

The rise of the internet has fuelled the growth of digital entertainment services such as over-the-top (OTT) audio and video content. Inexpensive data plans and unlimited video streaming packages have led to a surge in customers' video consumption, which accounts for approximately 80 per cent of the total data consumption.

Telecom operators have leveraged this opportunity to launch their own audio and video streaming services. To this end, they have partnered with OTT players to offer access to the latter's content on their own platforms. Initially, such offerings were aimed at reducing the subscriber churn and retaining customers. Now, these have emerged as key growth areas for telcos. Free subscriptions and unlimited video streaming are contributing significantly to the uptake of these services.

### **Telcos' entertainment offerings**

#### **Video streaming**

Bharti Airtel entered the live TV and on-demand content space with the Airtel TV app, which is available on Apple App Store as well as on Google Play Store. The platform provides access to more than 350 live TV channels and 10,000 movies in 15 languages, including Tamil, Telugu, Marathi and Bengali. Airtel is currently offering a free annual subscription of Amazon Prime to users that have subscribed to Airtel's post-paid Infinity plans of Rs 499 and above, and V-Fiber broadband plans. In August 2018, Airtel and Netflix partnered to provide subscribers of select Airtel post-paid and V-Fiber Home Broadband plans with a three-month free subscription of Netflix. Airtel has collaborated with several other OTT platforms such as ErosNow, HOOQ, ALTBalaji and Hotstar. In February 2018, Airtel partnered with Hotstar, under which customers were given access to its live TV channels, popular movies and shows, as well as exciting sports content.

Meanwhile, Reliance Jio's JioTV app gives users access to over 575 TV channels, including 60 HD channels across languages and genres. The app currently includes 19 Star TV channels and plans to add five more soon. The app can be downloaded on both Android and iOS devices. A unique feature of the app allows users to pause and play live TV programmes. In order to increase the ease of use, the app can be navigated in English, Hindi and other regional languages.

Apart from offering live TV services, Jio has launched another on-demand video library for its users, JioCinema. The library offers more than 100,000 hours of content, including movies, TV shows, music videos, Jio shorts and trailers. The platform offers advertisement-free content in Hindi, English, Tamil, Kannada, Marathi, Telugu, Bengali, Gujarati and Punjabi languages. Both these apps are available for Jio customers free of cost.

Vodafone Idea has launched the Vodafone Play app, which is a one-stop entertainment destination. Subscribers can stream content of their choice, including live TV, popular shows, latest movies and music videos. It has a large collection of over 60,000 hours of cinema, including the latest Hindi, English and regional language films. The app is currently available to Vodafone subscribers on Android devices above 4.1 and Apple devices above the iOS 7.0 version. In addition, Vodafone is offering 12 months of free Netflix subscription along with its RED plans. Idea Cellular has partnered with Ditto TV, Yupp TV, Eros and ALTBalaji to provide video content to its customers.

### **Audio streaming**

Airtel-owned music streaming platform Wynk allows streaming of unlimited number of songs. The offerings include a library of 1.7 million songs, both Indian and international. Users can subscribe to Wynk Plus or Wynk Freedom plans to download songs and listen to them offline. Both these plans offer free subscription for the first month as a trial offer. The app is available for download both on the App Store and the Google Play Store.

In March 2018, Reliance Industries Limited (RIL) signed a definitive agreement to merge its music streaming business, JioMusic, with Saavn to form JioSaavn. The merger values the combined entity at over \$1 billion, with JioMusic's implied valuation at \$670 million. In addition, RIL will acquire a partial stake in Saavn for \$104 million. RIL has also planned to invest up to \$100 million to expand JioSaavn into a media platform with global reach, cross-border original content, an independent artist marketplace, and consolidated data. This will also make JioSaavn one of the largest mobile advertising mediums.

In order to take on Bharti Airtel's Wynk and Reliance Jio's JioSaavn, Vodafone Idea announced its plans to launch an offering that will provide best-in-class music streaming services. The company aims to achieve this through a partnership, which is in the final stages of closing. Further, the company has announced that it will discontinue the Idea Music app.

### **Key considerations**

#### **Relevant content**

The digital entertainment space is witnessing intense competition. Netflix and Amazon Prime are the largest players, which are making significant investments to provide original and good quality content. In such a competitive environment, telcos will need to step up the quality of the content in order to attract customers. This will require telcos to carefully assess the type and quality of content and then deploy capital for the same.

#### **Content monetisation**

Telcos are currently investing in good quality content and expect to monetise this content in the future to diversify their revenue streams. In India, the willingness of customers to pay for digital entertainment has been low. Thus, telcos need to carefully assess the willingness of customers to pay for content. A parallel can be drawn with the mobile gaming industry, where users stop playing a game once the free levels are over. Further, the revenue generated is highly skewed. While a large majority of app downloads in India are on Play Store, the App Store contributes a larger portion of the gaming spend.

#### **Going local**

Generating good quality and locally relevant content is yet another consideration for telcos to increase the subscription of their entertainment content. They are partnering with OTT platforms such as Netflix and Amazon Prime to deliver relevant content to their users. Customer preferences in Category B and C circles, which have witnessed the highest growth in data consumption, are very different from those in metro circles. Thus, the industry is witnessing the emergence of video content in regional languages. Such content resonates with people who speak those languages and helps develop customer loyalty.

### Pricing model

As Indian audiences have always been averse to paying for entertainment content, content monetisation through both the freemium and premium models is a challenge for telcos.

### The way forward

With the penetration of 4G-capable devices crossing the 50 per cent mark in 2018, up from 22 per cent in 2017, the volume of 4G data consumption is set to increase significantly. This will be driven by the increase in smartphone penetration, migration from 2G and 3G to 4G, and rise in OTT data consumption. Further, there is still immense growth potential in rural areas, where smartphone penetration levels are low. The rise of OTT, coupled with concerted efforts made by telcos to create good quality and relevant content, augur well for the growth of digital entertainment.

### Aditya Kumar

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