survey, a substantial 44 per cent of the respondents were paying for online video content.

That these are still early days for the online video market was evident in the survey results, with SVOD subscribers using about 2.7 online video apps on an average but paying only for one of those apps in a universe comprising more than 30 players, thereby leaving a lot of room for growth in terms of subscription revenues. Compared to the SVOD subscribers, AVOD users were found to use only 2.2 online video apps on an average, which suggests that SVOD subscribers are more deeply engaged with video platforms and tend to explore both free and paid platforms for their entertainment needs.

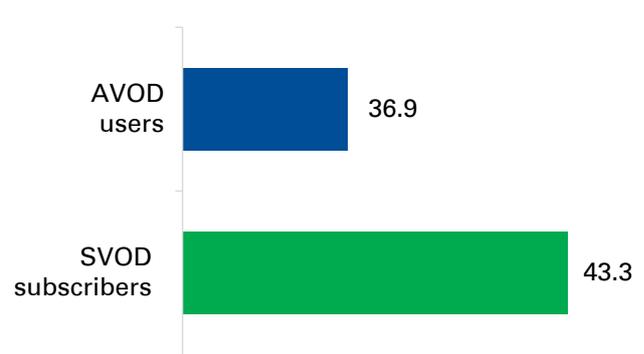
Subscription translates to higher video consumption

SVOD platforms, as per their value proposition and target customers, have diverse content offerings ranging from live sports, digital movie premieres and original shows to exclusives for their paying subscribers. In order to keep their existing customers engaged and attract new subscribers, SVOD players in the country have been consistently trying to add fresh and exclusive content on their platforms over the past few months with platform capabilities empowering offline viewing (through downloads of premium video content) as well as multi-screen consumption.

Frequency of online video consumption (times per week)



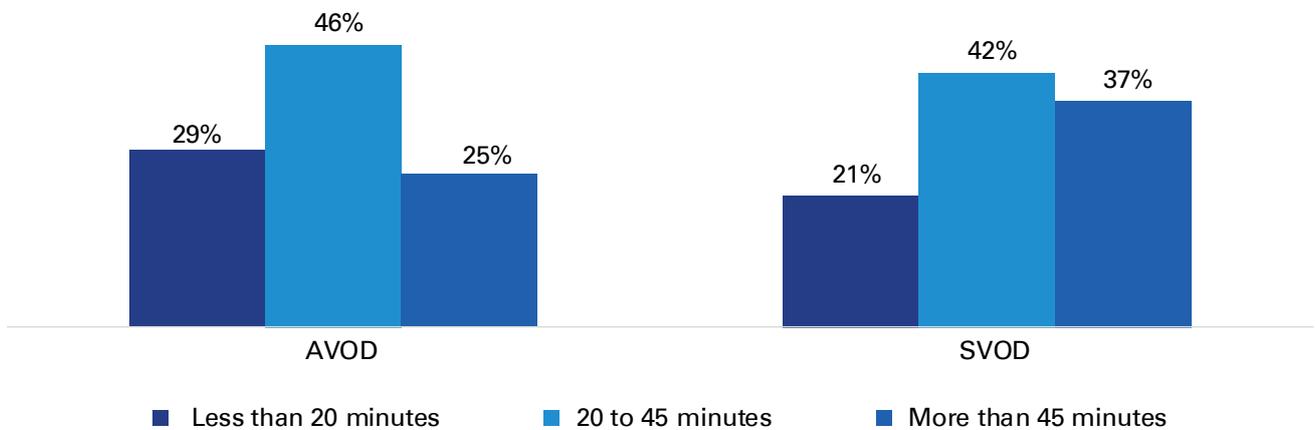
Average session duration (min)



This focus on innovation through fresh content and better user experience seems to be translating into higher consumption for SVOD users as suggested by the results from our survey.

While frequency of consumption for SVOD subscribers was found to be only marginally higher compared to AVOD users, more than 61 per cent of the SVOD respondents surveyed watched video content more than once a day.

Average session durations



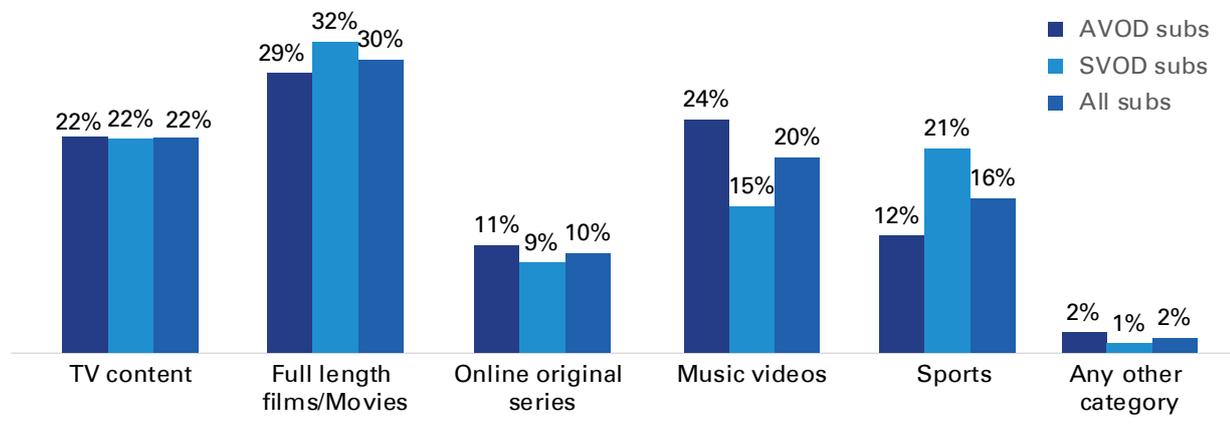
In addition, session durations for SVOD subscribers were found to be 43.3 minutes on an average, nearly 17 per cent more than that witnessed in AVOD users, suggesting that SVOD subscribers may have a penchant for long form content. This was corroborated by survey results pointing out that nearly 37 per cent of SVOD subscribers had average session duration of more than 45 minutes compared to only 25 per

cent of AVOD users falling in the same consumption bucket. These findings suggest that the consumer mindset to maximise value for money coupled with access to premium content (ad free or otherwise in case of live sports) in a timely and non-linear fashion are key reasons driving more frequent and higher video consumption in paid subscribers.

Preference for sports and non-linear viewing stands out among SVOD subscribers

While content category preferences among SVOD subscribers are similar to that of AVOD users, higher inclination towards sports stands out among the former.

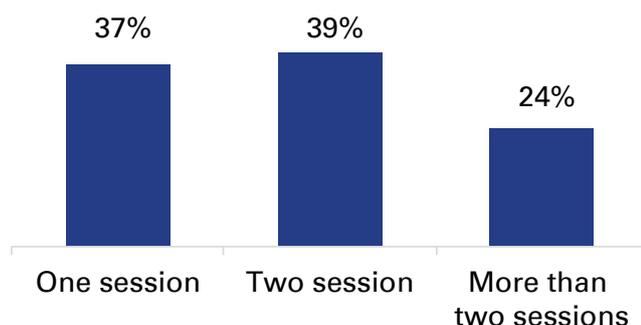
Content category preferences



With movies remaining the most popular content category across both SVOD and AVOD groups, 21 per cent of the SVOD subscribers surveyed preferred sports content against just 12 per cent in the case of AVOD users. Popular OTT platforms that have digital rights to popular sports properties have tried to exploit this penchant for sports and create suitable monetisation strategies with the availability of live sports placed at the heart of it.

To provide a seamless viewing experience, many online platforms allow users to watch content over multiple sessions without needing to remember where the earlier session ended. This capability coupled with the ability to watch offline (downloading of premium content is permitted on most paid subscriptions) has changed the way SVOD users watch movies. Our survey results revealed that a majority of SVOD subscribers, who prefer watching movies, consume it over multiple sessions with two sessions being the most common choice.

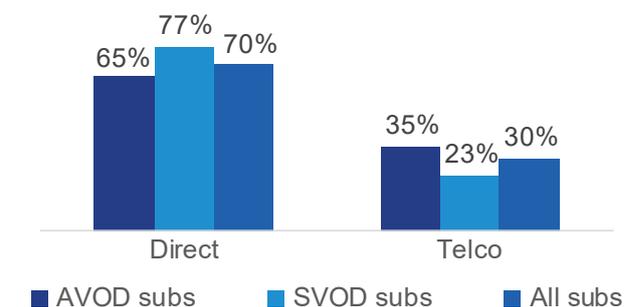
Movie watching pattern among SVOD subs preferring movies



77 per cent of SVOD subscribers consume content through direct subscriptions

While telcos have played a key role in empowering online video platforms with reach to a wide user base, our survey results pointed out that direct usage of the specific online video platform was preferred by SVOD respondents as compared to AVOD ones. As SVOD platforms that are also present on telco apps tend to reserve select content offerings and experience-related features (like ability to download, etc.) to their own app, SVOD users who can access similar/same content on both the telco and OTT platform app are likely to prefer direct consumption.

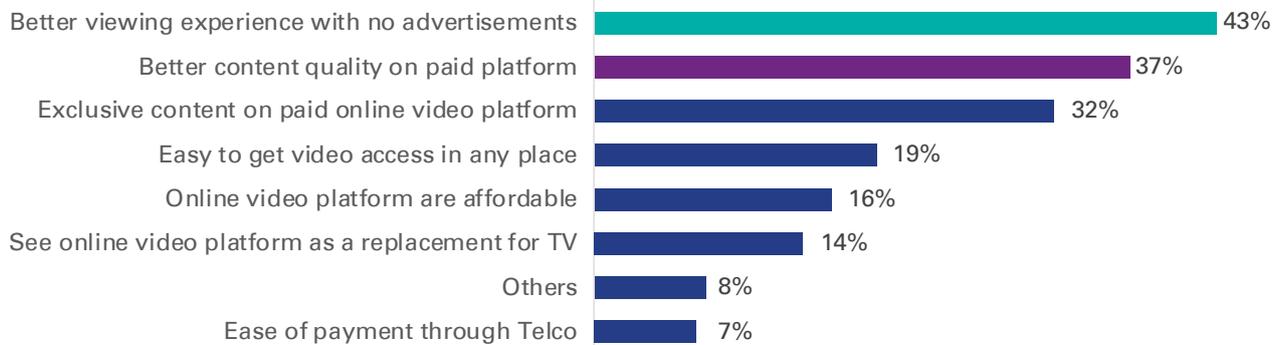
Content consumption preference



Ad free viewing and cash payments are important for SVOD users

Originals, besides becoming a buzz word in the video content industry, have attracted new audiences with their fresh and, at times, uninhibited appeal to story-telling.

Reasons of SVOD subscribers for paying



However, factors like an 'ad free viewing experience' and 'content quality' are extremely critical when it comes to offerings for paying subscribers. The importance of these was highlighted in the survey results as the top drivers of subscription were observed to be an 'ad free viewing experience' and 'better content quality on paid platforms', chosen by nearly 43 per cent and 37 per cent of the SVOD respondents, respectively. This trend in the Indian video market, which is still to mature in terms of monetisation, appears to hint that video platforms getting their basics right are likely to garner a large share of the subscription market.

Nineteen per cent of the SVOD respondents subscribe through cash

Most online video platforms that have a subscription offering in India permit payments only through the online medium. Among the notable exceptions to this trend are Hotstar and Hoichoi with their CoD (Cash on Delivery) and recharge card model respectively. While video platforms across the board have tapped into partnerships, especially with telcos, partnerships enabling cash payments are conspicuous by their absence.

In contrast to expectations, this doesn't seem to have stopped people from subscribing through cash payments with nearly 19 per cent of the SVOD respondents surveyed, paying for their online video services through cash. Adoption of an inclusive subscription strategy that enables cash payments and addresses leakages happening through middlemen acting on their own to exploit the gap in payment options may further propel subscription growth for SVOD platforms operating in India.

Consumer pricing of major SVOD platforms

| Subscription plans of key OTT players in India | | |
|--|-------------------|------------------|
| Player | Monthly Plan(INR) | Yearly Plan(INR) |
| Netflix | 500 | NA |
| Netflix (Mobile only) | 199 | NA |
| Amazon Prime Video | 129 | 999 |
| Hotstar VIP | NA | 365 |
| Hotstar | 299 | 999 |
| Zee5 | 99 | 999 |
| Sony LIV | 99 | 499 |
| Eros Now | 49 | 470 |
| Alt Balaji | 34* | 300 |
| Hoichoi | NA | 499 |
| Viu | 50^ | 599 |

Note: *Minimum three months plan, ^Minimum two months plan

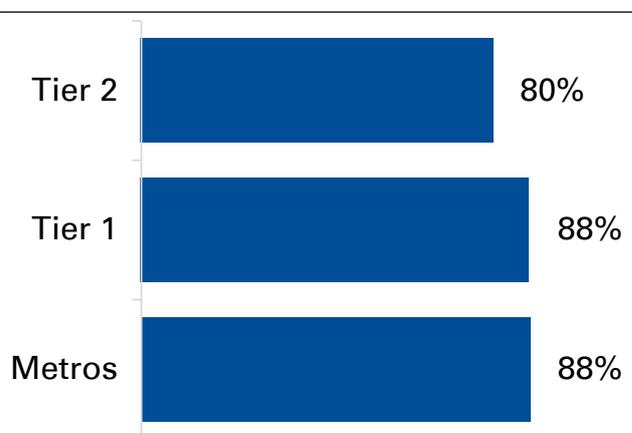
Given the fact that there is fast emerging base of mass consumers with access to digital infrastructure who are increasingly consuming content online, OTT platforms which appeal to a wide set of digital mainstream consumers with content in their languages, are likely to see traction in terms of subscription businesses going ahead. Further, with the price sensitive Indian consumer already habituated to low subscription prices with the monthly Cable and Satellite (C&S) ARPUs ranging between INR 220-250, the sweet spot for OTT subscription could be in the range of INR 40-100, given the increasing propensity of consumer to access content on more than one platform, as outlined earlier in the survey.

Is Cord cutting imminent?

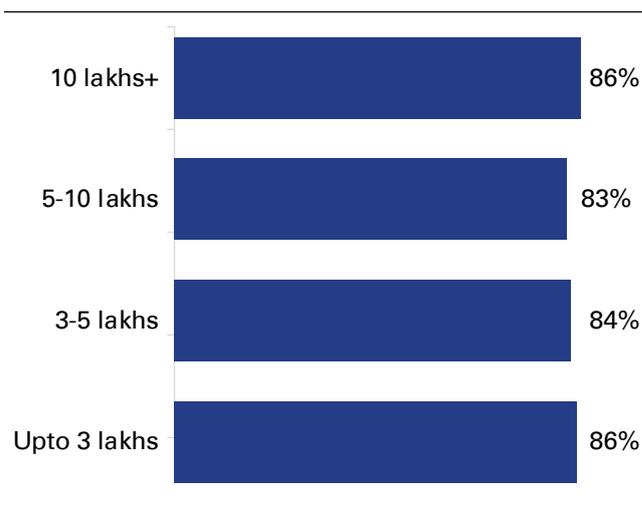
Entertainment needs of more than 80% respondents are fully met online!

The masses are beginning to recognise that online video can be a primary means to meet their entertainment needs. More than 80 per cent of the respondents across different city tiers and income brackets were able to fulfill their entertainment needs completely through online videos. The ubiquitous access of online videos along with diversity of content available could be the primary drivers behind such assertions made by the respondents.

% whose entertainment needs are fully met online



% whose entertainment needs are fully met online

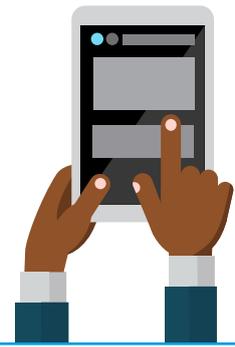


People are starting to seriously consider cord cutting as an option

Of the respondents who fulfill their entertainment needs completely through online videos, nearly 38 per cent of them mentioned about being open to cord cutting. While the intent to cut the cord may not actually translate into doing so eventually, more than a third of the respondents willing to actively consider it outlines the rapid growth that digital video has made, and the threat that traditional video distribution could face in the long run.

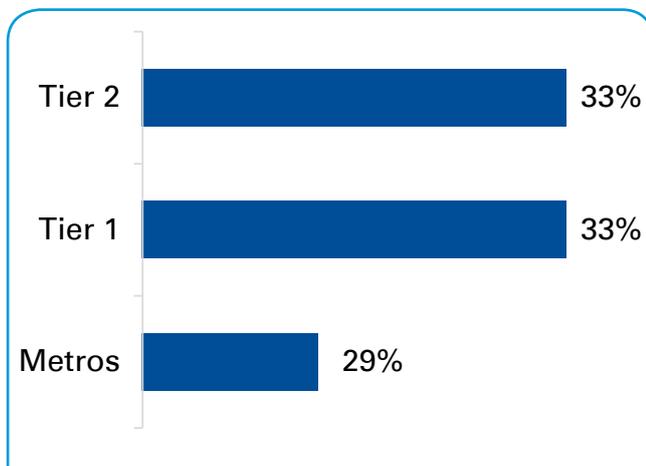
38%

Respondents considering cord cutting with entertainment needs completely met online



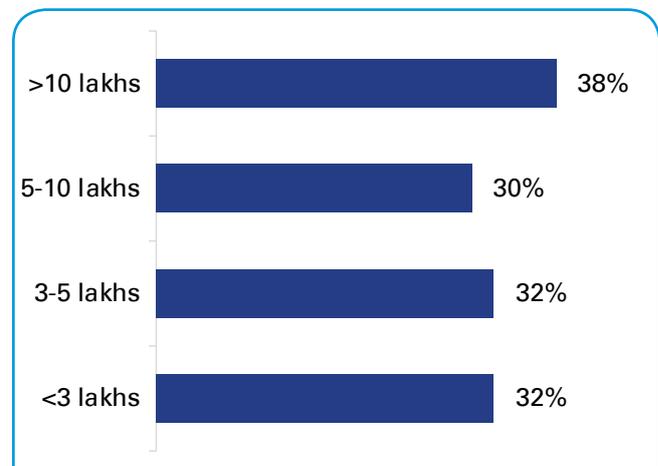
The data set for potential cord cutters, when analysed across city tiers, income brackets and age groups, revealed the following:

% considering cord cutting



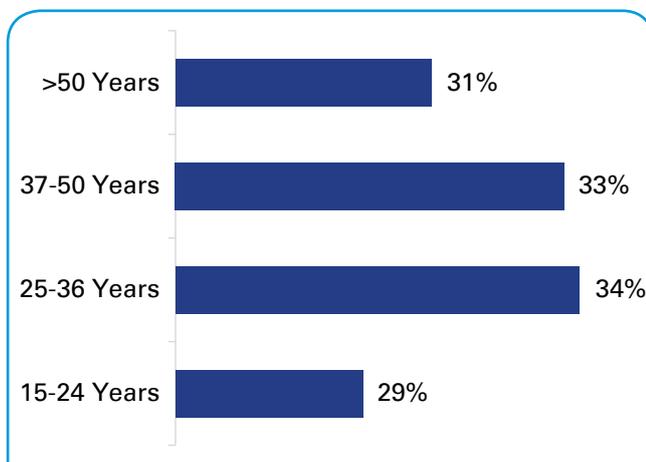
Respondents in Tier 1/2 cities were observed to have a somewhat higher propensity to cut the cord compared to those in metros

% considering cord cutting



While respondents in highest income bracket were found to have higher inclination towards cord cutting, nearly one-third of respondents earning <INR 5 lakh p.a. were also considering cutting the cord

% considering cord cutting

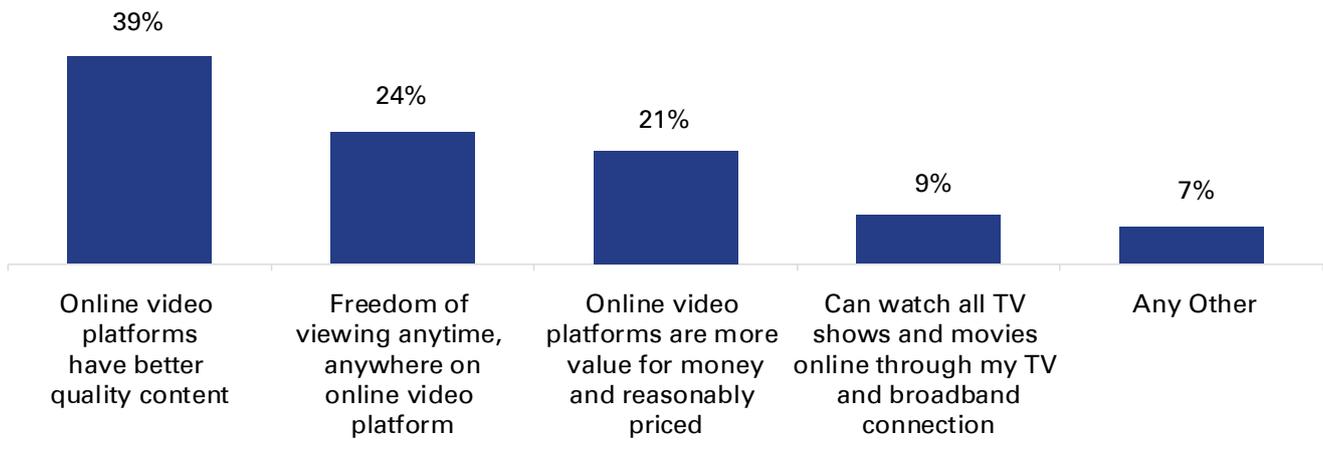


Nearly a third of the respondents in 25-50 years age group could be cutting the cord in the immediate future

The 'quality of content' available on online video platforms and the freedom of 'anytime, anywhere viewing' were the primary drivers of the intent behind cord cutting by a majority of the respondents, at 39 per cent and 24 per cent respectively. The same outlines the impact that a fresh approach to content and storytelling, can make on the viewers across the board.



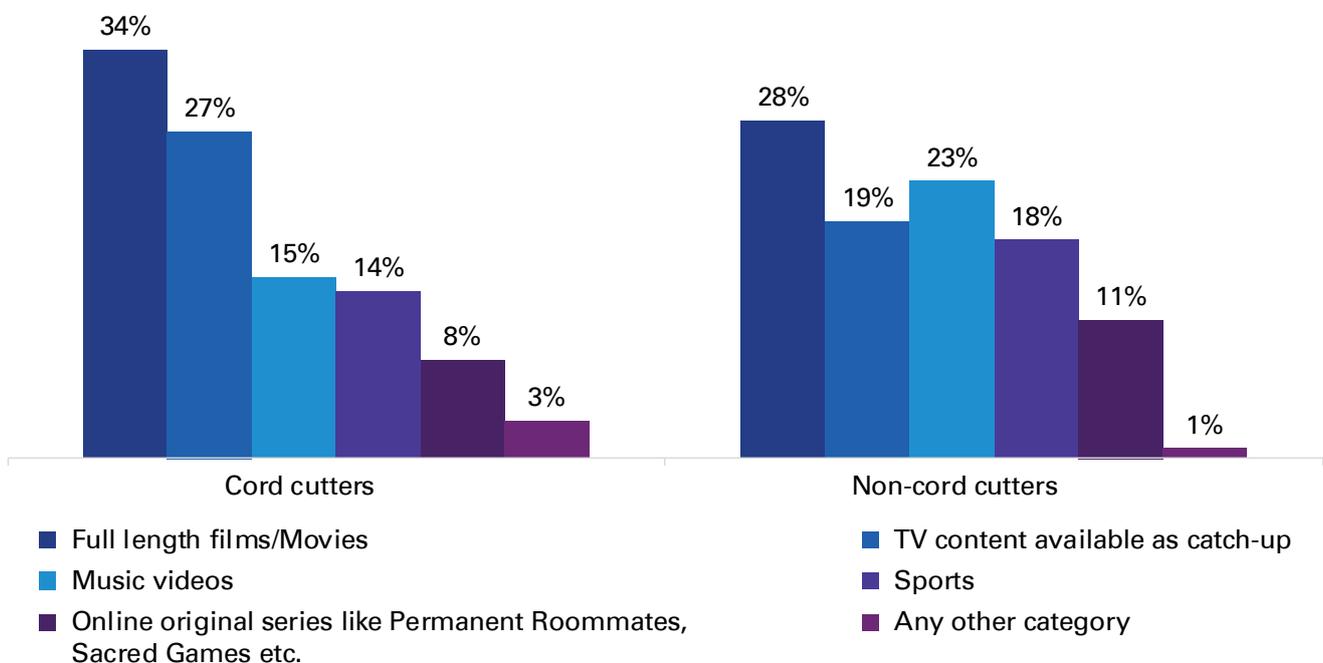
Most preferred reason for cord cutting (% of total respondents)



The content category preferences, when analysed for the potential cord cutters and non-cord cutters, revealed that for the cord cutters, movies and television content (catch up) were of primary importance, with the preference of originals being surprisingly lower than the non-cord cutters. This outlines the fact that the potential cord cutters are

probably not digital natives, but consumers who could look to online video for the ease it provides, while still remaining true to their traditional video choices. However, the lower preference of online originals amongst cord cutters could also be a function of the relatively low supply that originals suffer from currently in the market.

Most preferred category (Cord cutters vs. non-cord cutters)



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Business team:

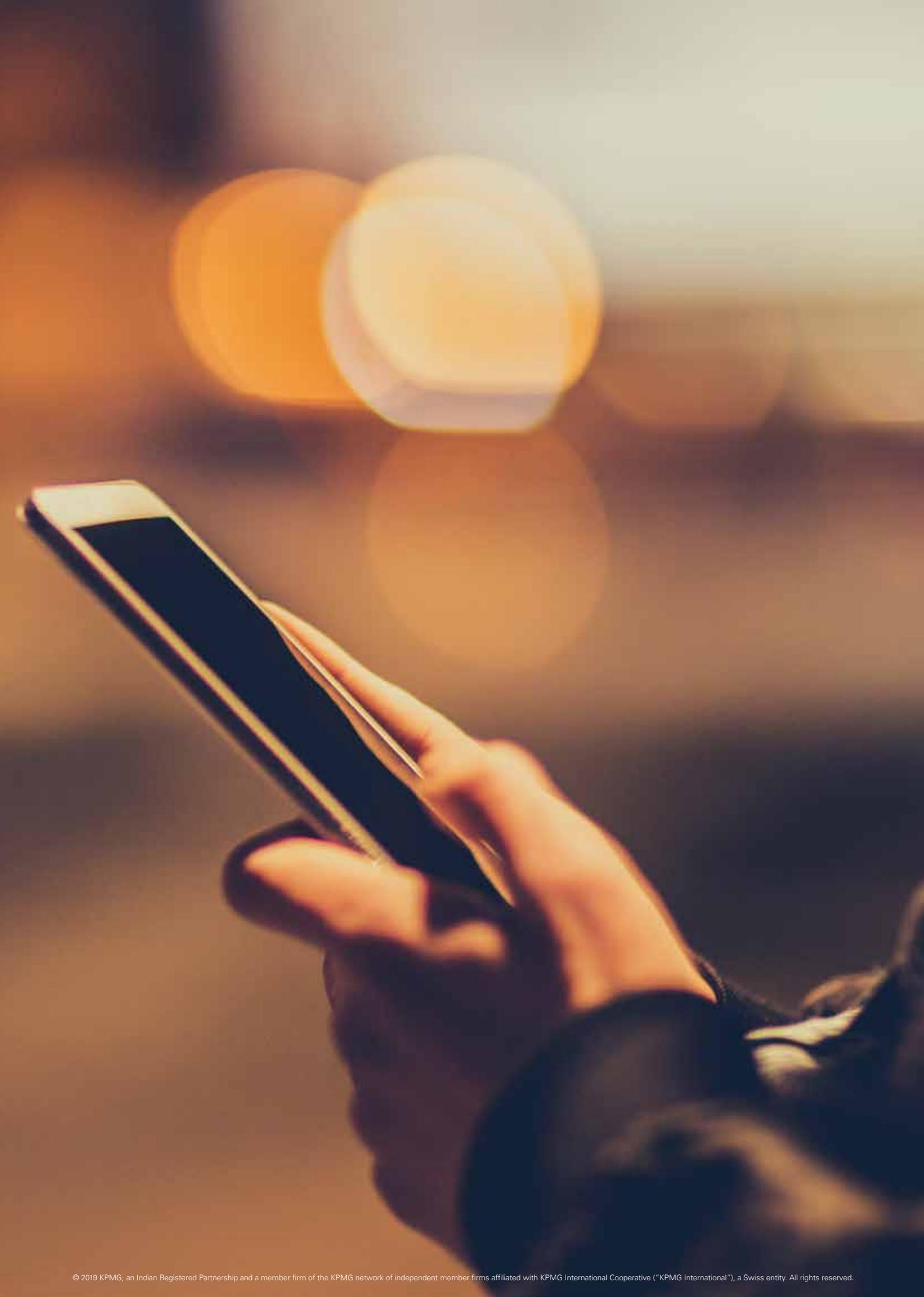
- Ankit Setia
- Arshia Mittal
- Maulik Shah
- Neha Pevekar
- Vibhor Gauba

Design and Compliance team:

- Rahil Uppal
- Rasesh Gajjar
- Sameer Hattangadi

Eros Now team:

- Akhil Yerawar
- Rajkunwar Patankar
- Upkar Singh Khubbar



KPMG in India contacts:

Nilaya Varma

Partner and Leader

Markets Enablement

T: +91 124 669 1000

E: nilaya@kpmg.com

Satya Easwaran

Partner and Head

Technology, Media and Telecom

T: +91 22 6134 9200

E: seaswaran@kpmg.com

Girish Menon

Partner and Head

Media and Entertainment

T: +91 22 6134 9200

E: gmenon@kpmg.com

home.kpmg/in

Eros Now contacts:

Rishika Lulla Singh

Chief Executive Officer

T: +91 22 6602 1656

E: rishika.lulla@erosnow.com

Ali Hussein

Chief Operating Officer

T: +91 22 6602 1656

E: ali.hussein@erosnow.com

www.erosnow.com

Creative First contacts:

Ranjan Singh

Creative First

T: +91 9867673342

E: ranjan@taxifilms.in

#KPMG josh

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