Digital platforms: a new step in the integration of culture and communication industries within capitalism?
The Indian situation

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Introduction

- The central objective of this presentation is to identify some of the issues related to the deployment of digital audio-visual platforms in India.
- I will deal specifically with so-called Over-The-Top (OTT) platforms.
  - They offer streaming services that are directly accessible over the Internet and thus "over" the various networks dedicated to the circulation of content, such as satellite or cable operator networks.
    - Platform providers benefit from the availability of "public" networks and can potentially get out of control of network owners.
    - In addition, in some countries, these services may escape some of the public regulations.
- I also focused on platforms offering "professional" and editorialized content, that is to say that are not UGC.

- In India we can observe an apparent paradox:
- The industrial strategies in these platforms are very important.
- Yet so far, this market seems to be still unimportant.
  - It is difficult to evaluate precisely the size of this market.
  - Very few quantitative data are available and these data are disputed.
  - This is particularly true of those produced by Ernst & Young.
  - They would reflect the interests of certain actors who have an interest in presenting an optimistic vision of their activity.
- Anyway, the media and entertainment economy is growing in India :
  - “In 2018, the Indian M&E sector grew 13.4% and reached US$23.9 billion) and the Digital Media sector grew 28%” (FICCI 2019 : 10)
- The offer of digital audio-visual platforms, in itself, is not profitable, as our interviews with decision makers have shown, but also the experts' data
  - “For most OTT platforms – video, news or audio – the cost of content and customer acquisition continued to be higher than the revenues earned per customer. While subscription growth has begun, advertising rates are already at levels much higher than those charged by traditional media.” (EY, FICCI, 2919 : 13)

- Faced with this apparent paradox, my hypothesis is that the stakes related to the deployment of these platforms go far beyond the importance of this single market refer to the transformations that are underway in the capitalism of the Indian culture and communication industries:
  - The deployment of audio-visual digital platforms would then mark a new stage in the integration of culture and communication industries within capitalism.

- The question is at once empirical and theoretical:
  - what do we mean by capitalism?
  - How to articulate "platformatisation" and capitalism through the example of digital audio-visual platforms in India?

- I will try to provide some answers based on empirical research in India that I conducted, these last two years, with several colleagues including Christine Ithurbide and in collaboration with Vibodh Parthasarathi and also relying on two theoretical frameworks.
- On the one hand, the theories of the platforms and in particular those of platform capitalism
- On the other hand, the works of the political economy of communication (PEC).
  - Of course, these two theoretical sets are extremely different, both in their intellectual foundations and in the historical context in which they emerged, that is to say, the 70’-80’ for the EPC and the years 2000 and 2010 for theories of the platforms.
    - These two periods are characterized in particular by a state of development of the industries of culture and communication which of course are very different.

- I will first examine the relations between the socio-economic actors,
- then, in a second time, the transnationalization modalities at work in the economy of these platforms
- and, finally, I will focus on the role of public policy and regulation.

1. The socio-economic players and their relationships

- Based on different reasoning, various authors of platform capitalism and of the PEC insist that platforms
  - are not governed by strong and “free” competition
  - but instead have oligopolistic tendencies or even a tendency to natural monopoly.
- In particular, plaforms theorists highlight the set of externalities at the heart of the dynamics of the platforms.
- The PEC, Inspired by Fernand Braudel theory and its opposition between capitalism and market economy, has emphasized that cultural industries are dominated by very large oligopoly actors who dominate both the production and dissemination of cultural content.

1.1 A profusion of offers whit different agendas

- The Indian case is interesting because it shows that although the oligopolistic tendencies are indeed very strong, at the same time we can still observe a profusion of different offer.
  - At the end of 2018, about 30 significant video-on-demand platforms were operating.
- Socio-economic actors involved in platforms are very different in size and they each have a particular agenda, an agenda linked to their specific sector.

- Firstly, by the historical audio-visual actors in India, broadcasters or producers
- These historical actors rely on their catalogue of contents and their important production of original contents.
- They want to be able to continue to master the new digital forms of content offerings and they want to be able to continue to control access to end consumers.
  - The challenge for these players is to be able to find acceptable pricing conditions that allow them to make the content they produce profitable.

- Secondly, we find new transnational players in the cultural industries (which are valued mainly through content, particularly through subscriptions). For the moment, it's basically Netflix.
  - The challenge here is to be able to value in India transnational offers at acceptable levels given the propensity to pay for content in India.

- Thirdly, the offers may come from transnational and Indian actors in the communication industries which are valued only indirectly through content and are valued via an other main offer.
  - Trough platforms, the aim of these actors, is to distinguish their main offer from that of their competitors or to better collect data on consumers.
    - The contents are therefore for these actors joined products.

- They can offer them for free or as part of a bundle offer with connection services for telecommunications operators or e-commerce for Amazon for example.
  - They can apply lower tariff levels than content players.
    - For example, Amazon Prime subscription rates remain low given the quality of the offer. The annual fee is ₹ 999 while monthly Netflix rates start at ₹ 500.

- Fourth, within the communications industries, Indian telecom operators play a special role:
- One of the major challenges of the deployment of these offers was to provoke a strong consolidation in the telecommunications sector in India with a drastic reduction of the number of players.

- Indeed, operators have been subject to contradictory constraints, particularly since 2016 when Reliance JIO developed a new strategy involving a drastic reduction in connection rates; offers of low-cost smartphones; subscription offers, including both the connection and free offers of OTT content..
- In addition, this group founded its own OTT subsidiary, with its own offering and production structure (Jio Studios), and concluded various strategic partnership with with other OTT players.

1.2 An Organized oligopolistic competition : « *coopetition* » (collaboration+competition)

- In fact these diverse types of actors are in both competitive and collaborative relationships. Coopetition is not new but it has found a new development with "platformatisation”.
- The games between these different actors are complex and these relationships can also be unstable.
- Players exchange:
  - rights of access to content (more or less original),
  - easier access to networks
  - and access to subscribers.

- Players of very different sizes are involved in these competitions / collaborations.
  - Thus, content players who may appear small in terms of their turnover compared to other players including the communication industries, can stay in the game.

1.3 Platforms, an opportunity for the content economy

- The deployment of the OTT even leads to an increase in the cost of acquisition of broadcast rights.
- The profusion of different platforms leads the players to distinguish themselves by offering some original content.
  - All actors produce content including those in the communications industries as Amazon and (recently) Netflix.
- Various works including those of Christine Ithurbide, show that this growth of the economy of production is developing also because the working conditions of a large part of cultural workers are very precarious.

2. A deepening of the economy-world culture and communication or the affirmation of new transnational patterns?

- According to PEC the cultural and communication industries, including the film and television industries, are articulated in various ways on a transnational scale.
  - The notion of economy-world suggests that these articulations are structured by power and domination relations.
    - The peripheral areas are intended to be "exploited" for the benefit of the center, in particular for the benefit of dominant Anglo-Saxon actors.

- In a very different way, platform theorists emphasize the transnational opportunities of platforms.

- However, the Indian situation presents strong specificities in this respect :
- In India, trans-nationalisation **in this field** is more about the financial dimension and actor’s ownership rather in the contents.

2.1 The primacy of Indian content

- First, the Indian audio-visual and film market is marked by a historical constant:
  - **Indian content remains extremely dominant and especially the content produced in Indian languages.**

- Linguistic fragmentation into different Indian languages is a very important factor in the economics of cultural industries in India.
  - The question is not only the attachment of Indians to "Indian" content but **to content produced in their particular mother to**ngue. (Athic, Parthasarathi &, Srinivas, 2018)

- Digital audio platforms do not reverse this rule. This partly explains why national actors are still facing transnational actors.
  - This trend also explains why transnational actors are obliged to offer Indian content and to produced some.

2.2 The importance of foreign ownership

- Secondly, transnational foreign actors are present in India
- They took advantage of the opening of the Indian economy since 1991.
- Indeed, foreign industrial players of the communication and cultural industries have established subsidiaries sometimes for a long time in India.

- Thus, the deployment of digital audio-visual platforms is continuing this movement initiated previously.

- In OTT, the main non Indian-own offers include:
  - Viacom (Viacom18),
  - Sony, Warner Bros. and Singtel with their joint-venture HOOQ,
  - PCCW Media (Hong Kong) with Viu
  - and of course Disney whose recent merger with 21st Century Fox has significantly strengthened its weight in the Indian audio-visual economy : Star India and Hotstar.
  - Amazon
  - Netflix

- Some of these foreign players are of a very large financial size.
- Market capitalization (July 4, 2019):
  - Amazon's $ 960,65 billion,
  - Disney $ 257,321 billion,
  - Netflix $ 166,896 billion, which is particularly high for a net income of $ 1.211 billion.

- In comparison, the players active in the OTT whose shareholding is mainly Indian have a much lower financial performances. Examples of market valorisation:
  - Zee Entertainment $ 4,95 billion.
  - Eros International $ 119.9 million while the turnover 2018 (Year Ending March 31) was of 137 million dollars.

- The telecommunications sector is dominated by Indian interests but foreign interests, industrial and financial, are also present, especially Vodafone.
- The most important telecommunication operator for digital audio-visual platforms is Jio Reliance, a subsidiary of the conglomerate Reliance Industries which market capitalization if of $ 117.81 billion.
  - This actor is the most financially powerful, but only part of its activities are related to telecommunications and the media.

- **Regardless of these inequalities of financial power, the most powerful and less powerful actors are in the game of "coopetition".**

3. The question of public policies

- Actors and experts agree that audio-visual digital platforms are not regulated.
- These recurrent discourses, which do not correspond to reality, actually express two situations:
  - On the one hand, the audio-visual sector is mainly considered as a business that does not call for a direct support policy via public subsidies
  - On the other hand, many actors, experts or observers want to avoid setting up a situation close to what some of them call the "Chinese model" (very high concentration, closing the market to actors foreigners, political control of contents and expressions).

- In other words, the tension between national policies and openness to the outside tends to be confused in the debates in India between attempts to develop governmental control and the maintenance of a free expression associated with a liberal regulation of industries.

- This tension is marked on two levels

3.1 Attempts to support national actors and develop state control

- Firstly, the regulatory authorities and more particularly the Telecommunication Regulation Authority of India (TRAI), with the support of the political authorities, has launched several test balloons
  - including in 2015 a public consultation to question the neutrality of the Internet
  - and in November 2018 a public consultation to define and regulate the OTT.
- One of the main arguments put forward is that the OTT players offer communication services especially voice services
  - without respecting the technical rules including interoperability
  - and without fulfilling the same obligations towards the authorities (tax obligations but also of free access of the authorities to the data circulating).

- TRAI therefore suggests to put in the same category actors such as Facebook or YouTube, Netflix and telecommunications operators

- Some of the replies emphasized that the TRAI and the government want to support telecommunications operators where Indian capital is dominant
  - and particularly JIO because of the close links existing between Reliance Industries and the political authorities.

- Opponents to the TRAI, and of course more particularly the platforms in sVoD, insist on the filiation of the digital audio-visual platforms with the historical audio-visual industries.

3.2 Censorship: between political issues and a competitive advantage for OTT offers

- Secondly, we can observe the reinforcement of censorship in audio-visual platforms.
  - This censorship is mainly a self-censorship implemented by the socio-economic actors in order to avoid government intervention.
- Some of the actors of the platforms have set up a joint Censor Board structure by which they check the conformity of their contents with respect to three requirements:
  - the absence of pornography
  - respect for religious sensibilities
  - and respect for the national interest.

- Their goal is twofold:

- On the one hand, it is about preserving a liberal economic regime.

- On the other hand, their objective is also to avoid that a more direct and stronger censorship like the one that is at work in Broadcasting's audio-visual and cinema films coming out in movies theaters.

- Less censored, more “liberal”, OTT services benefit from a great comparative advantage, they are very attractive for the young people or for the less conservative people.

Conclusion

- In conclusion, it appears that the deployment of digital platforms leads to a deepening of the integration of Indian culture and communication industries into capitalism.
- The political economy of communication and the theories of the platforms offer keys to understanding the movements in progress.
- However, the current transformations are also marked by specific socio-economic, cultural and historical conditions.
- It is important to take into account:
  - the intense cross-sectoral collaborations,
  - the issues of ownership and not just the circulation of content
  - and the importance of public policies.