

# Netflix's growth in India on a slippery turf

Avil Saldanha and Rekha Aranha

**O**n August 9, 2022, Reed Hastings (Founder and Co-CEO, Netflix) was contemplating Netflix's future in India. In 2018, Hastings set an ambitious target of attaining 100 million subscribers in India (Borghain, 2018, February 24). However, in reality, Netflix had managed to attain just five million paid subscribers in India. The Netflix leadership team in India attributed Netflix's slow growth in price sensitive Indian market to its high-price strategy. Most of the Indian viewers felt that Netflix was overpriced and wanted the subscription price to be reduced. But, price reduction was a complex decision adversely affecting revenue and profits in the short run. Even if the subscription price was reduced, there was a possibility of the competitors following suit leading to a price war. Netflix being the highest-priced player would suffer the most. Also, Netflix had to maintain parity in pricing across emerging markets. Frequent reductions in price would dilute the premium status occupied by Netflix in the over-the-top (OTT) segment. Hastings had to find the right balance for Netflix's pricing strategy in India.

Avil Saldanha is based at the Department of Marketing, St Joseph's Institute of Management, Bangalore, India. Rekha Aranha is based at the Department of OB and HR, School of Business and Management, CHRIST (Deemed to be University), Bangalore, India.

## Netflix inception and growth

Netflix was founded by Reed Hastings and Marc Randolph in the year 1997 in California. Netflix initially focused on DVD rental by mail and DVD sales. However, DVD sales were abandoned by the founders within one year of operations to exclusively focus on the DVD rental business (Pogue, 2007, January 25). In 2007, Netflix introduced streaming media and video on demand. The company expanded to Canada in 2010, followed by Latin America and the Caribbean. In 2013, the service began to acquire and produce original content, beginning with the political drama *House of Cards*. By 2022, original productions accounted for half of Netflix's library in the USA, and the company had ventured into other categories, such as video game publishing via the Netflix service (Wikipedia contributors, 2023, February 16).

Netflix worldwide subscribers amounted to 231 million worldwide, EMEA region (Europe, Middle East and Africa), accounting for over 76 million of Netflix's total global subscriber base, the USA and Canada accounted for 72 million subscribers, whereas India accounted for approximately five million subscribers (Statista, 2023, January 20).

Table 1 illustrates the timeline of Netflix expansion worldwide starting from its inception at California in 1997.

## Netflix journey in India

Netflix was launched in India in 2016 but started operating and streaming content in India in April 2017. Netflix initially focused on the English-speaking audience in India who were interested in popular international TV series and Hollywood movies. However, after understanding the lingual diversity of India, Netflix started streaming vernacular content for the Indian audience. In partnership with leading local production houses, Netflix developed original content in vernacular languages for Indian consumers. Prominent production houses with whom Netflix partnered include T-Series, Red Chillies Entertainment, Pooja



Disclaimer. This case is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. The case was compiled from published sources.

**Table 1** Timeline of Netflix expansion

Year	Details
1997	Netflix founded in Scotts Valley, California, by Marc Randolph and Reed Hastings
1998	Netflix launches its website with 925 titles available for rent through a traditional pay-per-rental model
1999	Netflix launches its monthly subscription concept
2000	Netflix offers itself for acquisition to Blockbuster for US\$50m; however, Blockbuster declines the offer
2002	Netflix initiates an initial public offering (IPO), selling 5.5 million shares of common stock at the price of US\$15.00 per share. It brings in US\$82.5m
2003	Netflix announces that it reaches 1 million subscribers
2007	Netflix announces that it will launch a streaming video
2009	Netflix Originals was launched
2010	Netflix starts expanding its streaming service to the international market, starting with Canada
2011	Netflix launches streaming services in Latin America, Central America and the Caribbean
2012	Netflix starts its expansion in Europe
2013	Netflix starts streaming <i>House of Cards</i> , its first original content
2015	Netflix launches streaming service in Japan
2016	Netflix announces a major international expansion into 130 new territories
2016	Netflix announces that it will launch originals targeting kids
2021	Netflix launches its gaming platform Netflix Games, available on Android with 5 games on launch. The company also announces plans to expand its gaming service to iOS
2022	Netflix raises prices again and loses 1 million customers

Source: Wikipedia (2023, February 17). [https://en.wikipedia.org/wiki/Timeline\\_of\\_Netflix](https://en.wikipedia.org/wiki/Timeline_of_Netflix)

Entertainment, Viacom 18 Studios, Luv Films, Reliance Entertainment, RSVP Movies, Benaras Media Works, Maddock Films, Junglee Pictures, Balaji Telefilms and Matchbox Shots (Ramachandran, 2022, September 8).

Netflix's net profit in India for the fiscal year 2017 was INR2.02m. It earned revenue of INR580m in the fiscal year 2018 (Laghate, 2018, December 28). As per a report by Morgan Stanley Research, Netflix had the highest average watch time of more than 120min as compared to other OTT service providers in July 2018 (exchange4media Staff, 2018, September 26). Netflix Founder and Co-CEO Reed Hastings announced in December 2019 that the firm planned to invest INR30bn in original Indian content over two years.

Netflix Entertainment Services India LLP, the India arm of Netflix, had reported a 66% growth in gross revenue at INR1,529.36 crore for the fiscal year 2021 as against INR923.33 crore in the previous fiscal. Its total expenditure stood at INR555.02 crore in FY21, compared to INR72.23 crore in FY20 (Farooqui, 2021, November 6).

### Over-the-top market in India

Indian video OTT market in India was projected to grow from US\$1.5bn in 2021 to US \$12.5bn by 2030. Native Hindi language speakers and state-wise vernacular language-speaking populations in Tier 2, Tier 3 and Tier 4 cities were expected to contribute to growth in subscription and viewership. The OTT market in India was expected to grow at a CAGR of 28.6% from 2022 to 2025 (The Economic Times, 2021, July 18). The leading players in the Indian OTT landscape were Disney+ Hotstar, Amazon Prime Video and Netflix in terms of customer satisfaction and subscriptions. Indian OTT space had witnessed the growth of many regional OTT players, such as SonyLIV, Voot, ALTBalaji, Eros Now, Zee5, Sun NXT, Hoichoi, Adda Times, etc. (Business Insider, 2021, July 15).

Reports on the mass media suggested that the majority of Indian subscribers/users viewed OTT content on smartphones. Nachiket Pantvaidya, CEO of ALTBalaji, stated that 80% of subscribers viewed their content on smartphones (Bhatia, 2020, June 2). In line with this trend, Netflix introduced its basic pricing model for streaming on smartphones. Netflix had given full access to all the available content for its mobile plan users. Most Netflix Indian

subscribers were viewing content on smartphones as compared to developed western countries where subscribers preferred bigger screens. Aggressive OTT competitors in India were stepping up their attack on Netflix and were wooing the OTT smartphone segment with discounts, low-priced packages and freemium pricing. [Table 2](#) illustrates the aggressive pricing for subscription plans by Netflix's OTT competitors in India.

### Challenge of low household income in India

Around 69% of households in India struggle with financial insecurity and vulnerability. The average income of an Indian family of 4.2 persons is INR23,000 per month. Over 46% of Indian families have an income of less than INR15,000 per month, i.e. belong to the aspiring or lowest-income cohort. Only 3% of Indian households have a luxury standard of living and belong to high-income cohorts ([India.com News Desk, 2022](#), November 5).

India stands out as a “poor and very unequal country, with an affluent elite,” where the top 10% holds 57% of the total national income, including 22% held by the top 1%, while the bottom 50% holds merely 13% in 2021, according to the World Inequality Report 2022 ([Sengar, 2022](#), May 25).

Despite India's large population base of 1.412 billion in 2022 ([Patranobis, 2022](#), July 12), the challenge of low household income combined with high inequality in income distribution make it an uphill task for foreign multinational corporations to penetrate the lower-income segments of the Indian market.

### Pricing dynamics in India

Netflix started its operations in India with a high pricing strategy as compared to other competing OTT platforms. The Covid-19-induced lockdown resulted in a surge in revenue

**Table 2** Details of Netflix's OTT competitors in India

OTT service	Name of the plan	Subscription fee	Validity	Subscribers/viewers
Sony Liv	LIV Premium Monthly	INR 299	1 month	32.7 million (paid) and 118 million monthly active users
	LIV Premium Half Yearly	INR 600	6 months	
	LIV Premium Yearly	INR 999	1 year	
	LIV Special +	INR 399	1 year	
	WWE Network plan	INR 299	1 year	
Disney+ Hotstar	Super Plan	INR 899	1 year	26.8 million paid subscribers and 300 million active users
	Premium Plan	INR 1,499	1 year	
	Monthly Plan	INR 299	1 month	
Amazon Prime Video	Amazon Prime Monthly Plan	INR 179	1 month	18 million
	Amazon Prime Quarterly Plan	INR 459	3 months	
	Amazon Prime Yearly Plan	INR 1,499	1 year	
Voot	Monthly	INR 99	1 month	1 million (paid) and 100 million monthly active viewers
	Yearly	INR 999	1 year	
ZEE5	Mobile	INR 399	1 year	76.4 million active users per month (free and paid)
	Premium HD	INR 699	1 year	
	Premium 4K	INR 1,499	1 year	
ALTBalaji	Monthly	INR 43	1 month	2.4 million
	Yearly	INR 300	1 year	
Sun NXT	Basic Plan	INR 480	1 year	20–25 million users
	Premium Plan	INR 799	1 year	
Eros Now	Monthly	INR 49	1 year	18.8 million paid users and 155 million active users
	Quarterly	INR 79	1 year	
	Yearly	INR 399	1 year	
	Yearly	INR 399	1 year	

Source: Created by the authors using data from Pavankumar [Baboori \(2021, July 21\)](#)

**Table 3** Netflix subscription plans in India

<i>Netflix subscription plans (monthly fee)</i>	<i>Details</i>
INR149 Mobile-only plan	1-screen limit, access on mobile and tablet, SD content
INR199 Basic plan	1-screen limit, access on mobile, tablet, laptop and TV, SD content
INR499 Standard plan	2-screen limit, access on mobile, tablet, laptop and TV, full HD content
INR649 Premium plan	4-screen limit, access on mobile, tablet, laptop and TV, Ultra HD (4K) content

Source: Created by the authors using data from [MySmartPrice \(2021, December 14\)](#)

for Netflix due to the addition of new subscribers. High pricing was one of the prime reasons for the higher revenue of Netflix as compared to most of the competing OTT platforms. However, high pricing was turning out to be a pain point for Netflix in India due to the aggressive pricing plans of competitors.

Netflix started its Indian operations with only three-monthly priced plans, namely Basic (INR499), Standard (INR649) and Premium (INR799). All three plans offered access to unlimited content, the differentiating factor was the number of screens. One screen at a time could be accessed with the basic plan, whereas subscribers could access two screens at the same time with the standard plan and four screens could be accessed simultaneously with the premium plan.

An attractive subscription plan of INR199 per month was launched by Netflix in 2019 offering streaming only on mobile phones with unlimited access to content (Saha, 2019, July 26). However, this INR199 for single mobile screen viewing was considered expensive in the price-sensitive Indian market with a significant proportion of the population in the middle-class and low-income category. To increase its subscriber base, Netflix further reduced its price with effect from December 14, 2021, as shown in Table 3. Under the new price scheme, the mobile-only plan was priced at INR149 per month, instead of the earlier INR199 per month; the Netflix Basic plan was priced at INR199 per month; the plan used to cost INR499 per month earlier so this was a significant price drop. The standard Netflix plan was priced at INR499 per month, instead of INR649, which was the earlier price. Finally, the premium plan was priced at INR649 per month, instead of the earlier cost of INR799 per month (Desk, 2021, December 16).

### Way forward

Reed Hastings and Netflix top management team faced the challenge of getting its pricing strategy right in India. Even with multiple price reductions, Netflix was not able to match the low pricing of its competitors. Attaining its ambitious target of 100 million subscribers from India looked almost impossible. Netflix's top management faced the following strategic question: Should they reduce the prices in India to match the pricing of their OTT competitors, or should they continue with the current high-pricing strategy?

Netflix's growth path in India will depend to a great extent on its pricing strategy. Netflix faces a tough battle in its attempt to increase its market share in India. Making the right decisions will ensure Netflix's long-term continuity and growth in India.

### References

- Baboori, P. (2021), "Top 10 OTT platforms in India 2021", IndianOnlineSeller.Com, available at: <https://indianonlineseller.com/top-10-ott-platforms-in-india>
- Bhatia, A. (2020), "ALTBalaji CEO interview: small town India discovering OTT platforms; 'adult' no more a taboo word", The Indian Express, available at: <https://indianexpress.com/article/technology/tech-news-technology/alt-balaji-ceo-interview-ott-platforms-adult->

Borgohain, A. (2018), "The next 100 mn users of Netflix will come from India: Netflix CEO Reed Hastings", The Economic Times, available at: <https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/the-next-100-mn-users-of-netflix-will-come-from-india-netflix-ceo-reed-hastings/articleshow/63047513.cms?from=mdr>

Business Insider (2021), "India's OTT industry to be worth \$15 billion by 2030: report", available at: [www.businessinsider.in/advertising/media/news/indias-ott-industry-to-be-a-15-billion-industry-by-2030-report/articleshow/84439078.cms](http://www.businessinsider.in/advertising/media/news/indias-ott-industry-to-be-a-15-billion-industry-by-2030-report/articleshow/84439078.cms)

Chatterjee, D. (2020), "Calls for Netflix ban: the perils of India's own 'cancel culture'", The Wire, available at: <https://thewire.in/culture/netflix-india-ban-perils-india-own-cancel-culture>

exchange4media Staff (2018), "Video OTT revenue in India expected to reach Rs 13,800 crore by FY 2023", Indian Advertising Media & Marketing News – Exchange4media, available at: [www.exchange4media.com/digital-news/video-ott-revenue-in-india-expected-to-reach-rs-13-800-crore-by-fy-2023-92262.html](http://www.exchange4media.com/digital-news/video-ott-revenue-in-india-expected-to-reach-rs-13-800-crore-by-fy-2023-92262.html)

Farooqui, J. (2021), "Netflix India's FY21 revenue zooms 66% to Rs 1529 crore", Indian Advertising Media & Marketing News – Exchange4media, available at: [www.exchange4media.com/digital-news/netflix-indias-fy21-revenue-zooms-66-to-rs-152936-crore-116706.html](http://www.exchange4media.com/digital-news/netflix-indias-fy21-revenue-zooms-66-to-rs-152936-crore-116706.html)

India.com News Desk (2022), "Average income of Indian family is Rs 23,000 per month: survey", India.com, available at: [www.india.com/business/average-income-of-indian-family-is-rs-23000-per-month-survey-5725299/](http://www.india.com/business/average-income-of-indian-family-is-rs-23000-per-month-survey-5725299/)

Jonnalagadda, H. (2018), "Netflix is getting crushed in India, and it's all because of amazon and Hotstar", Android Central, available at: [www.androidcentral.com/netflix-getting-crushed-india-and-its-because-amazon-and-hotstar](http://www.androidcentral.com/netflix-getting-crushed-india-and-its-because-amazon-and-hotstar)

Laghate, K.B.A.G. (2018), "Netflix leases space for India headquarter in BKC", The Economic Times, available at: <https://economictimes.indiatimes.com/tech/internet/netflix-leases-space-for-india-headquarter-in-bkc/articleshow/67280626.cms?from=mdr>

MySmartPrice, T. (2021), "Netflix subscription plans 2021: monthly and yearly price in India, validity, Jio & Vi recharge offers", MySmartPrice, available at: [www.mysmartprice.com/gear/netflix-subscription-plans-india/](http://www.mysmartprice.com/gear/netflix-subscription-plans-india/)

Parekh, M. (2016), "Netflix everywhere: Netflix faces piracy, pricing, content challenges in India", S&P Global Market Intelligence, available at: [www.spglobal.com/marketintelligence/en/news-insights/trending/nssbz5qdn4jtkvjsxbwegw2](http://www.spglobal.com/marketintelligence/en/news-insights/trending/nssbz5qdn4jtkvjsxbwegw2)

Patranobis, S. (2022), "India's population is higher than China's, claims researcher", Hindustan Times, available at: [www.hindustantimes.com/world-news/indias-population-is-higher-than-china-s-claims-researcher-101657651124385.html](http://www.hindustantimes.com/world-news/indias-population-is-higher-than-china-s-claims-researcher-101657651124385.html)

Pogue, D. (2007), "A stream of movies, sort of free", The New York Times, available at: [www.nytimes.com/2007/01/25/technology/25pogue.html](http://www.nytimes.com/2007/01/25/technology/25pogue.html)

Ramachandran, N. (2022), "Variety", Variety, available at: <https://variety.com/2022/tv/global/netflix-india-content-chief-strategy-1235353166/>

Saha, S. (2019), "Netflix Rs 199 mobile plan is cheap but there is a big catch here and you must know about it", India Today, available at: [www.indiatoday.in/technology/features/story/netflix-rs-199-mobile-plan-is-cheap-but-there-is-a-big-catch-here-and-you-must-know-about-it-1573051-2019-07-24](http://www.indiatoday.in/technology/features/story/netflix-rs-199-mobile-plan-is-cheap-but-there-is-a-big-catch-here-and-you-must-know-about-it-1573051-2019-07-24)

Sengar, S. (2022), "15% Indians earn less than Rs 5,000 per month while 1% rich hold 22% of the national income", IndiaTimes, available at: [www.indiatimes.com/news/india/15-indians-earn-less-than-rs-5000-per-month-while-1-rich-hold-22-of-the-national-income-570508.html](http://www.indiatimes.com/news/india/15-indians-earn-less-than-rs-5000-per-month-while-1-rich-hold-22-of-the-national-income-570508.html)

Statista (2023), "Netflix: number of subscribers worldwide 2022", available at: [www.statista.com/statistics/250934/quarterly-number-of-netflix-streaming-subscribers-worldwide/](http://www.statista.com/statistics/250934/quarterly-number-of-netflix-streaming-subscribers-worldwide/)

Wikipedia contributors (2023), "Netflix", Wikipedia, available at: [https://en.wikipedia.org/wiki/Timeline\\_of\\_Netflix](https://en.wikipedia.org/wiki/Timeline_of_Netflix)

Wikipedia contributors (2023), "Timeline of Netflix", Wikipedia, available at: [https://en.wikipedia.org/wiki/Timeline\\_of\\_Netflix](https://en.wikipedia.org/wiki/Timeline_of_Netflix)

## About the authors

\*Dr Avil Saldanha is an Assistant Professor at St Joseph's Institute of Management, Bangalore, in the marketing domain. He has 13 years of teaching and six years of industry

experience. He has published several research papers and case studies. His areas of research interest include consumer behavior, retail, brand management and allied management-related topics. Avil Saldanha is the corresponding author and can be contacted at: [avilsaldanha@gmail.com](mailto:avilsaldanha@gmail.com)

\*\*Dr Rekha Aranha is an Assistant Professor at School of Business and Management, CHRIST (Deemed to be University), Bangalore. She has 15 years of teaching and one year of industry experience. She has published several research papers and case studies in the management domain.