

From a Free User to a Premium Subscriber: Analysing the Purchase Decision of an OTT Subscriber

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ABSTRACT

The purpose of this study is to investigate the factors that influence an internet user to purchase subscription to a video streaming service. Users often are attracted towards video content that is offered for free in internet. However, there are many video streaming platforms that are offering video content, at a subscription fee. This study focusses on factors that would influence internet users to move towards purchasing these premium services. The Methodology of the study comprises of two aspects. (i) Through systematic literature review, the various factors that can create purchase intention are identified. They are² Cost, Content, Website features, Trust and Safety. (ii) The second aspect of the study is to showcase the influence of the identified factors, in transitioning a free user to a paid subscriber, through conceptual frameworks. The study will be useful to (i) Video streaming platforms to offer worthy services and (ii) Marketers to understand, how to drive audience towards making a purchase

INTRODUCTION

Before the evolution of the Internet, video content could be consumed only at movie theaters or television. Nowadays, the Internet is used heavily for video consumption. The demand for online video content is increasing day by day due to widespread Internet access and the emergence of digital services. Capitalising on this trend, new Over-the-Top (OTT) video streaming services are gaining popularity across the world. The OTT video streaming service can be defined as a content or service that is provided to a consumer over the Internet. Typically, an OTT

streaming platform consists of a database of varied premium video content across languages and genres. Factors like Internet penetration, easier affordability, and accessibility to high speed Internet are propelling the growth of OTT services globally. Considering the busy lifestyles of internet users, OTT platforms allow Internet users to watch any content, at any time, and in any place [6]. With many OTT services entering into and investing heavily in the creation of original content, the market is about to explode and grow rapidly. But such services face a huge challenge because of users having multiple options, to watch video content for free on the internet. This study intends to identify the various factors that influence an internet user, to purchase the subscription for these services over free content.

METHODOLOGY

A systematic literature review was conducted on the subject, related to the transition of a free internet user to a premium OTT subscriber. The review was done on various databases of online journals such as Google Scholar, EBSCO, DOAJ, Pro Quest, Sage Journals. For selecting an article to include in the study, the following criteria were followed. Only studies that were done on these two themes were considered, (i) Transition of a free OTT user to a paid subscriber (ii) Factors that influence willingness to purchase OTT subscription. Since the theme of the study is confined to these two topics, Selection of articles were not constrained by date publishing. Also, high quality dissertations, conference papers which presented valuable insights were considered to make the literature review as comprehensible as possible. Following the above process and procedural selection criterion, 72 articles were identified in the analytical stage. Through the literature review, four major intentions to purchase OTT subscription. They are Cost, Content, Website features, Trust and Safety. The analysis of the literature was done on the basis of solving the following research questions: (i) What are the factors that influence the willingness to purchase OTT platform subscription? (ii) How do the website features of OTT platform influence the willingness to purchase a subscription? (iii) How do the website features of OTT platform play an important role in driving a user to purchase a subscription? (iv) Why does Trust and safety in using the OTT platform play an important role in driving a user to purchase a subscription? The findings of the literature review and the influence of each identified factor were highlighted in the form of conceptual models, based on the findings from the review.

FINDINGS

The video consumption behaviour of consumers has changed drastically with the evolution of the Internet. Internet users, especially the younger generations prefer digital services like OTT due to the flexibility of content consumption, which happens at any time and in any place. OTT platforms allow independent access for users to watch content such as movies, sports, and serials. They also allow the live streaming of events and videos from anywhere on smartphones, tablets, etc [4]. Internet video consumption grew at a compound annual growth rate of 34% from 2008 to 2018 [5-7]. The growing popularity of online videos among users provides a phenomenal opportunity for OTT video platforms. However, only the ability of a user to pay (being affordable) alone, does not translate to willingness to pay for subscription [8]. The main reason for this is that users are not willing to pay for OTT video streaming services.

Costs

Cost is a critical factor that L Q I O X H Q F H V D X V H U . V S-X) U c a i n e M i t Q e i r s u b j e c t t h a t u s e r s a r e moving away from cable operators to online streaming services because of the low cost and flexibility of paying only for used services. The study also found that cost L V W K H V L J Q L I L F D Q W I D F W R U W K D - W F D X V F X W W L Q J . E H K D Y L R X U D Q G D G R S W . 2 0 1 7 found that C i s c r i t i c a l W o r l d W i d e P a n - O r e f e r e n c e P u b l i c a t i o n F H V strategy to attract users to video streaming services in markets like Asia, where there is low willingness to purchase and there are various illegal markets providing video content for free or at low prices. The study also recommended that OTT platforms should find effective solutions to combat illegal markets [5]. concluded in their study that users prefer bundled packages of OTT services as they allow users the freedom to use whichever service that suits their preferences, when desired. confirmed that a significant relationship exists between cost/discount offers and a u V H U . V G H F L V L R Q W R S X U F K D V H D Q 2 7 7 V X E V F U L S W L R Q , Q W K H L U V services to users only for a certain time period. This strategy of making free services limited to time, instead of content, is more likely to make users purchase the subscription. When users get a taste of the full service but for a limited time period, it inspires them to purchase subscription. One of the biggest problems faced by the OTT industry is the illegal markets that plagiarize content and offering it for free to customers. With the growing online market, Internet thieves take advantage of such online streaming sites, infiltrating the content and releasing it on pirate websites [14]. However, OTT platforms must conduct efforts to involve users also participate in change, rather W K D Q V W L J P D W L J L Q J R U F U L P L Q D O L J L Q J W K H X V H U . V E H K D Y L R X U R I Z D it becomes increasingly difficult for OTT video streaming platforms to convince their customers to pay and subscribe to their platforms. Thus, OTT video streaming platforms must take all necessary steps to reduce this risk by understanding and making use of relevant laws and drafting clear terms of use for users. Methods such as providing content on (i) Freemium model² giving limited content for free with restrictions; (ii) Search Engine Optimization (SEO) cleaning removing pirated sources from the Internet; and (iii) Digital Rights Management (DRM) restricting the usage of digital content by the owner may curb the spread of pirated content . However, in their study found that pirates can be converted to paying customers, if they find the services to be valuable. The study also found out that new methods to curb piracy must be invented, as traditional methods such as DRM are not found to be very effective in curbing piracy. Considering this major threat through free illegal markets, strong legal and technical teams should be set up by OTT video streaming platforms. Another problem faced by OTT platforms is how to convince users to adapt to a new service and pay for it. It is always difficult for a customer to move from an existing service to a new service. The mentality to use internet primarily for consuming free content is still prevalent among users . One of the best ways of tackling this situation is to tie up the service as a bundle with an existing service. Comcast is a company known for its bundling schemes, offering high speed internet, cable, and telephone altogether for a low price. OTT video streaming services can be bundled like these schemes to test their services with the existing user E D V H) R U L Q V W D Q F H 6 S R W L I \ W L H G X S Z L W K P R E L O H R S H U D W R U μ operator offered Spotify as a preloaded application on its handsets. T-Mobile offered Netflix to its new subscribers . Spotify offers its premium student users the access to Hulu and Show time for free of cost. Such partnerships with other OTT platforms will substantially help in building the user base.

Furthermore, lowering the subscription costs can be helpful for OTT video streaming platforms, at least in the early stages of user adoption. Netflix grew its streaming customer base to 27 million because it let its customers pay only 7.99 USD per month to access its huge database . Amazon gives access to thousands of movies and TV shows for an annual subscription of 99 USD. Once users are on the platform and start using it, the users will get used to

the behaviour, and then the impact of cost might reduce over time. One more solution to reducing the cost is coming up with innovative business models. OTT video streaming platforms like Hulu generate revenue through its advertising and offers content based on price. If the customers want more content and less advertisements, they would have to pay a premium. OTT platforms must differentiate their free services and premium services with unique offering. Setting boundaries between free version and a premium version, is very critical. When users witness better offerings in premium version, they develop negative attitude towards free version. Users develop purchase intention, when they perceive that benefit of service is higher than subscription cost. OTT platforms must offer qualitatively better offerings than free services to gain users. Also, a strategy to charge users per unit content, instead of a blanket price will give them a reason to pay for subscription.

Content

One of the most important reasons why OTT platforms are becoming popular is their huge video content databases. An audiovisual subscription gives subscriber, the access to large amount of video content to further choose and consume. Dasgupta and Grover identified that content is one of the major factors encouraging the adoption of OTT video services among millennial consumers. According to their study, users want content that is (i) contemporary; (ii) interactive, and (iii) fun to engage with. They also concluded that if content is not engaging, other marketing elements will not be able to popularise the platform. also confirmed that content is one of the primary demand for convenience has made it compulsory for OTT platforms to track user preferences and deliver content accordingly. suggested that Netflix, a leading OTT video streaming platform, should develop more local content and more Indian regional language content so that users can better connect with it. This will help them compete in the market. Viewers will be more inclined to subscribe if they can connect and develop a relationship with the streamers, on screen characters. To improve quality of content in OTT platforms, in their study propose a new subscription model where the users will directly subscribe to content creators and OTT platform will take a commission from it. By this method, content creators will produce better content to attract more users and earn more subscriptions. Internet users, also look for new information and gather new skill sets through watching content from OTT Platforms. Through their study, found that users consider OTT as an enjoyable medium to learn new foreign languages and enhance their skills. On average, over 10 billion hours are spent by users on watching content from Netflix, every month. So, the size of the content database is an integral feature of any OTT video streaming platform. One of the main problems faced by users concerning OTT video streaming platforms is the foreign content. Most OTT video streaming platforms are transnational, offering its database of international content to various regions in the world. Transnational OTT video streaming platforms like Netflix have aggressively expanded to various foreign countries and have offered their content library to maintain their leading market position globally. Under such circumstances, localisation of content is crucial for the platform to be relevant and relate to the local tastes of users. To combat this problem, OTT video streaming platforms must involve in audiovisual translation and subtitling for all for their foreign content. To retain a local flavour, Netflix works with local users and gets their input for subtitling.

The next major hurdle that an OTT video streaming platform faces is stiff competition from the cinema and TV industries. Since users are accustomed to watching content on TV boxes and at cinemas, the content provided by OTT video streaming platforms must differentiate themselves in order to attract users. Production of original TV shows is way of attracting users. The foray into original content programming by OTT video streaming platforms like Netflix shows that they are valued as content creators. Original TV shows are more popular and most viewed.

Netflix platform than movies² because they offer much more content than a two-hour movie. Understanding the importance of original content, Amazon Prime, a leading OTT video streaming platform, has dedicated a budget of 500 Indian crores to producing various original shows with leading movie directors from India. Original TV series are being produced by OTT platforms, and the content is being made available to be consumed by a free user. Such restrictions on content consumption, create an intention to purchase subscription.

Website Features

Another important reason explaining the popularity of OTT video streaming platforms is the facility for the user to access their content anywhere, at any time, on the go analysed user behaviour while watching videos and found that users are more tempted to watch a video when it is presented in features such as recommendation lists. Dislikes can attract a user to spend more time watching the videos. suggested that OTT platforms should be compatible with all platforms in order to attract users, including (i) smartphones and tablets; (ii) desktops and laptops; (iii) smart TVs; (iv) gaming consoles; and (v) set-top boxes. They must also ensure a common user interface. Identified that recommendation systems, resolutions, and viewing options were factors influencing willingness to purchase OTT video streaming service subscriptions in markets like Korea and China. Also, additional values such as unlimited access to content without advertisement disturbances and the features to download the content, and consuming it offline will create purchase intention to user. Users reluctance to see pop up banners and advertisements, over the video content has a significant effect on their decision to switch to become a premium user. Consumers who are annoyed by the presence of advertisements in middle of content, are even willing to pay more money to get rid of the advertisements, that disturb their viewing experience. A major problem faced by users on social media sites is time management, due their busy lifestyle. Dasgupta and Grover discovered that there is a willingness from the customer to pay an extra cost if he gets the flexibility to access and watch any content anywhere. Strnadová confirmed that users who look for spatial mobility while accessing video content are highly likely to subscribe to an OTT video streaming platform. To overcome the problems related to accessibility and availability, OTT video streaming platforms should provide options for viewing their content on any devices, like mobile phones and tablets. Also, OTT platforms must keep their interface less complicated, by providing easier access to information about content, playing it or downloading it. Complexity builds negative attitude for users to develop intention to purchase OTT subscription. One more problem that OTT video streaming platforms face is the constant comparison of viewing content on an OTT video streaming platform with viewing content on other platforms. Performance based on four factors: (i) CPU performance; (ii) latency; (iii) end-to-end latency; and (iv) load per period. However, in their study, found that maintaining service quality can help OTT platforms retain users, but does not necessarily increase intention to purchase subscription and upgrade to premium content.

The OTT video streaming platform should be improving the above factors in order to result in the following: (i) the application being stable during heavy use; (ii) the application being user friendly; and (iii) the application being user friendly. OTT video streaming platforms should ensure they deliver a high quality user experience under any network conditions. They

should have quality assurance mechanisms to measure effectiveness by getting statistics for shifted content playback and events (such as fast forward, rewind, skip, network conditions, and bitrate connectivity change). Besides the app customer satisfaction. The majority of problems that users face while accessing social media sites are due to accessibility issues, such as low bandwidth Internet connections and interruptions to electricity supply. These issues are essential, because the web features act as differentiators between one OTT video streaming platform and another. found that the features that are platform specific, such as recommendation playlists, are important for user adoption. found that an OTT video streaming service consumer perceives the higher quality of a recommendation system if the system has clarity, attractiveness, adequacy in terms of information labels/layout, and novelty of the recommended content. The platform should be sufficiently adaptable so as to recommend content based on the consumer's likes/dislikes. Netflix uses recommendation systems to its advantage. Netflix, through its recommendation system, showed use of Cards to users who would be most likely to watch and enjoy the show. Netflix credits the success of House of Cards to its impeccable recommendation system. Easy availability and discoverability of content and appropriate recommendation lists for users are major reasons why users prefer to move to premium subscriptions.

Trust and Safety

For any Internet based technology, the biggest problem is data theft. Safe management of user information by OTT video streaming platforms is important. Rajayogan and Muthumani concluded that trust of online shopping is a major influencer in creating purchasing intentions. There is no censorship for content that is published on OTT video streaming platforms. Schreiner, M., & Hess, T. in their study, found evidence that users are willing to pay extra streamlined self regulation of content and the tool that allows for the classification of the content in a fast process. There are high risks of a user being exposed to adult content, violent content, or hateful content. OTT video streaming platforms use recommendation systems to suggest video content to a user. Sivamol and Suresh found that a user would use the recommendation system in the OTT video streaming platform only if they trust and are confident in the recommendation platform. Thus, an OTT video streaming platform should demonstrate to the user that the platform is trustworthy in order to win the user over. Jyh-Jeng in their study, conclude that more than a positive attitude towards online shopping, they are more likely to subscribe to a OTT service. Thus, trust and safety can be managed. Mehta and Kayle suggested that future research should be done focusing on how censorship can be managed for OTT video streaming subscription. Senthilkumar suggested that service providers should take appropriate steps to prevent anonymous intruders from accessing any private information of users and maintain security. Bhawan and Marg noted that there are various issues facing the OTT industry concerning internet safety, such as (i) security issues; (ii) malicious software; (iii) reconnaissance; (iv) denial of service; (v) social engineering; and (v) safety issues.

The risks associated with transferring information over the Internet architecture of the Internet, which can result in loss of privacy, compromised cyber security, and cybercrime. OTT

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a high risk of exposure of user information to cyber thieves.

Ganapathi found that there is a need for online platforms to develop a comprehensive privacy policy for customers DERXW GLVFORVXUH RI XVHUV. SHUYRQRDORRGHURDUPDQWY. The policy should clearly state that the information that the platform collects will be kept confidential and will not be shared with anyone without user consent. A strong nondisclosure agreement provided by the platform can solve this problem. Such an agreement will promote positive perceptions about OTT video streaming platforms. One more problem that users have with OTT video streaming platforms is the easy availability of uncensored content.

Mehta, S., & Kayle, B. noted that in markets like India, movies must be censored and certified by the Censor Board of Film Certification (CBFC) before screening. Similarly, TV channels are also scrutinized by the Broadcasting Content Complaints Council (BCCC). However, there are nohsbodies that govern and certify content on OTT video streaming platforms. On the one hand, this is a positive aspect of such platforms, as content creators can have freedom, to create content without the burden of censorships. Mehta, S. argued that thrisk of governmental regulation has helped social media to amass an emerging pool of creators looking to experiment in diverse forms of storytelling. Furthermore, governments like the Indian government are taking steps to implement new policies to regulate online expression, which will lead digital creators to fall in line with other industries like TV and cinema. OTT video streaming platforms should also allow for the self-censorship of content so that the content that is streamed on their platforms is nobscene, vulgar, or generally inappropriate for family viewing. Due to the popularity of OTT video streaming platforms and the availability thereof on mobile phones, it is becoming easier for children to access such content accidentally. To combat this siW XD WLRQ WKH 277 YLGHR VWUHDPLQJ SODWIRUPV VKRXOG WD children from such exposure.

DISCUSSION

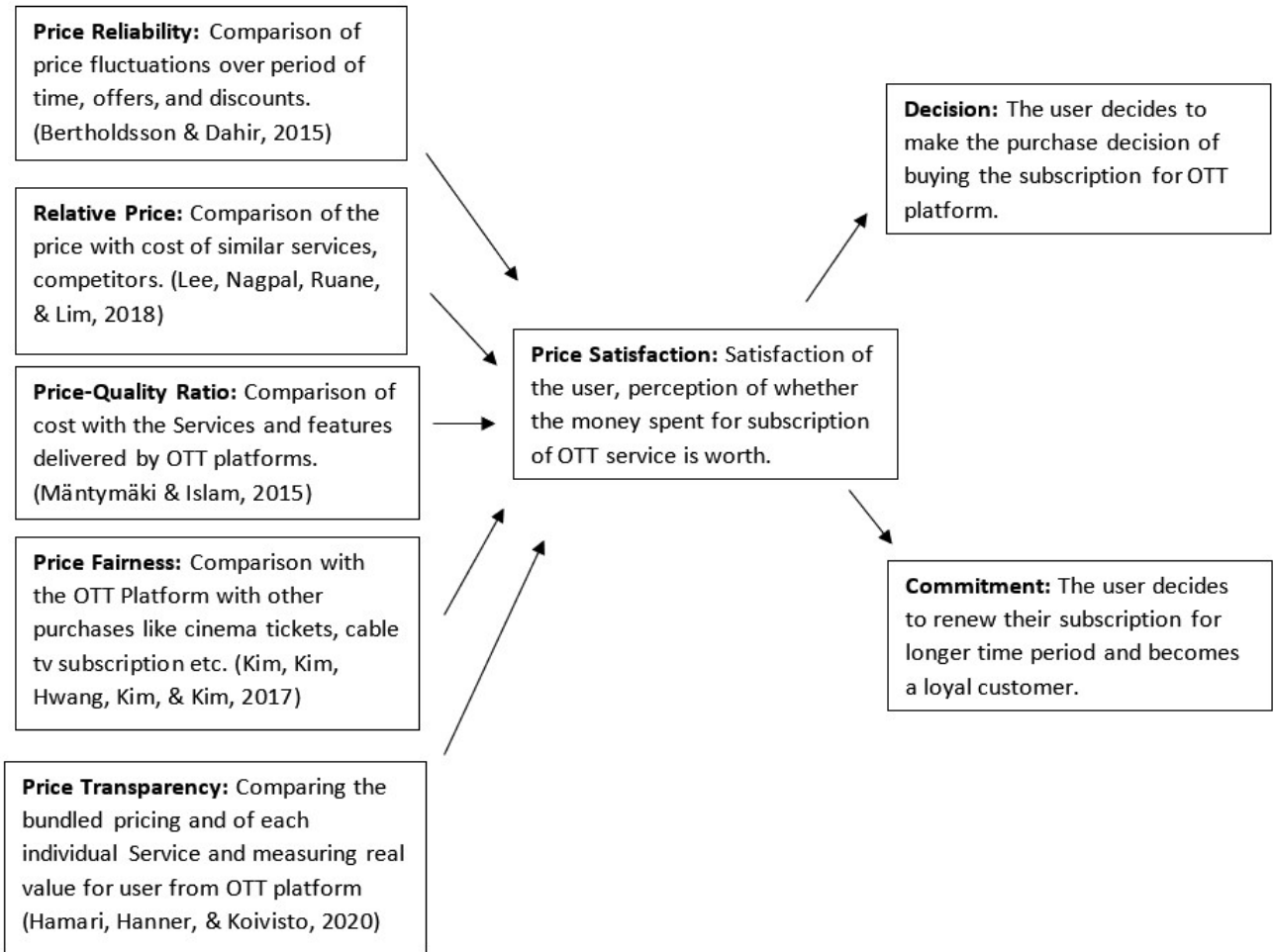
Based on the above critical review of the available literature on the subject, the various factors that driveWKH XVHU · V intention to purchase an OTT subscription has been explored. The various factors that facilitate the transition of a free user to an OTT subscriber are highlighted in the form of conceptual frameworks in the below sections.

Cost

Based on the above discussions, in terms of subscription cost² OTT platforms can attract subscribers by implementing fair, transparent and reliable pricing which is competitive, compared to the relative services. OTT platforms must also look at delivering appropriate quality of service which matches the cost of the subscription.

*\DX DQG 6RPRJ\L GHYLVHG D FRQFHSWXDO PRGHO RI SULFH VDWLVIDI model has been adopted for the present study in order to understand the impact ofR V W R Q D XVHU · V ZLOO purchase an OTT video streaming subscription.

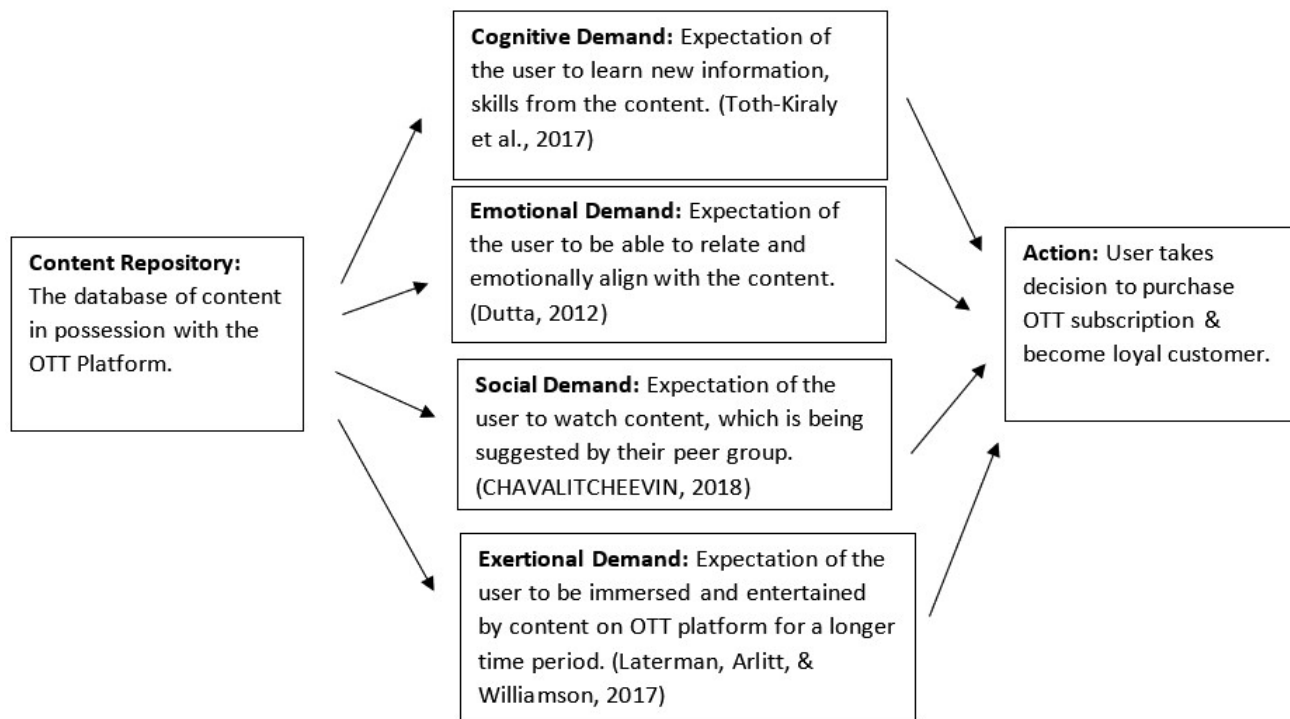
Figure 1: 7KH , P SDFW RI & RVW RQ XVHU · V ZLOOLQJQHVV WR SXUFKDVH DQ 2



Content

Based on the above discussions, in terms of content repository, OTT platforms can attract subscribers by adding content that provide them with new information and help them nurture new skills. Users get attracted to content, to which they can relate to and connect with the onscreen characters. Users are heavily influenced by their peer group. They expect OTT platforms to be having content that is having high expectation and interest in their peer group. OTT platforms must also look at delivering content that are addictive and of high interest value. Bowman devised a content repository for OTT platforms. OTT platforms can attract subscribers by adding content that provide them with new information and help them nurture new skills. Users get attracted to content, to which they can relate to and connect with the onscreen characters. Users are heavily influenced by their peer group. They expect OTT platforms to be having content that is having high expectation and interest in their peer group. OTT platforms must also look at delivering content that are addictive and of high interest value. Bowman devised a content repository for OTT platforms.

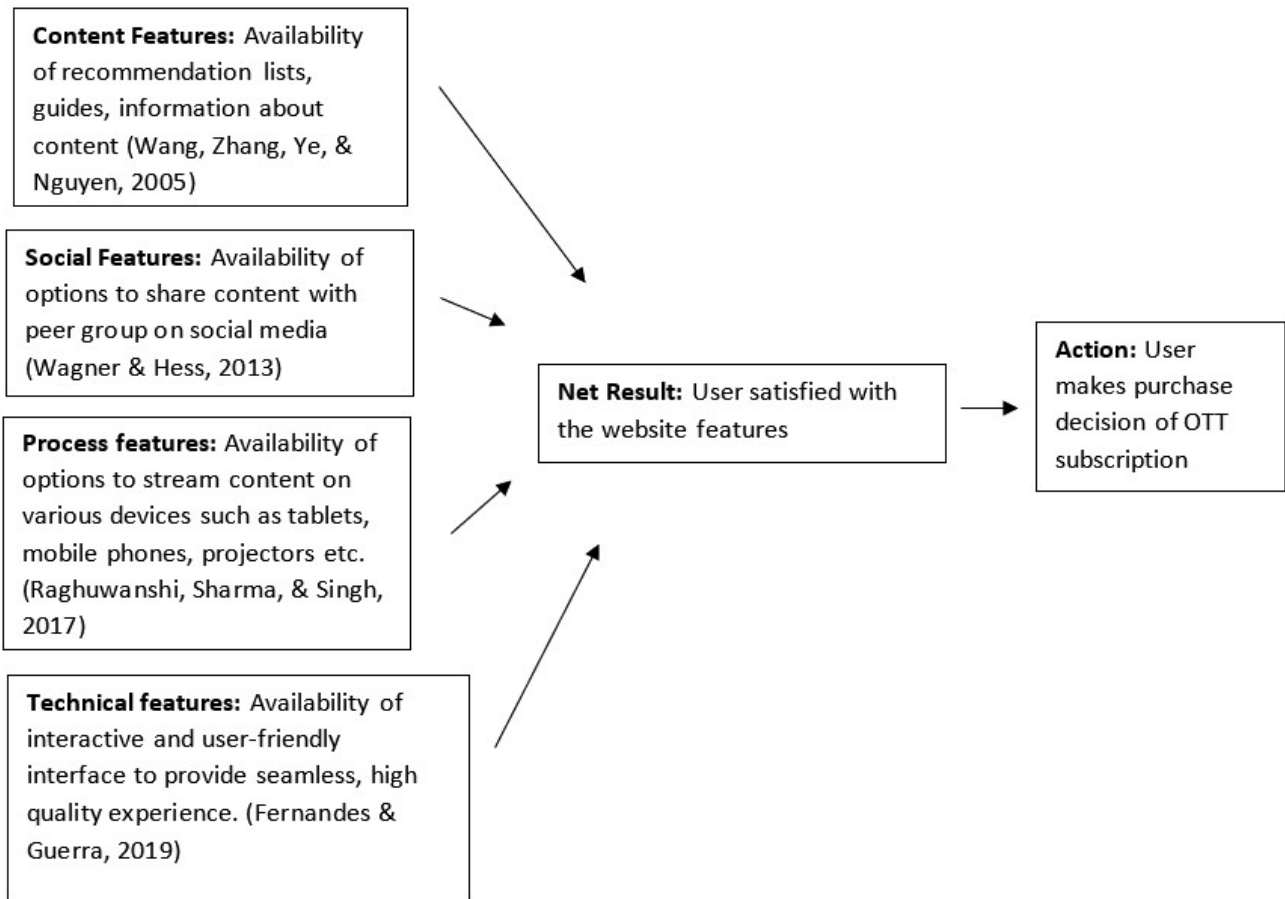
Figure 2: Influence of Price on OTT-wide Streaming subscription.



Website Features

Based on the above discussions, in terms of website features, OTT platforms can attract subscribers by adding content features such as recommendation lists, guides, information about content, actors, trivia and other information. Users are also inclined to watch content in OTT platform at anytime and anywhere. Therefore, OTT platforms should make sure their application is adaptive and workable on all devices to help users stream content at their comfort. OTT platforms must also give options to allow users share their favorite content with their peer group. Lastly and most importantly, the quality of content that is presented in the application must be top notch with the latest technical updates to attract users to purchase subscription. Liu, Ivy & Cheung, Christy & Lee, Matthew. devised a model for studying what people expect from tweeting. The model has been adapted in order to understand user expectations concerning website features.

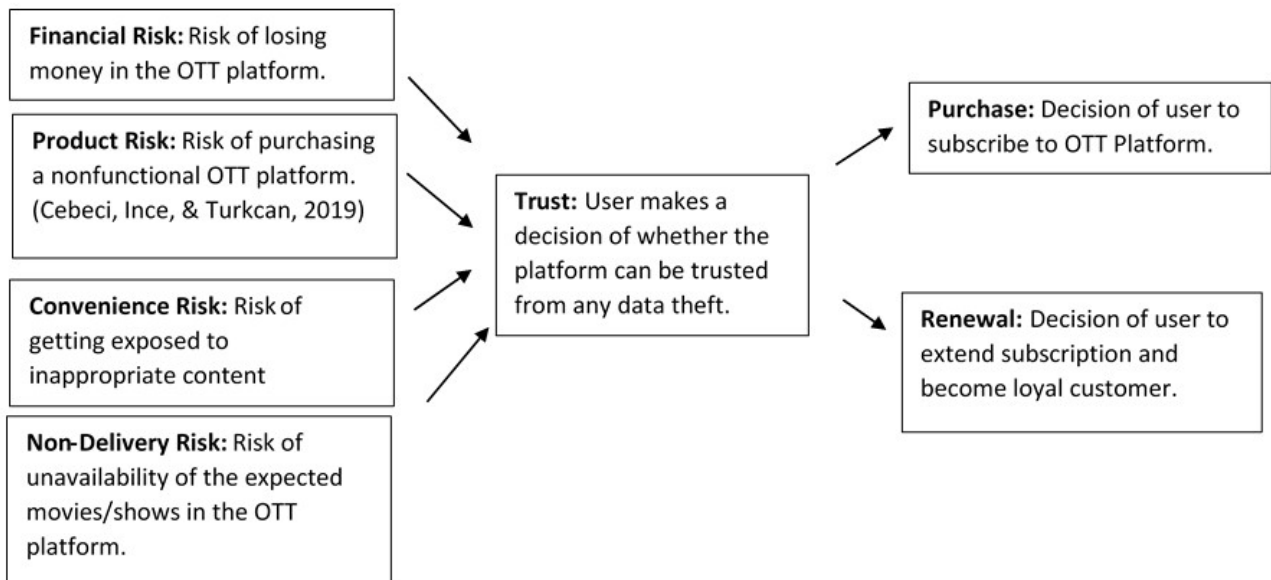
Figure 3 7KH LP SDFW RI ZHEVLWH IHDWXUHV RQ D XVHU·V ZLOOLQJQHVV V



Trust and Safety

Based on the above discussions, in terms of trust and safety, OTT platforms can attract subscribers by nullifying the risk perceptions of user regarding losing money, due to automated, unnecessary in app payments that happen without user consent. OTT platforms can educate and exhibit the functionality of the platform to the user, through marketing activities and thereby erasing any doubts regarding the functionality of the platform and its features. OTT platforms must establish strong quality control protocols and procedures to restrict the exposure of nonsuitable content to users. OTT platforms must also strive hard to ensure the availability of most expected series, movies on their platforms as promised to the users. The non-delivery of promises may result in losing out on subscribers. Abrar, K., Naveed, M., & Ramay, M. I. proposed a conceptual framework for the perceived risks in online purchasing. The model has been adapted for the present study to understand the impact of trust and safety on a user’s willingness to purchase an OTT video streaming subscription.

Figure 4: The impact of trust and safety on a user’s willingness to purchase an OTT video streaming subscription.



LIMITATIONS

The literature included in the review is completely based on secondary data and previous literature. Secondary data may become obsolete and irrelevant over time as the OTT video streaming industry is growing rapidly globally. Future research should make use of primary data by means of surveys, focus group discussions among OTT video streaming service users, and regular Internet users.

CONCLUSION

In this study, the transition of a OTT video streaming industry is growing rapidly globally. Bearing in mind the popularity of OTT video streaming platforms, this study aims to make a valuable contribution to the growing body of research on consumer behaviour in the OTT video streaming domain. In the study, four major factors² cost, content, website features, and trust and safety were identified and the process of how it impacts the decision of a user to purchase an OTT subscription, is mapped through conceptual framework. Through systematic literature review, discounts and offers are considered to be solid drivers influencing users within the cost component. Production of original series and localization of foreign content are drivers within the content component. It was also found that introduction of various web features, such as self-ownership, self-ownership, and self-ownership are drivers within the website features component. It was also found that introduction of various web features, such as self-ownership, self-ownership, and self-ownership are drivers within the website features component. It was also found that introduction of various web features, such as self-ownership, self-ownership, and self-ownership are drivers within the website features component. It was also found that introduction of various web features, such as self-ownership, self-ownership, and self-ownership are drivers within the website features component.

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