

CHAPTER I
INTRODUCTION

1.1 Background

In today's era, the internet plays an important role in human daily activities, as it gives access to the information and knowledge, as well as with the role of the internet that supports individuals, and organizations in doing their daily task, business operation, communication and collaboration. The use of the internet in various aspects of life surely contributed to personal, social and economic development. Besides, the presence of the internet stands a significant contribution in fulfilling the need of humans towards entertainment. It brings the ease for humans to have access to various preferred forms of entertainment across countries which can be accessed with the support of the internet. According to a Statista report, by January 2021 the total number of internet users has reached 4.66 billion or 59.5% of the global population (Johnson, 2021). This number shows how the majority of the world's population, regardless of what profession they are, were dependent on the use of the internet in supporting their life. Narrowing down the use of the internet in Indonesia, it is reported that in 2021, Indonesia will be recognized as one of the biggest online markets worldwide with over 171 million internet users. In July 2021, the country had 70% online penetration with video streaming platform as the most popular social network in Indonesia (Statista, 2021). This huge number of online penetrations was also become one of the effect resulted by the Covid-19 pandemic which requires the government to implement the large scale of social restriction (LSSR), which limiting social activity in the public space and required the citizen to do most the daily activities from home except for several major sector (Kompas, 2020). This regulation was made to eradicate the spread of Covid-19 cases in the country. Furthermore, it also led to the new normal phase within the society, with new behaviour to get things done from home with the support of the internet. The high consumption of video streaming can be determined as the result of the shifting behaviour of the people who previously had outside activity as the form of their entertainment into the in-house entertainment consumption with online content (Nielsen, 2021).

Even though Indonesia has gradually implemented the new normal situation and gets back to the pre-pandemic condition, the shifting behavior has been embedded in the society. This is shown

through the number of engagements towards digital entertainment that continuously grows, as the fact that the pandemic has accelerated in the adoption. Currently, the daily high rate of entertainment activities in Indonesia is reflected by 83% of Indonesians watching videos online, 77% watching TV, 75% listening to audio content and 67% playing online games, according to Nielsen survey in 2021. This growing percentage towards the consumption of online video is related to the growing competition among video streaming platforms in the market. The trend of video streaming not only happened in Indonesia but also globally. More specifically in the context of OTT (over-the-top) business model, which emphasize the role of content provider that provide various of content form that can be delivered over the internet, with the related platform that exists to enable the access towards the premium content from various types of devices, as it can be streamed through the computers, mobile phone and other smart devices (Kokaram et al., 2015). Further, this business industry is closely related with the SVOD (subscription video on demand) business which implies that subscription based model for the users in accessing the service along with the content provided within the service platform (Kokaram et al., 2015).

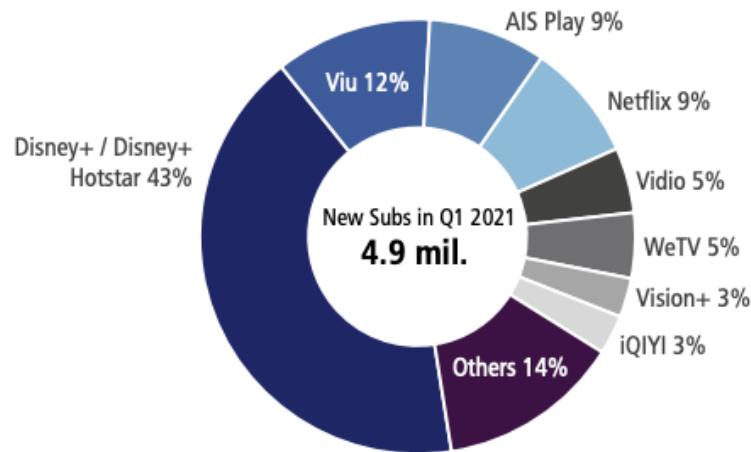
In Indonesia itself, the competition not only involves the local players but also with the global players that also cater to the Indonesian market. There are several key players in the OTT industry, specifically on SVOD business such as Netflix, Disney+ Hotstar, Viu, Vidio, HBOGO, WeTV and other players followed in the list. This growing potential in the video streaming market is also supported with the growing revenue in the video streaming market that is projected to reach \$281 million in 2022. Further, it is expected to have an annual growth rate of 13.57% which is projected to result in a market volume of \$468 million by 2026 (Statista, 2021a). The OTT player was now focusing their business with the subscribed based video on demand service that was competing both for content and subscribers. The current business model that implemented tends to provide a free trial period which gives the customer choice whether to remain as a user and subscribed to the offered package of price that provides the user unlimited content in the platform, as well as to cancel the subscription anytime at their convenience. All those OTT players were competing in providing good quality content that aligned with their market segment along with affordable subscription fees offered in the market. Besides, the implementation of various subscription fees in the sachet scheme were also included in the strategy of some of the OTT players to attract new subscribers. However, with the intense competition, it also leads to the

challenges faced by each of the players regardless of their size which is known as churn. Churn is known as the number of customers who leave the platform by canceling their subscription over a given period of time. According to the survey conducted by the NPD Group, it is found that content and pricing strategy for subscription fee plays the primary role that drives consumer engagement (Adgate, 2021). Even though churn rate can be managed through the greater number of new subscribers, irrelevant content and competitive subscription fee which leads the user to longer watch the content provided in the other platform become one of the most prevalent reasons behind 21% churn rate. SVOD users tend to decrease their engagement or cancel their subscription to a video streaming service platform because they found better content on the competitor (Adgate, 2021).

With the aforementioned situation in the video streaming market, maintaining subscribers to become loyal subscribers remains as the primary along with adding new users and new content in the business. The focus towards user retention should become the priority for the OTT players to build user loyalty. Thus, implementing the right business strategy which aligns the customer behaviour with the user retention activity, churn management and content strategy is highly needed to drive adoption for the longer term and to strengthen the position among the competitors with both content and customer experience to retain subscribers. According to the Media Partner Asia Report in 2021, Vidio secure its position on the top five SVOD platforms based on share of new paying subscribers in Southeast Asia during the period of first quartile in 2021. Vidio managed to be recognized as the 4th highest OTT platform with 5% subscribers growth during the period, while Disney+ Hotstar held the highest share of new subscribers by 43%, followed by Viu, Netflix and AIS Play that shared the second place with a total of 9% of the share (MPA, 2021a). However, Vidio still has a lower percentage of growth, compared to the other competitors in the market. Thus, further strategy to enhance the acquisition and retention are needed to strengthen Vidio's position. Maximizing the opportunities of a high number of internet users in the country along with the shifting behaviour of the society towards online entertainment will help Vidio to achieve higher rank among the OTT players in the local market.

Figure 1. 1 Top SVOD Platform by Share of New Paying Subscribers in Southeast Asia
(Source: Media Partner Asia Report, 2021)

SHARE OF NEW PAYING SUBS IN SOUTHEAST ASIA (Q1 2021)



1.2 Business Overview

1.2.1 PT. Company Profile



Figure 1. 2 Vidio Dot Com Logo
(Source:Vidio.com)

PT. Vidio Dot Com is a local over-the-top (OTT) video streaming platform that was established in 2014. PT. Vidio Dot Com previously established under PT. Kreatif Media Karya until 2019 and currently Vidio is owned by Surya Citra Media, both of which is a subsidiary of Elang Mahkota Teknologi (EMTEK). On the business portfolio, it serves three types of content category: first, the free-to-air (FTA) TV channel. This was the integration with the original FTA TV business model held by EMTEK group, which allowing the audience to broadcast the TV channel without require

any subscription or cost, as long as they have the supporting equipment to receive the signal of the channel (Menezes & de Quadros Carvalho, 2009). Which in the context of Vidio the FTA channel was now available in the platform which also can be streamed through the internet. Second, subscription-based video on demand (SVOD) and advertising-based video on demand (AVOD), as the free access for the digital content with advertisement during the watch time, which consist of various content genres that expands over the year to align with the market demand. As a part of EMTEK group, Vidio and other EMTEK's media company in the FTA television business, content production, event business and digital publishing were to maximize their synergy to enhance end-to-end entertainment service solutions for the customer. In the first two year, Vidio adopted a business scheme that allows user generated content (UGC) on its platform, where people can upload and share any kind of video. Along with that, Vidio affiliates known as SCTV, Indosiar, KLY started to have their livestreaming program as FTA TV channel on the platform, as well as with the video content owned by each channel. Furthermore, Vidio Dot Com has emerged as one of the leading OTT in the country through its success in obtaining the official broadcaster rights for Asian Games 2018. With that, Vidio was able to achieve 1.15 billion minutes delivered across 8 streams. Furthermore, Vidio continues to leverage its business with the launch of SVOD business scheme called Vidio Premier, where it enables the user who subscribes to their service to access their premium video-on-demand service. In less than a year since the premier package launched, Vidio managed to achieve a total of 100,000 subscriptions. And as for now, Vidio is recognized as the 4th highest OTT platform by total number of subscribers in Southeast Asia 2021 by Media Partner Asia (MPA). Besides, Vidio continuously maintains its growth respectively in the local market, which remains as the 3rd place based on the share of premium video streaming minutes in the third quarter 2021 (MPA, 2021b).

TOP 3 PLATFORM'S SHARE OF PREMIUM VIDEO STREAMING MINUTES (Q3 2021)

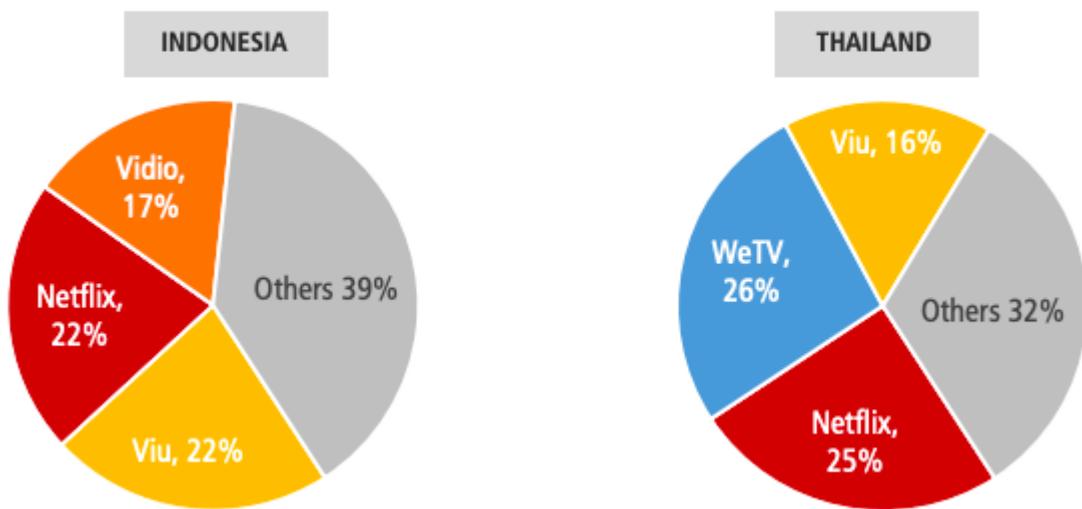


Figure 1. 3 Top 3 Platform's Share of Premium Video Streaming Minutes in Southeast Asia (Q3 2021)

(Source: AMPD Research, 2021)

In the current business, Vidio has various content provided in the platform from the live streaming TV with the most complete national TV channel with a total of 18 national TV available in the platform, along with several international TV channels included in the SVOD business, as well as sports, news, religion and entertainment TV channels. Vidio also complemented its live streaming channel with 32 national radio channels, premium sports live streaming programs such as UCL, UEFA, NBA, and others. Besides, since 2019 Vidio has shown its consistency in producing its original series on a regular basis, exclusive live streaming event in cooperation with production houses, music labels, e-commerce and other brands. Even more, Vidio has collaborated with telecommunication providers, pay-tv, internet providers and e-commerce in providing various packages for the customer. In terms of ensuring its service is not only limited to be accessed anywhere through all mediums, Vidio also collaborates original equipment manufacturer (OEM), specifically with smart device companies, such as Samsung and Xiaomi to be automatically installed in their unit. This collaboration with Vidio partners surely contributed to drive the business growth in the context of revenue as well as in its contribution towards the subscription mix. Currently, Vidio Telco partners has contributed 68% towards the subscription mix, followed

by its retail partners such as the ecommerce players at the second place with 26% and IPTV, OEM and B2B partners with 6%.

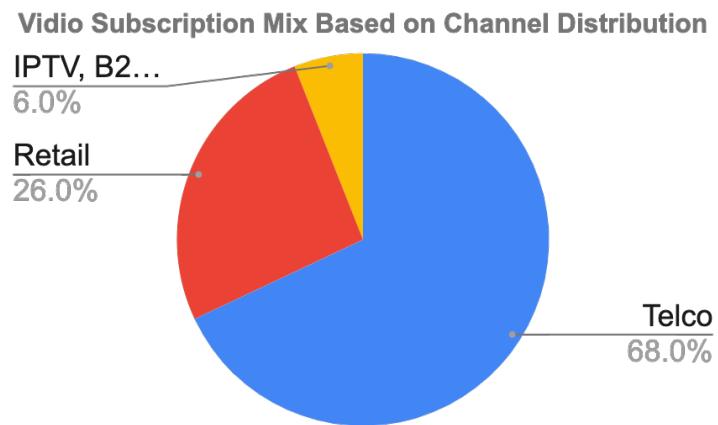


Figure 1. 4 Vidio Subscription Mix Based on Channel Distributions
(Source: Vidio Internal Data, 2022)

With the current position in the market, Vidio focuses on strengthening its position even further by adding more creative and original content to the platform. Vidio's prominent position in the local market is supported by the content libraries in the platform. In the beginning of 2022, Vidio managed to unlock another milestone. As the official broadcaster of AFF Cup in the country, Vidio has drawn a new record of the number of watchers by approaching 65 million watchers, surpassed the number of live streaming watchers for several previous prestige championship, including Asian Games 2018, which known as one of the platform's biggest success in their milestone (Liputan6.com, 2022). In the other way, Vidio's aggressiveness in the market has also aligned with the company's stability, as Vidio announced its first external injection with a total of \$150 Million from Affinity Equity Partners, the largest private equity in Asia. This external injection has resulted in a total of \$750 million pre-money valuation, where the funding has inflated its valuation to near unicorn status (Sandria, 2021). With this investment, Affinity and Vidio will strengthen its partnership in driving the business growth and market penetration in the local market as the main agenda. The main agenda will be supported by focusing its pipeline to leverage its original content production, increments sport program license and investment towards user experience enhancement (DailySocial.id, 2021). This agenda is align with Vidio current demography of the users towards the most preferred content type in the platform. Based to internal data, the most watched content category in Vidio are sports with 45%, followed by entertainment categories that includes the film, movies and Korean series and Vidio original series in the third place with 25%

share. These three content categories are recognized as the popular or high demand content within the platform. Sports still become the number one preferred content as it is also align with the user demography as well, where 55% of Vidio users are male and the rest of 45% are female so it is align with the results of sports as the number one preferred content within the platform, which followed by entertainment and Vidio original content categories.

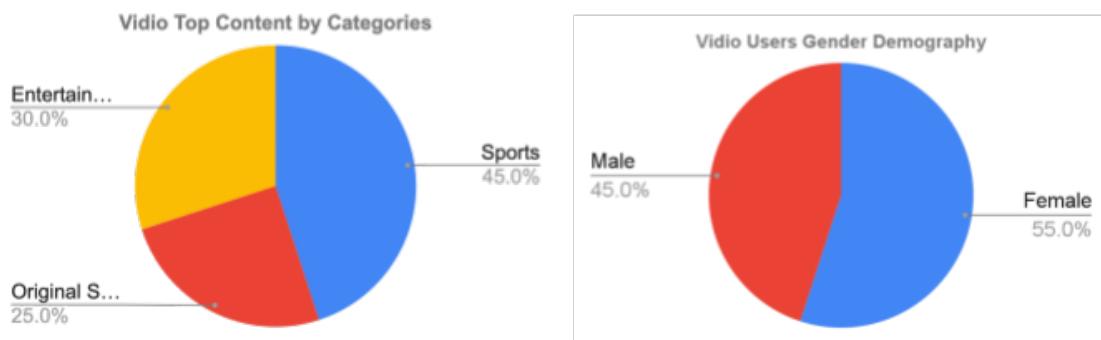


Figure 1.5 Vidio Users Demography
(Source: Vidio Internal Data, 2022)

1.2.2 Company Vision, Mission and Core Values

Vidio Dot Com has underlined its vision statement such as follow:

“Vidio.com aimed to be the ultimate destination for Indonesian people to enjoy quality contents and live shows”

On the other hand, the company mission statement is:

“Delight our viewers with quality curated local and premium contents in any of their preferred connected devices”

In its business, Vidio also adopts several values as the core of the business which first is through continuous innovation that they continuously strive for. Besides, the implementation of culture that embraces challenges as well as passion and excellence is another value that is embedded in the company. Third, a collaborative environment which is shown through the design of the office space that emphasizes the open sharing office design and multi-level communications. Lastly, the company saves such work-life balance in order to promote motivation towards work and to be passionate about their job.

1.2.3 Company Products

The company has divided its product offerings into two main categories; paid content and free content.

- **Free Content**

These categories fall under the Ads Video-on-Demand (AVOD) category. In this category the content offered to the user consisted of Free-to-Air TV Channels for local TV such as SCTV, Indosiar which can be accessed through the live streaming method. Besides, the free content in this category also came along with the extended content from several FTA channels such as TV series, TV shows, short video, sport match highlights and several others in the form of video on demand where people can access the content anytime.

- **Paid Content**

This paid content category offers three major package of content products such as following:

- a. Subscription Video-on-Demand (SVOD): this product is offered to the market through the Vidio Premier package that provide towards Vidio Original Series, Film, Korean Series, Sports championship. The package of Vidio Premier ranges from IDR 19,000 - IDR 299,000 with various periods of subscription.
- b. Transactional Video-on-Demand (TVOD): this product is the opposite of Vidio Premier package, TVOD package allows consumers purchase content on a pay-per-view basis. The content under this package is dominated by movies or films with price range from IDR 15,000 - IDR 29,000,- which one ticket can be used for one movie title within completion period maximum at 2 days and active for 30 days.
- c. Live Event: Besides the above categories of video-on-demand, Vidio.com also offers several exclusive live events such as workshop, virtual concert, meet & greet and several others. The price range for this type of content fluctuates depending on the production deals of the events.

Furthermore, aside from the aforementioned products that offered by Vidio to the market, those products also provide different type of content which can be seen in the table below:

Table 1. 1 Vidio Product Offerings

| Content Type | Content Details |
|-------------------------------|--|
| Live Streaming | Free Content: SCTV, Indosiar, ANTV, TVOne, Trans TV, Trans 7, NET TV, Metro TV, Kompas TV, O Channel, TVRI, Berita Satu, JakTV, |
| | Paid Content: Champions TV (UEFA Champion League, UEFA Europa League, FA Cup, BWF Series, and many others) TVN, NBA TV, Citra Muslim, CItra Bioskop and several others |
| Video On Demand | Free Content: Sports highlights, Indonesia Series, FTV, Korean Series (First 1-3 episodes), Vidio Originals (First 1-2 episodes), Kids series, News content, Entertainment content. |
| | Paid Content: Vidio Originals, Korean Series, Fast-track Indonesia Series, Sports Full Match Highlights, Kids Content, Movies and several others. |
| Transactional Video-on-Demand | Selected movies title that can be access in the rental mechanism |

1.3 Problem Identification

Increasing number of new SVOD users has become one of the important things that should be consistently pursued by Vidio as it aligns with Vidio goals to become the number one local OTT player in the OTT industry in Indonesia. During preliminary correspondence, Chief Operating Officer of Vidio informed that aside from the competition in the industry, Vidio managed to achieve significant growth throughout the year as Vidio managed to double the number of subscribers year on year compared to 2020 and closed 2021 with a total of 2 million subscribers.

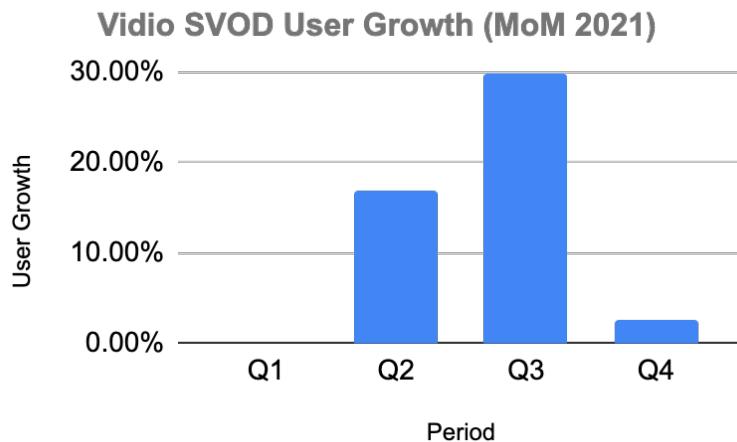


Figure 1. 6 Vidio SVOD User Growth Percentage FY2021 (MoM)
(Source: Vidio Internal Data, 2022)

However, despite the growing number of new subscribers, the existence of churn customers becomes a concern for the company. In the current business system, Vidio were providing weekly, monthly and yearly subscriptions, which were implemented to align with the average customer buyer in Indonesia. In the current data, monthly subscription became the most preferred package with 71.6%, followed by weekly subscription with 27.1% and yearly subscription with total of 1.9% (Vidio, 2022). However, the existence of weekly subscription still became a challenge to Vidio, specifically on its impact that has a tendency to result in churn of customers and unhealthy subscription cycle that challenge the customer retention. Thus, the company finds this as an important issue. Specifically, with the tight competition in the industry, increasing the number of subscribers through acquisition and retention is clearly needed to support the business growth and to dominate the market share. With that being said, Vidio not only benefits from the increase of subscriber number but also facing problems related to churn and subscription continuity. Hence, Vidio needed to address the issue by identifying the factors behind the users preference towards the weekly subscription, in order to evaluate the continuity of the package offering. Also, to contribute in the strategy formulation to shift the user from weekly to a monthly subscription to enhance the user retention. As it is important to support the company in implementing several retention strategies towards this issue. Integrating the right strategy to the content and pricing strategy in dealing with the competition among OTT players that become one of the main switching results also is required for Vidio to ensure that they are able to maintain the business growth by increasing the number of SVOD users through acquisition and retention.

1.4 Research Questions

1. What are the challenges to increase the number of Vidio SVOD users in dealing with the growing number of OTT players in the market?
2. What factors contribute to customer preference towards weekly subscription packages?
3. What retention strategy needs to be implemented by Vidio to lure customers to switch from weekly to monthly subscription basis?

1.5 Research Objective

This final project will research one of the leading OTT players in Indonesia, named Vidio.com which focuses to formulate proposed marketing strategy to increase its Subscription Video-on-Demand (SVOD) business model number of users through customer acquisition, product preference and retention.

1.6 Limitations of Research

- This research only focuses on the analysis towards the formulation of marketing strategy which related to the user acquisition, retention and identification towards user behaviour on their preference towards the weekly subscription and not analyzing the financial and operational aspect. In the business strategy, marketing strategy is developed at the business unit level, in which the marketing function organizes its activities and resources to achieve a profitable growth by identifying markets and customers needs with planning products which will satisfy the needs of these markets and ensure the customer satisfaction (Kotler, 2003).
- The primary data collection method for this research will be using the survey towards various OTT users, including Vidio users, Ex Vidio users and non Vidio users. The related data collection executed in order to support the formulation of the proposed business strategy for the company. Further, internal data of the company is also used to support the problem statement and the business environmental analysis, along with the in-depth analysis of the existing strategy implementation which is collected through direct interview.
- This research was only conducted within the period of first quarter 2022, which analysis and proposed solutions made with the alignment of findings within that period.
- Though this research is conducted in the pandemic era as focus of discussion, yet the impact of the pandemic is not discussed in the analysis.

- The primary data collection is only distributed through social media and online communication platforms. Respondents who filled the questionnaire are only respondents that have internet access and are active in the use of social media and online communication platforms where the survey is distributed to.

1.7 Systematic of Writings

This research is consisted of four chapter with details are explain in the following points below:

1. Chapter 1 - Introduction

The first chapter consisted of the background of the related information to the topic that discussed in the research including the current situation of OTT market which leads to the issue and challenges in the market that faced by Vidio as one of the players, followed by the company background itself. Later, the research objectives and research questions as the focus discussion that will be answered in this research also included in this chapter and continued with the research limitations.

2. Chapter 2 - Business Issue Explorations

In the second chapter, the author mainly discusses the conceptual framework and research flow which are conducted to meet the research objective along with the business strategy proposed for Vidio. The research flow will consist of the data collection process to identify the customer preference towards the weekly subscription and input towards the OTT service to maintain customer retention and to increase the number of users. This will also cover the implementation of strategy by the company. The framework discussed in this chapter will be divided in two sections; generic framework used to analyze the internal and external environment that affect Vidio business itself. While the thematic framework will be a concept to analyze the findings regarding the business issue exploration that faced by Vidio.

3. Chapter 3 - Business Solution

The third chapter will analyze the results that found in the previous chapter related to Vidio performance and strategy implementation. As well as with the proposed strategy based on the analysis and the customer input needed in solving the problem. TOWS Matrix, proposed Consumer Decision Journey's, Customer Switching Behaviour and Diamond

strategy model framework will be used in the strategy formulation along with the implementation plan.

4. Chapter 4 - Conclusion and Implementation Plan

In this last chapter, the author will answer the fundamental questions mentioned in the first chapter and to summarize the important suggested strategy as the conclusion of the research. The explanation of the proposed strategy as the solution will be complemented with the implementation plan within a certain period.