



Amazon Vs Netflix: Who will win Indian battleground?

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Abstract

Video streaming is becoming part of our modern daily lives, which means no domination of TV networks. Amazon and Netflix are the two major players in the online video streaming market. Netflix has been world's leading online streaming network since 1997 while Amazon prime video was launched in 2006 in the US. Subscribers can watch anytime, anywhere, on nearly all devices connected with internet-connected. To keep pace with the competition, Amazon has introduced a number of exclusive content deals to differentiate its service. This paper presents a case study on the comparative analysis of the two main players and the strategies they use to capture the Indian market.

Keywords: online, video streaming, android, netflix, amazon

1. Introduction

With the entry of Reliance Jio and increase in the average broadband speed, video streaming has become a custom for many users in the Indian Market. The entry of Amazon Prime Video has turned as a game changer by being new rival for Netflix. In India, Netflix was launched in January last year, while Amazon Prime Video was introduced in December. Amazon is an e commerce giant which provides prime service to its prime customers along with Prime Video streaming. Both players provide free trial for 30 days and henceforth offer services based on the subscription plan chosen by the customer. Both players video services can be accessed by installing their mobile apps on smart phones and devices such as laptops, smart TVs and desktops. This case provides a contrast between the two major video streaming players based on their content and services offered. It will discuss the challenges and strategies they have to win the battle in the Indian market.

2. About Netflix

Netflix was launched in 1998 in the US by selling DVD by mail. Later, they entered into subscription based online video market. For the first time, online videos were another source of entertainment for the TV viewers and offered choice to view the type of content they want to see. As a result, viewers responded positively by spending more hours on online streaming which expanded Netflix's customer base and increased the revenue of the company. The cash flow provided was used by the company to build better content to attract more users and earn more money. To keep growing and increase market share, Netflix expanded business to India when the growth slowed down in US. Netflix is the leading streaming network with 104 million members in over 190 countries.

Since 1999, it has expanded its services to different markets and has reached to around 26 million non US subscribers

through global expansion. At global level, Netflix has added tens of millions of streaming subscribers by now. In 2016, the annual revenue was the highest at 8.83 billion U.S. Dollars. However, Netflix isn't finding Indian market as easy as markets in other countries. With tough competition from local players like Star India's Hotstar, Youtube, Over-the-Top (OTT) content providers in India, etc. and global players like Amazon Prime which constitute 19.2 billion U.S. dollars industry, the battle isn't easy. The American giant is unique in the sense that it has an international title with great local talent said CEO Reed Hastings.

In India, Netflix offers three types of subscription – starting from lowest Basic plan, then Standard and highest Premium plan. Each plan offers different benefits and has more services as you pay more. The features of each plan are summarized below.

	Basic	Standard	Premium
Monthly price after free month ends on 14/1/17	Rs. 500	Rs. 650	Rs. 800
HD available	x	✓	✓
Ultra HD available	x	x	✓
Screens you can watch on at the same time	1	2	4
Watch on your laptop, TV, phone and tablet	✓	✓	✓
Unlimited movies and TV shows	✓	✓	✓
Cancel anytime	✓	✓	✓
First month free	✓	✓	✓

Fig 1

Recently, Netflix entered into strategic partnerships with Airtel and Videocon to provide DTH TV services to ensure availability to the audience through mobile phones and DTH

platform. The company tied up with Vodafone to provide convenience of payments to its subscribers through their bill. Netflix is making efforts to improve user experience by bringing down from 1 MB to 200 KB to stream video on your mobile. This will help in viewing more for a long period and will use data judiciously.

Netflix's steep pricing is the biggest disadvantage as Hotstar offers premium subscription at just Rs. 199 per month as compared to Netflix whose subscription starts from Rs. 500. When Netflix was launched last year in India, the target market were those consumers who are tech savvy, have smart phones and they own apple accounts. Lately, the company planned to expand and cater to the needs of all segments of Indian market. However, the competitors fought back and their strategy of short sightedness backfired.

With the 4G revolution in India by the world's biggest startup, Jio in late 2016 offered minimal pricing for its data users and acquired around 50 million subscribers all over India. Moreover, Jio users became regular customers of online audio-video streaming market. The campaign of government of India to turn Indian economy into digital economy under its Digital India program has offered internet services at cheaper rates which increased online accessibility of the subscribers. After the demonetization and the step of the government towards a cashless economy, trend of making online payments has gained momentum.

In India, the culture of spending time on online videos isn't much and Indian market is sensitive to price changes. Due to video piracy, urban India can easily download any content through web. However, Indian Government has adopted stricter policy to ban such sites and encouraged streaming services in India. Indian market can be broadly classified into two markets. First is the urban India which constitutes of young population aged from 18-35 which is relatively small, use credit cards and adopt western brands. Second is the other India which is moving towards online slowly. Netflix has failed to cater the needs of the audience who demand domestic entertainment in their native language. The Netflix library for Indian users is limited and the content for the local audience is terrible.

3. Amazon

In mid 2013, Amazon came to India and captured with India's e-commerce giant Flipkart. In more than a year, it has invested more than one billion dollars to make way into the Indian market. Its business has grown by 120 percent in 2015-16 which has surpassed its rival Flipkart. Amazon Prime video service was rolled out in December 2016 in India to increase the subscription of Prime members through videos. An integrated voice search Fire TV stick was introduced in Hindi and English. It was introduced with free data for three months. Prime members have increased by 75 percent since its launch and seller's capacity has also increased. Amazon prime video subscribers get access to all latest local, regional, international content, television shows in HDTV has special features specifically designed for Indian viewers. Amazon provides

prime delivery for Amazon orders and unlimited video access for a fee of Rs. 499 per annum. This cost around Rs 42 per month. It is expected that Amazon Prime membership rates increase its membership subscription to Rs 999 per annum, which will cost nearly Rs 83 per month– which is still very less of what Netflix charges a month in its basic plan.

4. Amazon Vs Netflix

1. Subscription pricing and payment

Netflix offers three packages in India – for Rs 500, 650, and 800 per month which can be paid through selected cards only where as Amazon Prime Video is priced at Rs 499 a year which can be availed through cash on delivery. Amazon Prime subscription gives guaranteed delivery and standard shipping and 30-minute early access to lightning deals. Amazon Prime Video content is available in different quality like HD, Ultra HD which is open for viewing to all Prime users and can be viewed on multiple screens.

2. Content

The subscription charges of Netflix are high but it offers enormous and quality content for its users. There is no competition to the famous Netflix originals such as *House of Cards*, *Black Mirror*, etc. The entire collection on Netflix is neatly stacked into different categories which are subdivided into kids, Asian, British, Crime TV shows and many more. Netflix has tied up with well known comedians like Jimmy Carr, Chris Tucker, etc for long standup comedy shows. Amazon Prime Video also has its own original content with a very good rating for the shows like *The Man in the High Castle*, *Mozart in the Jungle* and others. Amazon has an edge in regional content in India as it shows latest Hindi movies include *Lipstick under my burkha*, *Trapped*, *Raabta*, *Hindi medium* and more.

3. Regional Content

Amazon Prime Video contains wide options for regional movies and shows on its sites. For instance, the latest Hindi movies on the Amazon app. Netflix, on the other hand, serves to the Indian independent filmmakers which may not be which may not become great box-office hits but which definitely cater to a certain kind of audience.

5. Strategies of Netflix and Amazon

Netflix's subscription plans offer three levels of pricing, starting at Rs 500 a month for a basic plan, Rs 650 for a standard plan and Rs 800 for a premium plan. The higher priced plan offers HD and ultra HD content with accessibility to multiple screens. The basic plan allows one user to watch online movies and TV shows in standard definition. The standard plan allows two users to stream online content in high definition, whereas the premium plan allows users to access online content simultaneously.

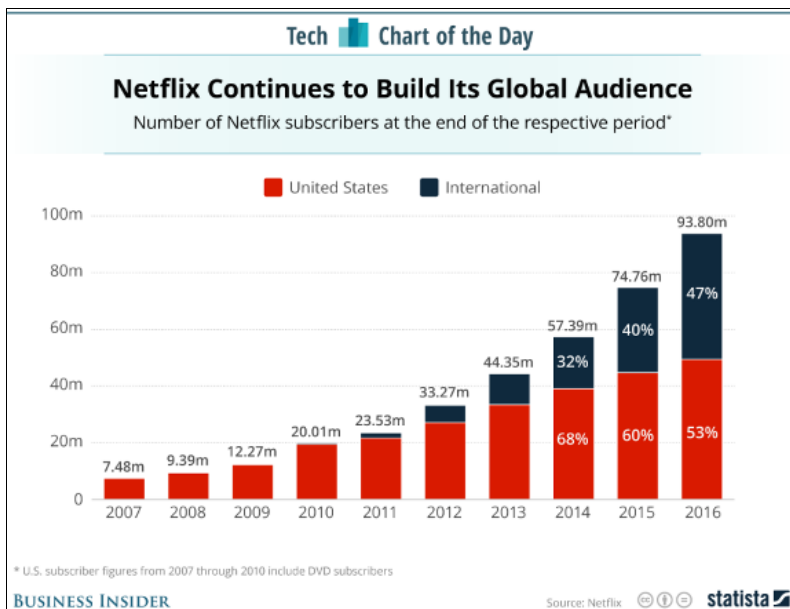


Fig 2

Figures show the increasing share of Netflix subscribers in the international market since 2011. However, the share of the US subscribers has reduced since 2016. In 2016, Netflix allowed offline access to shows and movies by downloading during internet access and watch as per their convenience. The biggest task for these two big global players in India is to cater to the content required by the Indian market. The online video streaming business in India is mainly through sports events. Thus, Netflix and Amazon have to invest a lot in content acquisition and have to create original content to sustain in the market in the long run. They have forced other players to concentrate on producing original content. In India, Amazon Prime charges Rs.499 per year while Netflix basic plan starts at 500 per month.

However, the real battle lies in content creation which will act as a real differentiator between the competitors. It has been aired that Netflix has tied up with Phantom Films to produce original series of best-selling novel *Sacred Games* written by Vikram Chandra. Netflix has also tied up with Red Chillies, a production house owned by Shah Rukh Khan for an exclusive access to view its films. On the other hand, Amazon announced introduction of 17 shows from Indian creators as well as added a Fire TV stick that understands English and Hindi commands. At present, it offers films and TV shows in languages like Hindi, Tamil, and Bengali. Amazon caters to all the segments in India of every, class, religion, culture or language.

6. Conclusion

In 2016, two giants Netflix and Amazon have evolved in online streaming business. The similarities between the two are converging in terms of market access and online and offline access of the content. Amazon is chasing to acquire broadcasting rights of sports events as live sports telecast would be a game changer. However, both players will continue to strengthen their respective content offerings and competition between them may force viewers to subscribe to both.

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