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Market Segmentation of Over-the-top (OTT) platforms in India

Namrata Chawla*, Reeya Sharma**, Devanshi Jain***, Anushka Dhoble****, Yashvi Ranka*****
*(Student at NMIMS University, VL Mehta Road, Vile Parle, Mumbai
Email: – namratachawla2608@gmail.com)
**(Student at NMIMS University, VL Mehta Road, Vile Parle, Mumbai
Email: – reeyasharma246@gmail.com)
***(Student at NMIMS University, VL Mehta Road, Vile Parle, Mumbai
Email: devanshijain683@gmail.com)
****(Student at NMIMS University, VL Mehta Road, Vile Parle, Mumbai
Email: – anushkadhoble6@gmail.com)
*****(Student at NMIMS University, VL Mehta Road, Vile Parle, Mumbai
Email: – ranka.yashvi@gmail.com)

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Abstract:
India is a large and growing market for the consumption of OTT content, there is very little research done to explain the factors that affect the consumers when they choose which platform to subscribe to. This study was conducted to understand the characteristics and attributes of OTT platforms that impact consumer preferences and to what extent. The purpose was to identify preferences within relatively similar groups and segment them based on homogenous factors. This research was conducted by analyzing the clusters formed by surveying 153 observants. The primary data for the study was collected via an in-depth survey. After that, it was understanding the implications of the consumer preferences on the OTT platform market. The clusters mentioned above were formed using softwares: MS Excel – Real Stats, IBM SPSS Statistics and SAS on-demand enterprise guide. The study was conducted in 2021. Netflix was found to be the most used platform. The most important factor affecting the selection is the price point, followed by User Interface (UX/UI).

Keywords **—Consumer Perception, Consumer preferences, Factors affecting OTT consumption, Market segmentation, Over-the-top (OTT)**

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I. INTRODUCTION

The Indian Entertainment industry is a vast and dynamic industry with constant developments coupled with advanced accessibility and reaches for everyone. Initially, the consumption of movies, documentaries, shows and series had always been viewed through mediums like television or theatre. As people and technology developed, everything became more manageable, and the goal was to attain entertainment at finger tips. There was a strong introduction of DVDs, Blu-rays, and other types of discs at this moment. This medium was soon replaced by optic cables and co-axial cables, which could be attached to a pre-set television and could be consumed. Following this emerged directly to home technology and connectivity, ensuring content was consumed as per the demand. Finally, to have a convenient and seamless experience, Over the top (OTT) platforms came to the rescue. Viewers could now access any video files through laptops, mobile phones, tablets, desktops etc. all they needed was internet connectivity and an account on these streaming services. These OTT services provide a great viewing experience and can be watched on demand of the consumers. This breakthrough into the entertainment industry has served as a one-stop destination for comfort watching.In place of the pandemic and the restrictions that followed, an increasingly growing number of people have shifted to these services. This is due to these restrictions and the increase in the standard of living, and the luxuries that consumers love nowadays. Digital subscriptions have grown, and so has the revenue. The digital media sector has attained the 3rd most prominent segment in the traditional entertainment industry. These changing mediums are creating demand not only for the emergence of OTT platforms but also for content creation that is in symbiosis with the OTT platforms. The leading players are Netflix, Amazon Prime Video, Disney+Hotstar and others. 80% of the consumers now have at least one content streaming application on their smartphones. The current studies provide a brief understanding of the changes in patterns and the choices of OTT platforms. This paper presents the market segmentation of all OTT platforms and understands the various attributes that influence the choice when it comes to consumers. The paper also questions the features and help weigh them according to their significance. The method adopted to perform the analysis is cluster analysis and will be studied in great detail later.

II. METHODOLOGY

The technique we have used is cluster analysis: a task of grouping a set of objects so that objects in the same group (called a cluster) are more similar to each other than those in different clusters. The three software used for analysis were: IBM SPSS Statistics, SAS on-demand enterprise guide, Excel-Real Stats. Results obtained had minor variations.

Our first prerequisite was to find out the optimum number of clusters for the data collected. For the following, we performed the hierarchical cluster analysis on SPSS. Based on the results from SPSS, K-means (FASTCLUS) was performed on 153 observations on the three software. After calculations using the last few observations of the agglomeration table, we found 3 clusters to be the optimum number. Our second prerequisite was to check and eliminate variables based on their significance to check for any variation in the data. After obtaining the ANOVA table on SPSS, the factors we eliminated were Range and quality of data, Availability of Global content, High video quality and Internet consumption. The factors mentioned earlier had a significance greater than 0.05, indicating minimal variation in the values.

Evaluation Of Method(s) and Interpretation of Output: Cluster 1 in SPSS is equivalent to cluster 3 of our real stat output, and cluster 2 in SPSS is identical to cluster 1 of our real stats output; however, the analysis has been done based on cluster membership given by SPSS. In evaluating the accuracy, k-means is not a classification tool; thus, analyzing accuracy is not a good idea. However, we checked the accuracy of our given output based on several factors:

Matching cluster centres/means: As mentioned above, we performed cluster analysis on three software: SPSS, SAS, and Real stats- excel. The final cluster centres table on SPSS provided us with how each variable we considered ranked cluster wise. For example, cluster 2 had the highest cluster centre for user interface, whereas cluster 1 had the lowest. This means that the user interface of OTT platforms matters the most to the respondents of cluster 2. We compared these final cluster centres on SPSS, SAS, and Excel (cluster means on the other two platforms). The rankings of each variable matched on all three software, and this was our first sign of accuracy.

Similar cluster sizes: The number of cases in each cluster after performing k means (between software) had minute variations. The similarity among the numbers was approximately 90%. There is no such thing as accuracy. The criteria mentioned above for checking accuracy are based on our understandings and assumptions, but K means the algorithm is unsupervised.

We used variables for the questionnaire based on the research papers. For understanding the market segments, we asked questions such as: What is your age? How important is user interface? How important is the price and how much do you spend?

The following table helped us identify the most pertinent questions.

Table 3. Rotated Component Matrix (a)

Item	Component 1	2	3	4
Brand image	.757	.089	.087	.107
High quality videos	.661	.404	.083	.007
Accessibility	.622	.410	.243	.169
Trust in service provider	.578	.040	.381	.332
User interface	.529	.292	.297	.145
Penetration of mobile	.525	.223	.465	.084
Mobility	.523	.272	.270	.226
Marketing	.500	.094	.275	.387
Convenience	.093	.745	.267	.181
Ease of Use	.239	.740	.172	.226
Content	.255	.674	.239	.078
Quality of service	.340	.632	.110	.207
Affordable Internet	.188	.250	.771	.013

Figure 1: Factor selection table

III. RESULTS AND ANALYSIS

The data was segmented into 3 clusters in all the softwares. The final results were:

Number of Cases in each Cluster

Cluster	1	57.000
	2	41.000
	3	55.000
Valid		153.000
Missing		.000

Figure 2: Cluster membership breakdown

Distances between Final Cluster Centers

Cluster	1	2	3
1		2.941	2.972
2	2.941		3.040
3	2.972	3.040	

Figure 3: Cluster distances

Final Cluster Centers

	Cluster 1	2	3
User Interface	2	4	3
Price	3	4	2
Association	4	3	4
Productivity Level	4	2	2
Time Convenience	3	4	2

Figure 4: Final identification of dominant cluster factor

Iteration History[a]

Iteration	Change in Cluster Centers 1	2	3
1	2.050	2.187	2.118
2	.149	.416	.365
3	.061	.245	.150
4	.079	.190	.111
5	.000	.093	.074
6	.000	.000	.000

a. Convergence achieved due to no or small change in cluster centers. The maximum absolute coordinate change for any center is .000. The current iteration is 6. The minimum distance between initial centers is 5.831.

Figure 5: Proof of convergence

A. *Cluster 1:*

Cluster 1 comprises approximately 57 respondents, among which 60% of them belong to the age group of 19 to 25 years, whereas 21% make up for those below 18 years of age. In terms of gender, the cluster consists of 54% females and 46% males. Netflix is ranked number 1 regarding the choice of the consumers gaining 74% of the share. The respondents are frequent users as 67% spend about 1 to 3 hours on their preferred OTT platform, and 21% spend less than an hour daily. The cluster has a mixed batch of spendthrifts and thrifty respondents where 37% spend □2000 to □6000 approximately, and 30% spend less than □2000.

According to the variables, most consumers associate OTT platforms with alone time and binge-watch shows at their convenience; some relate OTT with unproductivity. They are somewhat time conscious but do not mind spending hours on it. They aren't very price-conscious and are ready to pay if they get entertained. Lastly, a user interface is a variable that is not of much importance to the respondents. As we compare this cluster with the other 2, we notice that this cluster spends the highest annually, and they are not price-conscious at the same time. This indicates that the users are not responsible for paying for these services. The marketers should be mindful of targeting the campaigns at the users and not the ultimate payer. Even though this cluster spends a considerable amount of time on OTT per day, they do not associate it with unproductivity. This implies that they: 1. Either think that OTT platforms add value to their lives and provide a much-needed break from hectic schedules, or 2. Since they spend a lot of money on these services, they should make it worthwhile and have significant consumption. These people seem to care more about the quality of content than the visuals, aesthetics, and ease of use. Being digital natives, they find it easy to navigate any platform and care more about what the platform offers in terms of content.

B. *Cluster 2:*

Cluster 2 has 56% of members aged 19 to 25, which means the people belong primarily to generation z, who are the most significant customer base for OTT platforms. 56% of the respondents are females, whereas 44% are male. When it comes to their preferred OTT platform, most of the respondents, i.e., 66%, consider Netflix to be their number 1 option, whereas 20% prefer Amazon Prime, which shows that Netflix is the market leader for this segment. The respondents are frequent users of these platforms as 49% of respondents spend 1 to 3 hours daily on their preferred OTT platform, whereas 46% spend less than an hour daily. The cluster has a mixed batch of spendthrifts and thrifty respondents where 37% spend □2000 to □6000 approximately, and 44% spend less than □2000. On further analyzing the factors that affect the consumers of this cluster when it comes to their preference of Ott platforms, the factor that is of utmost importance is time convenience. Since most of the respondents in this cluster are 19 to 25 years old, they are primarily students and young professionals, for whom time is of utmost importance in their busy schedules. The fact that they can access their shows or movies on OTT platforms according to their time preference and convenience holds the most significance for this cluster's members.

The second most important variable for this cluster is the User interface. The user-friendliness of these OTT platforms and the ease of navigating through the applications and websites affects the viewer's watching experience. This can be related to Netflix being the preferred platform since Netflix's UI/UX is the best in the market. This implies that competitors in the market should focus on improving their platform's user interface and making it easier to use. The third most crucial variable is price. It can be considered a neutral factor that does not wholly affect a consumer's decision. Still, Lower costs will always be preferred in the Indian market, and it can be seen above that 44% of the users prefer spending less than 2000 annually on subscription fees. So, OTT platforms should lower their subscription fees to cater to a larger audience. The respondents of this cluster do not completely associate OTT platforms with productivity. Hence it can be inferred that they watch tv shows and movies to relax and rest, as they consider work-life balance necessary. To cater to such an audience, OTT platforms should provide lighter content that people prefer to watch with a relaxed state of mind. The least important factor for this cluster is an association with alone time, i.e., they don't associate spending time on OTT platforms with "me time". It can be assumed that they think of it as a group activity with family or friends. This suggests that OTT platforms should make more family content that everyone can enjoy together.

C. Cluster 3:

On analyzing Cluster 3, out of 55 participants, we see that 69% of the participants are 19 to 25 years of age and 20% are 18 or below, who are also the fundamental majority audience base of OTT platforms, in general, have emphasized before. The audience is also divided almost equally in gender, with 49% females and 50% males. We also noticed that the most used platform for OTT viewership was Netflix - bagging 73% of the audience. 64% of the audience of this cluster spends 1 to 3 hours per day, and 42% of the audience claim to pay less than 2000 rupees per year. After looking at These are nearly the same as the 2 clusters above. However, we can notice a vast difference in audience preferences and profiles.

Firstly, after recording that in the 3 clusters, Netflix is watched by most of the audience, we can assume that their annual expenditure is at least □6000 per year since that is the cost of the most basic plan as of October 2021. However, in cluster 3, out of these 73% users of Netflix, 38% users (27% of cluster 3) claim that their annual expenditure is less than □2000 per annum. As this is not possible, we can conclude that, 1. The users are unaware of the price they are paying for the service, or 2. The users and the payer for these services are not the same. This is the case with all 3 clusters. When marketers create a customer segment, they might mistarget their campaigns to the audience that does not have any paying power and need to be careful about the same. As opposed to cluster 2, cluster 3 has the highest association of all variables to "alone time". They associate the feeling of consuming data on OTT platforms as a break from the world and something they do not wish to share with others. Hence this market segment can be targeted with campaigns that indicate the same. The user interface is the second most crucial factor to this audience. Their consumption is heavily dependent on aesthetics, ease of use and visual appeal. In this market segment, marketers should create campaigns that charm them more in appearance and make the platform look visually pleasing to the users since they appear less rational than the participants from clusters 1 & 2. This claim can be supported by the fact that out of the 3 clusters, this cluster cares the least about price when choosing an OTT platform. As mentioned above, marketers should oppose this market segment as they are less pragmatic and more emotional. This can be challenging to market because UI and UX are very subjective. The two most minor relevant variables to this group were time convenience and productivity. And these two are very quickly correlated. This cluster does not hold the feature of "watch any time" important. They do not have designated times to view OTT content and do not relate spending 3 hours per day on OTT platforms as unproductive. While creating campaigns for this segment, markets need to keep in mind that the users' feelings need to be targeted. They care more about visual attractiveness, experience, and alone time firmly above all else. These young adults seem to be less worried about the practicality of OTT and more focused on the entertainment and leisure time pleasure they gain out of use.

IV. CONCLUSION

This study considers several variables based on which both qualitative and quantitativedata aspects are drawn from homogeneous population clusters. Behavioural insights ofusers have been highlighted based on their user characteristics for over-the-top platforms, how some individuals feel watching content on such platforms leads to lessproductivity, while some don't want to skip the part of their life that gives them a break.Generation gaps and busy schedules are variables which provide an insight into themindset behind the whole idea of consuming entertainment or factual information online.Financially independent individuals hold decision making powers in regards to making achoice between different subscription plans, hence selecting the correct set of consumersfor targeting the market campaigns can yield the best results. The data generated by thisstudy gives marketers access as to how their audience is functionally different displayedin the three clusters above. Clusters 1,2 and 3 describe enhanced ways for marketers tolook at their consumer personas so as to help deliver a unique experience which makesthem stay with whatever over-the-top platform fulfils their wants the best.

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