NETFLIX - BABY STEPS ON INDIAN SOIL

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Abstract:

In India, a large chunk of young enthusiasts and video content consumers have started subscribing to online video content sites/apps. Slowly and steadily the trend of small screen viewing has evolved along with availability of high speed internet. Again, Indian consumers are generally attracted towards free trial accounts, and companies like Netflix, Hotstar, Prime videos have plunged in the ocean of opportunities in the Indian media & entertainment industry.

SVOD (Subscription Video on demand) gained high popularity in USA and Canada when people got used to getting rid of purchasing and renting movie DVDs. There are opportunities lying ahead of Netflix to come up with video content which relates to Indian video content consumers who are eagerly waiting for content which relates. And there is a risk by providing the same content which is being provided globally to Indian consumers. Lastly a question arises, Netflix Originals video content has gained high popularity in USA and Canada, will it work in India too? It shall be investigated and answered in the research paper.

Later, the researcher shall gather opinions of media persons and other relevant stakeholders through secondary data collection to get a fair picture of future potential opportunities for the Netflix to attract subscriber base in Indian media and entertainment seekers.

Introduction:

Today, you are witnessing the birth of a new global Internet [television] network. With this launch, consumers around the world—from Singapore to St. Petersburg, from San Francisco to Sao Paolo—will be able to enjoy . . . shows and movies simultaneously: no more waiting. With the help of the Internet, we are putting power in consumers' hands to watch whenever, wherever, and on whatever device. (Center, 2016)

On Jan 6, 2016, Netflix announced that they will add 130 countries to its list of countries – earlier it comprised of 60 countries; the new list also included India. The Cellular Operators Association of India (COAI) has released the latest mobile subscriber numbers for the month ending August 2017. According to the data, telecom service providers had a combined total of 948.54 million subscribers by the end of August 2017, down from 954.95 million in July 2017. (Desk, 2017)

Initially India was expecting to contain an Internet subscriber base of 500 million, with 60 per cent of these users accessing online content through smartphones by end of 2016. Due to low broadband penetration and a poor Internet infrastructure, the younger generation in India was comfortably watching video content on smartphones than on computers or televisions (as was more common among Western consumers). (K@W, 2016)

However, in 2016, six months after Netflix's launched in India, (in the initial stage, the buzz for Netflix subsided), they faced a major question "Would the company be able to face the challenge and meet the expectations of Indian consumers? (Indian market is seasoned enough to adopt a more sophisticated model of subscription video on demand (SVOD)? What steps can be taken by Netflix to penetrate in a market which was grappling with infrastructure problems and low internet penetration?

Numerous problems were faced by Netflix in India; and opportunities in this lucrative market were undeniable. The company's management had to think carefully about establishing their presence.

PRESENCE OF SVOD IN INDIA MARKETS

In 2016, SVOD in India, was relatively a new concept. There was a high popularity about SVOD services with the launch of Hotstar and Eros Now. In the early stage all these players offered free services since the industry was in a very nascent stage. Another popular SVOD provider in India was HOOQ, a video on demand streaming service. It is a joint-venture of Sony Pictures Entertainment, Warner Bros. and Singtel. **HOOQ** is Asia's first premium video-on-demand service to launch across the South East Asia and India. It is a start-up that provided access to over 15,000 movies and TV shows across genres and languages.

Revenue in the "Video Streaming (SVOD)" segment amounts to US$19m in 2017, (X-RATES, 2017) Revenue is expected to show an annual growth rate (CAGR 2017-2022) of 48.4 % resulting in a market volume of US$138m in 2022. (Portal, 2017)

Although high-speed connectivity was expected to reach 622 million mobile broadband subscriptions by 2021, SVOD revenues in India were expected to amount to only $125 million in 2021—less than 2 per cent of the country's projected subscription revenue for pay TV. (Asia, 2016)

Star, India's biggest broadcaster, has unveiled its first paid-for tier for its streaming service Hotstar, offering HBO's original dramas uncut, including simultaneous access for new releases, for Rs199 (US$3) per month. User penetration was expected to grow from 0.57 per cent in 2016 to 0.86 per cent in 2020, and the number of users was expected to grow to 8.5 million by 2020.

INDIA's MARKET TRENDS AND CONSUMER PREFERENCES

By 2015, close to half of total mobile data traffic was expected to be consumed via video content. Experts estimated a CAGR of 83 per cent for over-the-top (OTT) video content demand in the country in the following

five years. (CXOtoday, 2016). This estimation was propelled by the changing pattern of media consumption in India.

Increase in digital video consumption is not at all affecting TV viewership in India. However, there were small fluctuations in trends regarding the different online media consumption formats (namely episodes, short format content, news, online interaction, films and educational content. (Ernst & Young, 2016)

In March 2011, there were 31.9 million unique online video viewers in India, who watched 1.86 billion videos in total. By March 2013, the number of online video viewers increased by 69 per cent to 54 million, and the number of videos viewed amounted to 3.7 billion. By end of 2016, India will have more than 300 million smartphones. Cheap smartphones and the rollout of 3G and 4G broadband infrastructure are rapidly coming together to leapfrog traditional distribution and democratize online access. Together, these factors are the foundations for accelerated digital media adoption. Facebook's first four years in India netted it 50 million users, the same amount of time it took to hit that milestone in the rest of the world. (Ernst & Young, 2016)

By 2020, the digital video subscription market was expected to comprise 35–40 billion users, with a monthly average revenue per user of 60 per cent and approximately 10 per cent paid penetration among online video users (elaborated in Exhibit 1). (Gavane, 2014)

EXHIBIT 1: AVERAGE NUMBER OF ONLINE VIDEOS VIEWED PER VIEWER IN INDIA, BY AGE GROUP (JULY 2014)

MILLENNIALS form over 75% of the video viewers

Source: comScore Video Metrix, July 2014
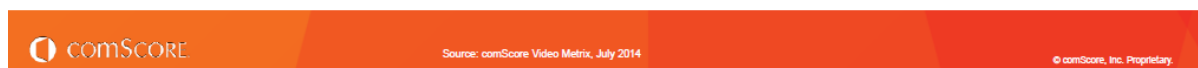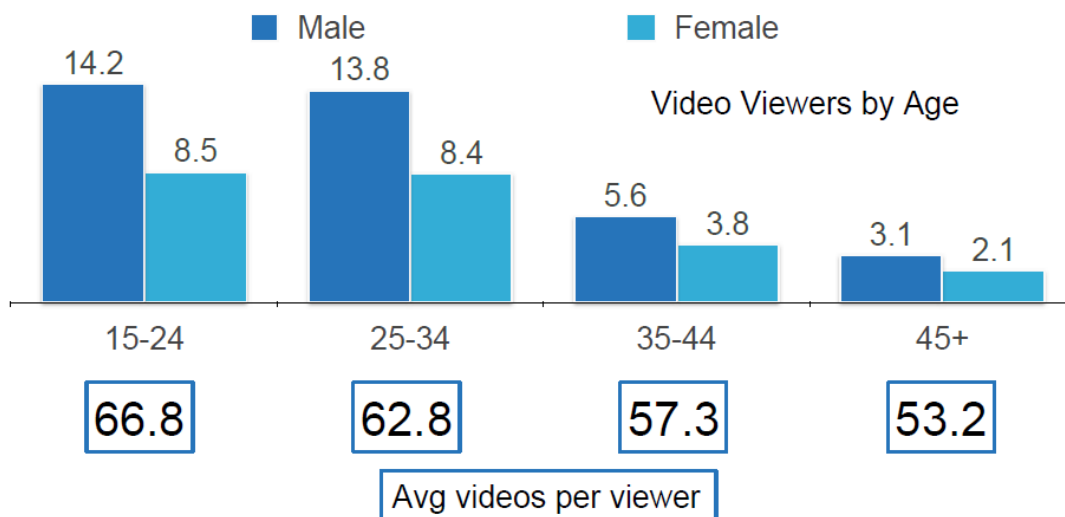
Studies have been made globally and it is observed that there is a linear relationship between the bandwidth (internet speed) and video content consumption by consumers. Most video content was accessed through

smartphones (elaborated in Exhibit 2). 55% of the viewers in India have moved to smartphones as stated in The Global Video Insights Report released by Vuclip.7 Mobile network usage is taking over broadband. Global Video Service and Consumption report for Q1 2016 states that an average person checks his or her smartphone 85 times a day. Smartphones have evolved over the years and so has the way of interaction of the users with their device. According to Internet and Mobile Association in India (IMAI), the Internet user base will cross 500 million by 2018, with rural Internet users being nearly 210 million. (LLP, 2017)

EXHIBIT 2: RELATIONSHIP BETWEEN INTERNET SPEED AND VIDEO CONSUMPTION

EXHIBIT 2.1: INTERNET SPEED (Fixed broadband speeds (in Mbps), 2016–2021)

Region	2016	2017	2018	2019	2020	2021	CAGR
Global	27.5	39.0	42.3	47.9	50.4	53.0	14%
Asia Pacific	33.9	46.2	49.8	56.4	59.4	63.7	13%
Latin America	9.3	11.7	13.6	15.0	17.6	20.5	17%
North America	32.9	43.2	51.0	57.5	65.0	74.2	18%
Western Europe	30.2	37.9	40.7	46.9	49.3	53.6	12%
Central and Eastern Europe	29.2	32.8	36.0	39.0	41.6	45.5	9%
Middle East and Africa	29.3	39.0	46.0	51.6	59.2	67.4	18%

Source: (VNI, 2017)

EXHIBIT 2.2 VIEWERSHIP (PIE CHART)
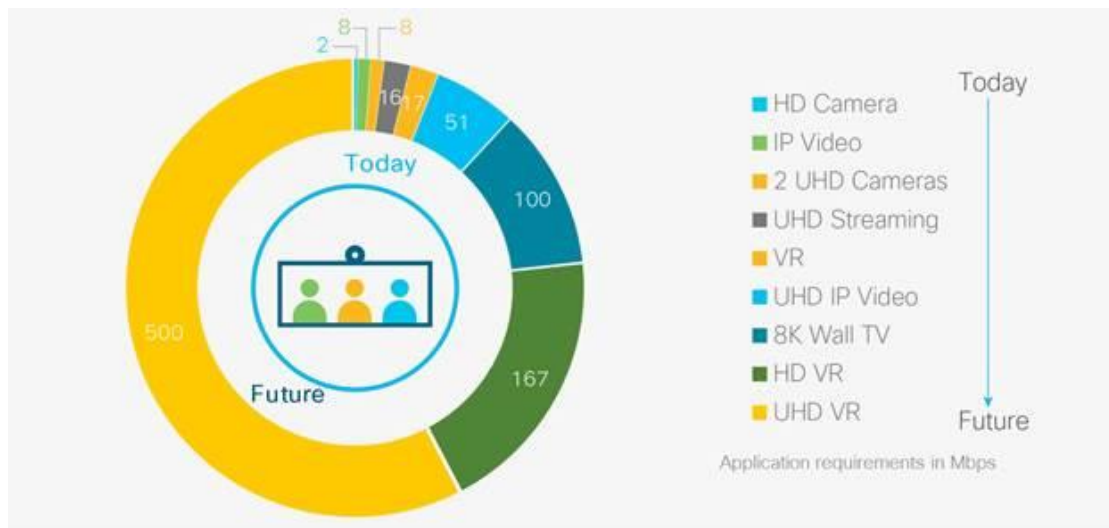
Source: (VNI, 2017)

It became evident that Consumption of larger phone screen has increased users' viewing time; it pushed content making companies in the media & entertainment industry to develop different genres of content that would work across platforms and channels. As per Cisco Trend Analysis, the consumption of HD and UHD video content was expected to increase with a combined share of 21 per cent of online videos in 2018—up from 4.5 per cent in 2013. (VNI, 2017)

NETFLIX - A STRONGHOLD CRUSADER

Netflix, Inc. is the world's leading internet television network with over 93 million streaming members in over 190 countries enjoying more than 125 million hours of TV shows and movies per day, including original series, documentaries and feature films. Netflix members can watch as much as they want, anytime, anywhere, on nearly any internet-connected screen. Members can play, pause and resume watching, all without commercials or commitments. (Netflix, 2017)

Reed Hastings and Marc Randolph found the company in 1997 in Scotts Valley, California. Core idea was to create a subscription-based, video-on-demand service. Once Hastings had to pay a fine of $40 for returning a rented movie six weeks past the return date and an idea to devise a business plan that capitalized on Americans' love of entertainment and their growing demand for convenience. In the early days, Netflix model was an online version of pay-per-rent model which was used across the USA by video rental outlets. Netflix charged $4 per rental; postage and delay fees were additional. Soon, the company shifted to a monthly subscription model, which negated the need for due dates and delay fees.

The company offers its streaming services in 190 countries, and added more than five million new international subscribers in the fourth quarter, or more than double the number of new users in the United States. In early 2016, Mr. Greene renewed negotiations with Netflix to expand the partnership, eventually

signing a worldwide deal to offer the streaming service in its more than 30 markets across Latin America, the Caribbean and Europe by early next year, at the latest.

"If our customers want Netflix and we don't offer it, they'll find another way to get it," Mr. Greene said. "We're better off if they don't have to go elsewhere to find what they want." (SCOTT, 2017)

NETFLIX – WAY OF DOING BUSINESS

By 2016, Netflix's offerings could be divided into two parts: its original DVD rental business and its video-on-demand streaming business. According to company records, Netflix viewers around the world enjoyed close to 125 million hours of video content per day in 2016, including original series, documentaries, and feature films.
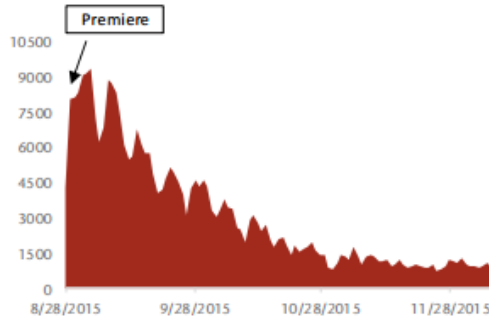
In 2013, Netflix began developing original content with series like House of Cards, Orange Is the New Black, Daredevil, and Hemlock Grove. By summer 2016, each of these series was still running and Netflix boasted 14 original TV shows. (Molofsky, 2015)

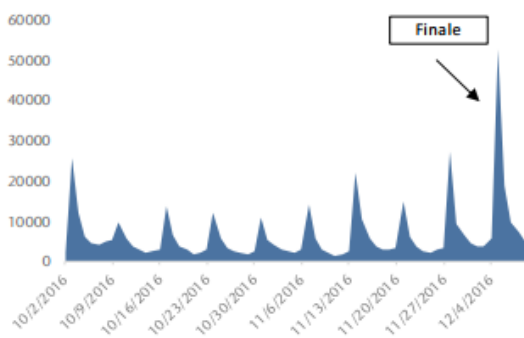Chart 1: 13 Reasons Why – Twitter Mentions
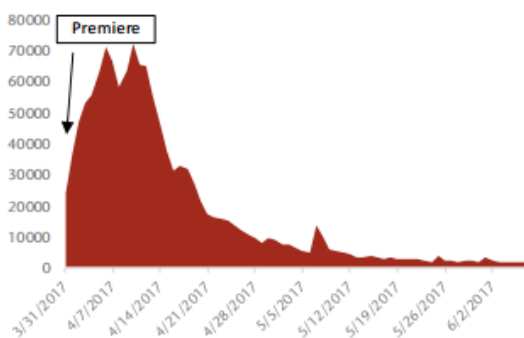
Source: TickerTags
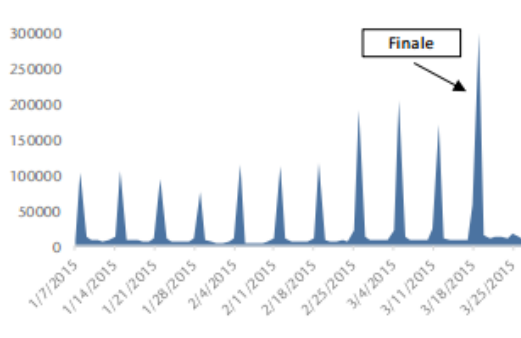

Chart 2: Narcos (S1) – Twitter Mentions

Source: TickerTags

Chart 3: Westworld – Twitter Mentions
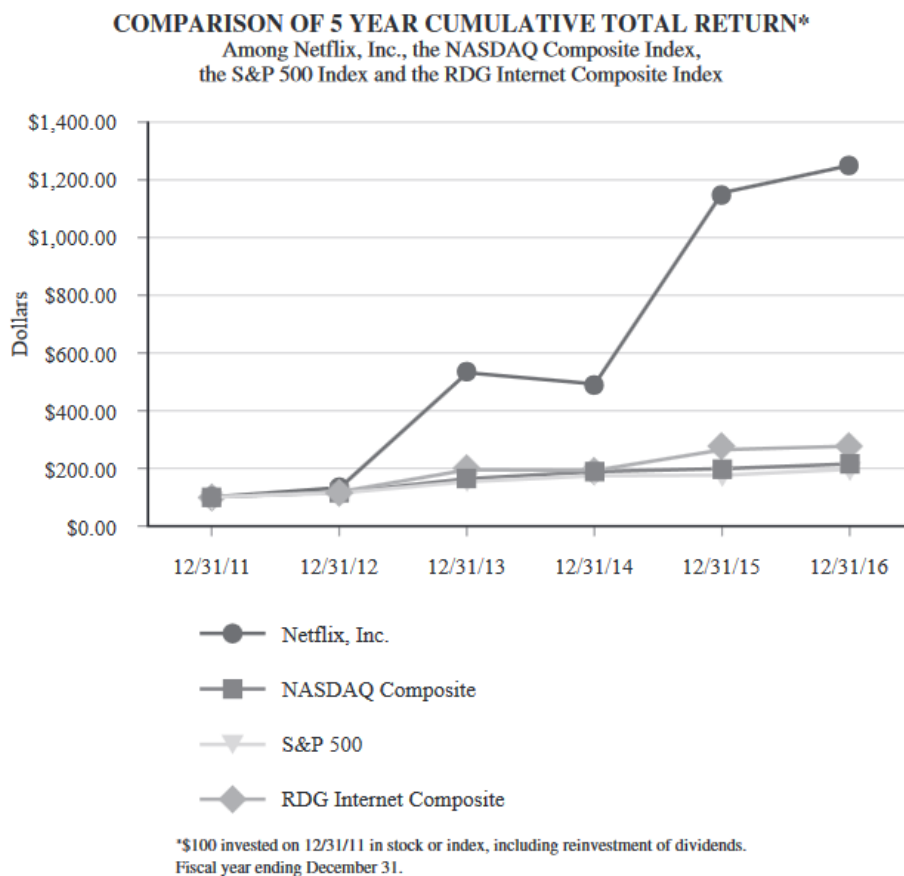
Source: TickerTags

Chart 4: Empire (S1) – Twitter Mentions

Source: TickerTags

Netflix Management has tied the outperformance of original programming to periods of higher [subscriber] growth, which continues to be the biggest driver for the stock on a quarterly basis. (Franck, 2017)

Netflix releases entire seasons at once, unlike traditional television networks and cable, allowing viewers to binge watch content and help it "go viral" through social media messaging. Recent hit series "13 Reasons Why" and "Narcos" "resulted in a surge of social media activity that was sustained for several weeks after the shows premiered," wrote Janedis. "Alternatively, 'Westworld' (HBO) and 'Empire' (FOX), two of the most popular shows on TV, generated Twitter mentions that were more evenly spread throughout a season, tied to the live airing of each episode."

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Netflix, Inc., the NASDAQ Composite Index,
the S&P 500 Index and the RDG Internet Composite Index

*$100 invested on 12/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

In December 2015, Netflix announced their plans to have a total of 31 scripted shows by the end of 2016, which is double the 16 original shows the streaming service aired in 2015. The company is also working on 30 kids' shows, 10 new feature films, 12 documentaries, and 10 stand-up specials. (Netflix, 2017)

Chart 12: Total Series/Seasons Launched Over LTM (July 2016 – June 2017)
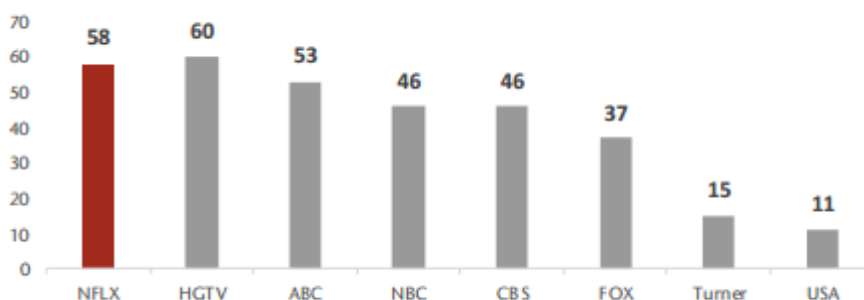
Source: Company Data, Jefferies Estimates

Source: (Netflix, 2017)

NETFLIX: ARRIVAL IN INDIA

Netflix launched operations in India with plans starting at Rs 500 per month, as the US-based video streaming company pushes ahead with its global expansion plans. The move confirmed months of speculation on the launch of the service in the second-most populous country in the world.

Netflix is aggressively moving into new markets and its co-founder and CEO Reed Hastings announced during his keynote address at CES 2016 in Las Vegas, that as of today the service is live in nearly every country in the world. The company added 130 new countries to its Internet TV network

As slowing domestic growth put pressure on the company, Netflix has previously said that it aims to reach 200 countries by the end of 2016. In India, Netflix offered only video-streaming services on demand. (News18.com, 2016)

VIDEO-STREAMING SERVICES

There was a high demand of video content sharing through torrent file sharing platform like The Pirate Bay and Mega-Upload Ltd.; and in response to that, Netflix launched its video streaming service in 2007. Netflix subscribers received unlimited movie rentals for a very nominal monthly charge. Motive behind launching the streaming service was to make the members switch to the streaming service in the hope of reducing the cost of shipping DVDs. Netflix realized that trend of entertainment industry is changing and consumers increasingly want to access and consume videos online. Introducing this services parallel to the rapid Internet expansion, with broadband speeds and Long-Term Evolution wireless networks. Streaming services enabled subscribers to access video content from anywhere; and at any time. Initially, Netflix offered 2,000 titles for instant streaming and in three years the offering got multiplied by 10 times, to over 20,000 titles, and the streaming service was available in the 45 other countries including USA and Canada.

Soon in 2011, Netflix realized that they paid massive cost on licensing for TV shows, documentaries, and movies. Therefore, the company started investing in creating original content for its subscribers. Series like House of Cards and Orange Is the New Black brought Netflix to the bigger league and paved the way for similar future production for its subscribers. In another three years, Netflix bagged a loan of $400 million to begin expanding in Europe and invested in Netflix Originals.

CONTENT

The Indian version of Netflix was different from the one offered in the United States. Much of the company's original content was available to Netflix's Indian users, but the number of Bollywood offerings was limited to only 100 titles. According to a survey conducted by Cowen Group Inc., around 57 per cent of U.S.

subscribers cited Netflix's original content as their reason for signing up.

Sales, too, rose—36 percent over the same period last year, to $2.48 billion. n 2016, Netflix spent $5 billion on original programming. Five of the 10 shows people searched for most often last year are Netflix originals, company officials said, citing Google data, during an earnings' call. Eager to build on that, Netflix plans to spend $6 billion creating 1000 hours of new content this year, more than doubling its 2016 lineup. At this point, it's clear Netflix isn't just a streaming service anymore.

Reasons that US Netflix Subscribers Subscribe to Netflix, March 2016
% of respondents

Reason	%
Convenience of on-demand streaming programming	65%
Broad variety of content choices	59%
Cost-effectiveness	58%
Netflix originals	58%
No ad interruptions	51%
Ability to watch on multiple devices	45%
Family/children's programming	29%

Source: Cowen and Company, "Netflix Survey: Rising Time Spent & Originals Impact Ease Concerns on '16 US Sub Est.," April 5, 2016

208224   www.**eMarketer**.com

Source: "Netflix Reports Churn as Subscribers Leave over Price Increase

Netflix originals was a beta test to check whether the company would be able to cultivate the subscriber following for its original content among Indian consumers. After operating in India for six months, Netflix announced the production based on the famous Vikram Chandra's novel *Sacred Games* by partnering with Phantom Films for the production of the series.

Netflix is planning to expand by creating content in regional languages like Bengali, Gujarati, Tamil, Punjabi, and Marathi. Unlike traditional Indian channels, Netflix did not censor its content, however, ratings were displayed to viewers. Standard statutory disclaimers against violence, abusive language, and sexual content were displayed and an in-house rating system was developed as a global standard by Netflix.

SUBSCRIPTION PLANS

Initially, Netflix offered a free trial period of one month for first-time users in India (as on date it continued), which started when a user registered on the Netflix India website. Once the trial period is over, consumers were required to pay and subscribe. Subscription prices ranged from 500 INR to 800 INR per month for premium service, with access to UHD content (elaborated in Exhibit 3). Last year payment for

the subscriptions was possible only through credit cards and PayPal, but due to the penetration of debit cards in the Indian market, certain debit cards powered by Visa, MasterCard, and Maestro, were also eventually accepted.

EXHIBIT 3: NETFLIX SUBSCRIPTION PLANS AND FEATURES IN INDIA

	Basic	Standard	Premium
Monthly price after free month ends on 21/11/17	Rs. 500	Rs. 650	Rs. 800
HD available	✗	✓	✓
Ultra HD available	✗	✗	✓
Screens you can watch on at the same time	1	2	4
Watch on your laptop, TV, phone and tablet	✓	✓	✓
Unlimited films and TV programmes	✓	✓	✓
Cancel at any time	✓	✓	✓
First month free	✓	✓	✓

HD and Ultra HD availability subject to your internet service and device capabilities. Not all content available in HD or Ultra HD. See Terms of Use for more details.

Source: "Choose a Plan That's Right for You

INITIAL RESPONSE

Netflix had not divulged the number of subscribers it had after six months in India, analysts were aware that Netflix failed to create a buzz in Indian market. Yet, Netflix showed positive symptoms for its future in India. As per their experience in USA, Canada markets, the company realized that SVOD was a relatively new in Indian market and it would be better to wait for a while for Indian consumers to get accustomed to the future technology. There was a great deal for Netflix to learn from Indian consumer tastes, preferences, habits, infrastructural issues, and payment systems.

It's early days in India and there's still much to learn and discover so that we can keep making the Netflix experience better. We are pleased with how consumers in India are discovering Netflix. They like the fact that we are a flat-fee, unlimited viewing, commercial-free experience can cancel any time without commitments, said Jessica Lee, head of communications for Netflix Asia

FINANCIAL COST

The financial cost of Netflix's international expansion to 190 countries was very much significant and such rapid expansion was a threat to its existing strategy. However, this confined the impact on profit margins to a

comparatively shorter duration and created foundations for larger opportunities in the company's long run. Company's operations in international markets offered much lower margins than its increasingly profitable U.S. streaming business and continued to be less profitable (elaborated in Exhibit 4).
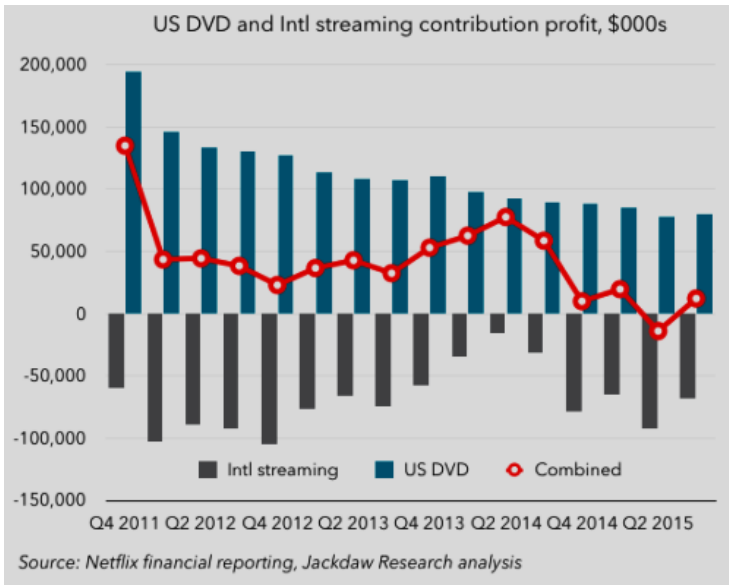

US DVD and Intl streaming contribution profit, $000s

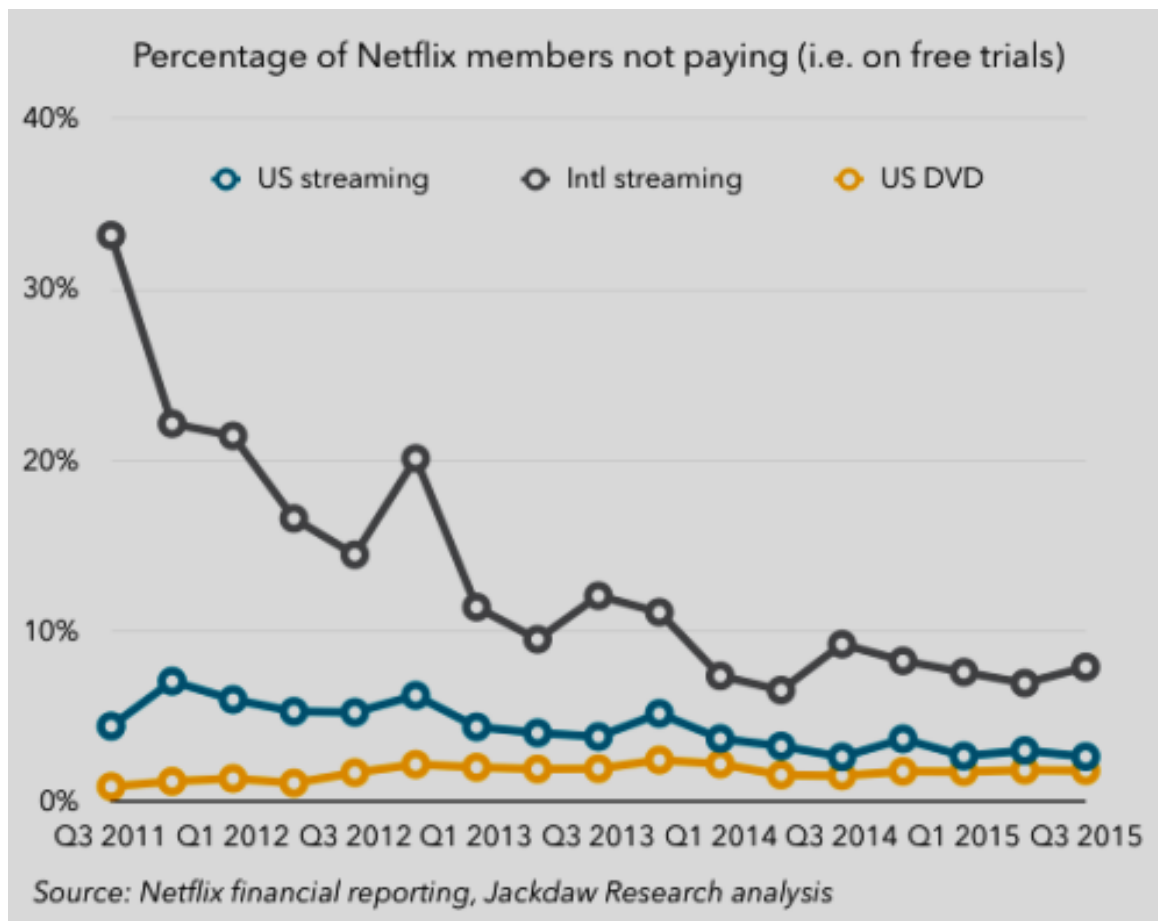Source: Netflix financial reporting, Jackdaw Research analysis

EXHIBIT 4: NETFLIX PERCENTAGE CONTRIBUTION MARGIN BY SEGMENT

Source: Jan Dawson and Jackdaw Research

Netflix offered a one- month free trial to acquire new customers in the new markets. The impact of these free trials was evident by the huge difference between its overall membership count and paid members count (elaborated in Exhibit 5).

EXHIBIT 5: % OF NETFLIX MEMBERS ON FREE TRIALS

Percentage of Netflix members not paying (i.e. on free trials)

Source: Netflix financial reporting, Jackdaw Research analysis

With more than 25 million members in the existing markets (before expansion plan), initially, there was a good chance for Netflix to garner comparable numbers of free trial subscribers in India, which could have added to the cost and not the revenue.

Substantial expenses were incurred in promotion Netflix in India to increase its brand visibility. Such huge spending on the promotions had a very deep impact on the bottom line of the organization. And the cost of carrying out business activities in a country like India included that of creating and establishing its presence with fresh content that would cater to the view of the local audience, keeping in mind the varied tastes among different age groups and populations. The investment also involved the direct cost of partnerships with domestic content providers catering especially to youth like Sony TV, Star Plus, and Channel - V and paying for exclusive access to original programming, distribution, hosting the content locally, and various other technology costs associated with rolling out the services.

RIVALS OF SAME KIND

By 2016, most of the TV and movie watchers in India had a second screen in their pockets and were watching either of Hotstar, Eros Now, HOOQ, Spuul, Google Movies, TV Everywhere apps, and others. Netflix had a challenge of creating a big bang in this network in order to penetrate the Indian market (elaborated in Exhibit 6).

EXHIBIT 6: SERVICE: ONLINE VIDEO PLATFORMS

Service: Electronic Sell-Through (i.e., Download to Own)

Electronic Sell-Through	Group / Company	Content library	Pricing Models
iTunes Store	Apple	• Over 40,000 movie titles • More than 190,000 TV shows • Music • Games • Books • Podcasts	• Standalone prices for each download
Google Play	Google	• Movies, • TV shows • Games • Books	• Standalone prices for each download • Indian movies for 40 INR to 99 INR • Hollywood movies for 40 INR to 499 INR

Online Video Platform	Group / Company	Content Library	Pricing Models
HOOQ	Singtel, Sony Pictures, and Warner Bros. Entertainment	• More than 15000 movies • Over 15000 TV shows across various genres and languages	• Ad-free video-on-demand service • Subscription packs start at 200 INR per month
Hotstar	Star India	• TV soaps and shows from Star India Network • More than 300 movies • Sports, including live content	**Non-Sports**: Free streaming, supported by Ads **Sports:** Live content (priced over tournament)
Eros Now	Eros International	• More than 3500 movies across Hindi and regional languages	• Free ad-supported content • Subscription pack

		Music library and other major music labels	around 99 INR per month
Spuul	Spuul, Singapore	• Over 1,000 movies from most major production houses in Hindi and regional languages • Hindi and regional TV content, primarily from Viacom18	• Free ad-supported content • US$4.99 per month for premium content

Service: TV On the Go Apps

TV Everywhere Apps	Group / Company	Content Library	Pricing Models
Dish Online	Dish TV	• 50+live TV channels • Catch up TV content • Movies	129 INR per month
Everywhere TV	Tata Sky	• 75 live TV channels • Catch up TV content from 24 channels	99 INR per month
Pocket TV	Airtel Digital TV	• 150 live TV channels • Catch up TV content from 13 channels • Movies	99 INR per month
Direct2Mobile	Videocon D2H	• 78 live TV channels • Catch up TV content • Movies	99 INR per month

HOTSTAR - an online video-streaming platform owned by Novi Digital Entertainment Pvt. Ltd., which is a subsidiary of Star India Pvt. Ltd. It includes entire series of Star India's TV and sports offerings; and also the Bollywood and Regional movies from selected studios. Offering over 50,000 hours of total TV content across eight different languages and also the live coverage of sports events. It is a highly evolved video-streaming technology and detailed attention to the quality of creating an experience across all devices / platforms made Hotstar, one of the most visited/downloaded video destinations for OTT video consumers.

EROS NOW - A part of Eros International Media Ltd., offered customers the world's largest collection of premium Indian entertainment (with hundreds of titles in several languages). It was launched in the year 2012 and the platform had access to over 5000 movies and above 250000 audio tracks from various Indian music labels, (music as well as video content). Customers have access to Bollywood and regional Indian movies, TV shows, excusive Eros Now short movies, and music videos. The content can be accessed anytime, anywhere, on any Internet-connected computer or mobile device.

The company also had a collection of original productions, which they named "ErosNow originals." By 2016, the company expected to monetize the same through transactional one-off sales with films costing from 49 INR to 99 INR and this service would attract Ad revenues. ErosNow planned to convert these transactional users and free viewers into their monthly subscribers.
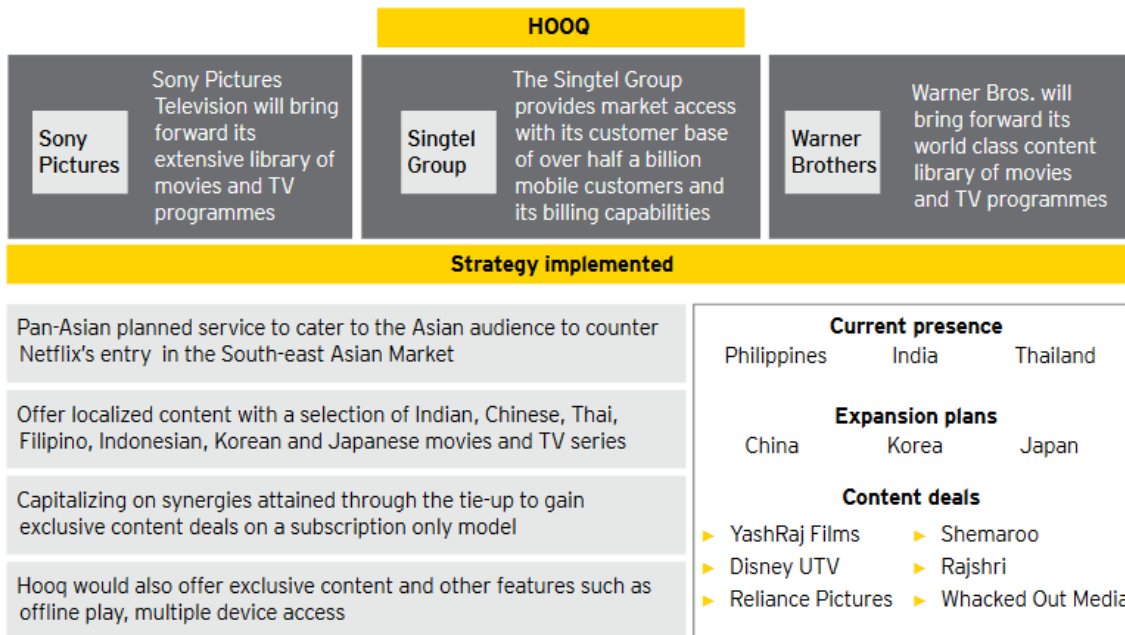
HOOQ - A venture jointly created by SingTel, WB Studios and Sony TV. HOOQ joined with Indian players namely YRF, UTV motion pictures, Shemaroo and few others, to provide Indian content for streaming. These partnerships gave HOOQ access to over 15000 movies and TV shows across genres and languages. Owing to countless infrastructural issues that existed in Indian setup and other developing countries; HOOQ offered customized settings for streaming video quality, along with internet speed indicator to assess connectivity and auto-adaptive streaming feature.

SPUUL was founded five years back and it offered an OTT service across all platforms iOS, Android, Smart TV to stream and download of movies, short films, and TV shows from different regional genres and languages. Spuul's aim was to provide Bollywood content to NRIs settled overseas. Content was available in three modes: Free or Ad-supported, pay per month subscription, and Pay-per-view model. Spuul collaborated with the Paytm to make micro-payments quickly to boost subscription revenue. The company did not plan to increase their TV content from broadcasters; consequently, in the year 2016, Spuul's TV content segment comprised only 10–15% of its offerings.

NETFLIX GEARING UP FOR FUTURE CHALLENGES

After Netflix announced their establishment in Indian market, the Spuul CEO stated, "We don't think Netflix will disrupt the space; it is still a U.S. product, which doesn't take into account the complexities of India." For all fresh opportunities that Indian market provided to the Netflix, it also presented a deck of challenges.

Case study: HOOQ: the first of many studio, telecom partnerships

HOOQ

Sony Pictures	Sony Pictures Television will bring forward its extensive library of movies and TV programmes	**Singtel Group**	The Singtel Group provides market access with its customer base of over half a billion mobile customers and its billing capabilities

Warner Brothers	Warner Bros. will bring forward its world class content library of movies and TV programmes

Strategy implemented

Pan-Asian planned service to cater to the Asian audience to counter Netflix's entry in the South-east Asian Market

Offer localized content with a selection of Indian, Chinese, Thai, Filipino, Indonesian, Korean and Japanese movies and TV series

Capitalizing on synergies attained through the tie-up to gain exclusive content deals on a subscription only model

Hooq would also offer exclusive content and other features such as offline play, multiple device access

Current presence

Philippines   India   Thailand

Expansion plans

China   Korea   Japan

Content deals

► YashRaj Films   ► Shemaroo
► Disney UTV   ► Rajshri
► Reliance Pictures   ► Whacked Out Media

INTERNET FACILITY – TECHNOLOGY VS. SPEED

Speedy internet infrastructure was always a necessity in India and internet service penetration had been rapidly increasing in India, but the internet speed always remained a vital issue for internet users. The latest State of the Internet Report talks about India having the slowest broadband infrastructure in the entire Asia- Pacific; and it is still preparing for the infrastructure that Netflix enjoys in the western countries.

A major reason behind high popularity of Netflix in USA was constant infrastructural development and availability of internet, which enabled viewers in USA to access the content made available to them from any location - through wired line for households and wireless line for second screen devices.

Data provider companies in USA offered unlimited data usage plans which empowered users in USA to enjoy smooth viewing experience. And due to lack of infrastructural support for facilitating high speed internet, no data providers existed in India to provide unlimited Internet offers. Few unlimited data plans existed which provided a speed of less than 100 kb for download, which was very less as compared to the data speeds provided in the United States (between 50 and 500 megabits per second).

Netflix has always enjoyed the first mover's advantage in the video content streaming segment. In order to test their fate on the Indian soil which already lacked of Internet infrastructure, it introduced a data-saver mode in the Netflix mobile app (available for both Android and iphone).
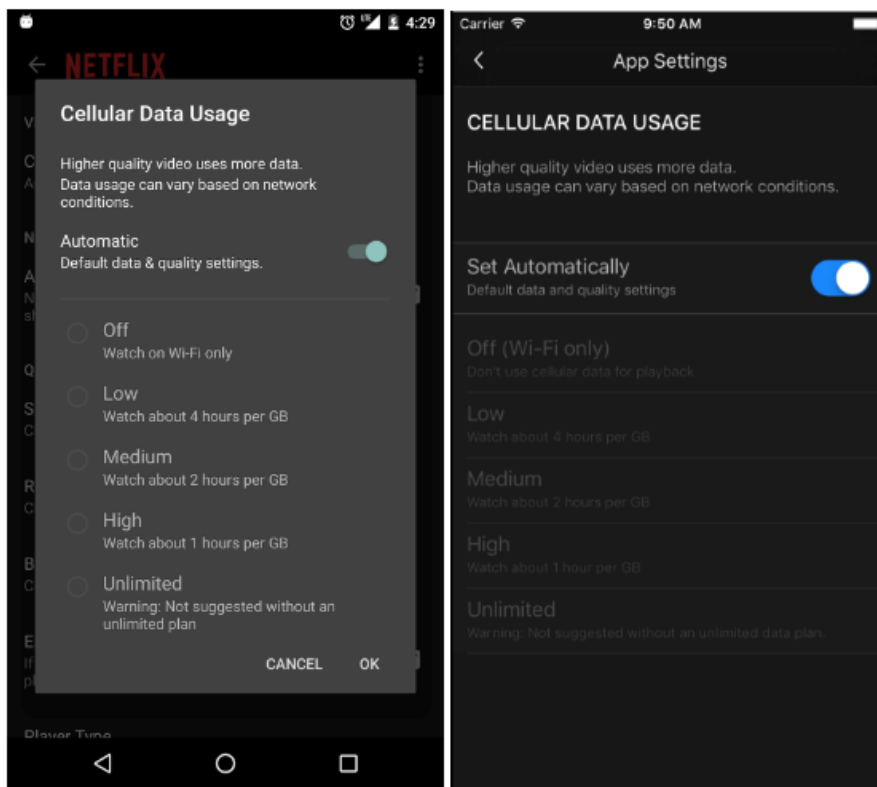
This data speed limited feature enabled users to select the video streaming quality as desired depending on the signal strength and speed of the Internet connectivity; if it is streamed over cellular connections, it would save data. For instance, a user can watch three hours of video which used 1.5GB of data for HD video high resolution quality, now it will be less than 500mb of data usage at SD low resolution quality.

CONTENT

In Indian media & entertainment markets, relevant content was always the biggest hurdle which Netflix had to overcome. Just after Netflix took baby step in India, it faced a wave of disappointment - subscribers were not happy that they were offered only 7% of its overall Netflix library in India.

Adding new content to Netflix's Indian library was a very slow, but still a gradual process. In six months of assessment, Netflix offered 916 movies and 368 TV shows from all over the world on Netflix - India platform (in USA, it offered 4,042 movies and 1,138 TV shows).

Further, the amount of content which relates to Indian viewers was still very low. Indian media and entertainment industry had a thriving film and TV viewer base that enjoyed an overwhelming patronage from its viewers. If Netflix wanted to grab a bigger pie of market share and also retain its existing subscribers; their strategy needed to immediately embrace the varied local content in India - introducing original content and acquire the rights for existing content. Netflix was lagging behind its major competitors in this respect, and most of the competitors had rich and diverse libraries of Indian content, which was a threat to Netflix. Very soon with a plan to provide local Indian content to its Indian subscribers and signed deal with a famous Indian production house Phantom Films and went ahead to announce the production of a series based on *Sacred Games,* it was the first experiment in bilingual language format; and it was a hit.

CHALLENGE OF CENSORSHIP

A challenge of censorship played significant role in blocking the way of Netflix in India. As Netflix's VP of User Interface Innovation emphasized on censorship issues, "Our belief is that Internet TV is here to stay. Consumer control, informing the consumer, and giving the consumer tools to manage what's right for them and their families is the most important thing. We want to abide by any local regulations, and we want to respond and see what happens on a case-by-case basis."

Netflix provided viewers with all relevant information regarding content, including title, rating by age, and a description of the show. Each show was accompanied by a rating guide and an episode synopsis, which helped subscribers make viewing decisions. Netflix also offered an optional code system that allowed parents to block certain content from being viewed through their accounts.

PIRACY ISSUES

Apart from Netflix having strong competition with fellow SVOD companies, company also had to face the threat of illegally obtained video content. Despite the international laws have shown tight eyebrows to piracy, there was still a general acceptance of this activity among Indian viewers, most of Indian opt for free options and many such people did not wish to pay for the paid content found ways to procure a print through torrent mirror sites for free.

On similar lines there was another problem of password sharing, which involved multiple sharing a single Netflix account, in order to divide the cost of subscription into more than one person. When confronted, Netflix had reacted by getting a court ruling that made sharing passwords for money, an illegal act. Even if similar a laws were passed in India, the company would invariably face tough challenges regarding similar implementation.

Local Players

In India, Netflix faced competition since launch, it did not have the luxury to enjoy the first-mover advantage and they had to face a stiff competition from strong competitors that had more insights about the Indian culture, as well as access to a massive catalogue of Bollywood movies, Indian soap operas, and live sports (especially cricket, which had a huge following in India).

There was an enormous amount of popularized content being consistently churned out by Bollywood and Indian TV; against this, Netflix found it hard to maintain its value for its subscribers.

CONCLUSION AND LIMITATIONS

Netflix had established a global presence by forming strategies that matched their consumer preferences. Netflix having the first mover's advantage, it further tapped into various opportunities that kept it ahead of players who are aiming to grab its market share. While in the Indian content, Netflix had less to offer than its competitors with extensive Indian movie catalogues, including Bollywood and regional films and series in various vernacular languages. Yet in comparison to SVOD service players in India, Netflix offered greater quality and a larger catalogue of international or Western content. Therefore, a strategically developed shift in Indian viewers' tastes and preferences towards the international content could definitely work in Netflix's part.

In order to capture the maximum share in Indian market, Netflix made a strategy to localize itself and create more original movies and TV series. Netflix was well aware that the localization process was a tough task in a country more than 15 major languages are actively being spoken. In a scenario like India, creating customized content took on a whole new thought process; and licensing the content from TV networks would cease to be profitable in the long run. Hence, everything will depend on what Netflix offers in future, which would become a parameter - vital to its success in this market. By 2016, Netflix catered to a niche segment (premium subscribers); to grab a bigger pie of the market share, it would have to sharpen he blades and accommodate the price sensitivity of most Indian consumers.

In times to come, Netflix looked at India as a place full of opportunities where it needed huge investments and a consistent growth; in terms of its market size to ensure long-term profits. Since the premium cable subscription channels were available for between 350 – 500 INR a month, and Netflix's paid offerings were priced between 650 - 800 INR, Netflix knew it would be hard to convince a large number of users to subscribe and pay more. Netflix has collaborated with various cable operators in India who provide Smart Set Top boxes (Airtel Smart TV).

On the other hand, Hotstar is one of the major competitors of Netflix. Hotstar has employed a freemium model, wherein customers could access part of the catalogue without paying anything, but the latest and the premium content could only be accessed by subscribing. Could this model also work for Netflix? Alternatively, could the company use the on-screen Ads model to attract more revenue? Netflix has a decision to make pave the way ahead.

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