

CHAPTER II

RESEARCH OBJECT DESCRIPTION: OTT AND SVOD INDUSTRY IN INDONESIA, DEVELOPMENT OF SVOD PLATFORMS, DIGITAL PIRACY PHENOMENON, AND CONSUMER BEHAVIOR IN SVOD AND PIRACY CONTEXT

This chapter provides a comprehensive description of the research object, covering the development of the OTT and SVOD industry in Indonesia, the growth and competitive landscape of SVOD platforms, the phenomenon of digital piracy within the streaming ecosystem, and consumer behavior in accessing both legal and pirated content. These discussions serve as the contextual foundation for understanding the dynamics of digital content consumption and the factors influencing consumers' intention to engage in SVOD piracy.

2.1 OTT and SVoD Industry in Indonesia

Over-the-top (OTT) refers to a digital content distribution system that delivers audio and video services directly to users through internet infrastructure, bypassing traditional broadcasting systems such as cable or satellite television (D. Yadav, 2024). This model enables users to access content independently via internet-connected devices, eliminating the role of conventional intermediaries such as network operators. Within this ecosystem, Subscription Video on Demand (SVOD) represents a specific monetization model in which users pay recurring subscription fees to gain unlimited access to a catalog of content. Compared to conventional media systems, OTT and SVOD services emphasize flexibility, user autonomy,

and personalized viewing experiences, allowing audiences to consume content anytime and across multiple devices. Consequently, these platforms signify a structural shift in media consumption from scheduled broadcasting to on-demand and user-driven access (MNTN, n.d.).

The emergence of OTT services is closely associated with the evolution of internet technology and digital media distribution. During the early stages of digital content consumption in the 1990s, distribution primarily relied on downloading due to limited bandwidth and low internet speed, which constrained the feasibility of real-time streaming. The transition toward streaming began in the early 2000s alongside improvements in network infrastructure, enabling platforms to deliver compressed video content in real time. A major turning point occurred when Netflix, originally established as a DVD rental service in 1997, introduced its streaming service in 2007, marking a paradigm shift from physical media distribution to internet-based delivery. This transformation fundamentally reconfigured the media industry by transferring control over content consumption from broadcasters to users, reinforcing the concept of user-centric media environments (Setiawan 2022).

The development of OTT services can be traced back to the emergence of early digital video platforms, particularly with the launch of YouTube in 2005, this platform demonstrated the scalability of the internet as a mass video distribution channel, shifting content production from institution-centered to user-driven models. The evolution of OTT was further accelerated when Netflix, originally a DVD rental company founded in

1997, launched its streaming service in 2007, marking a significant transition from physical to digital content delivery (Yuan, 2023). This period represents the transformation of OTT from experimental streaming technologies into mainstream digital consumption, laying the foundation for the modern streaming ecosystem.

The integration of Over-the-Top (OTT) services in Indonesia can be traced back to the early adoption of YouTube, which became accessible in 2005 and later established its local presence in 2012. Despite experiencing a temporary government-mandated block in April 2008 due to controversial content, the platform quickly recovered and continued to expand its user base (Hai Grid, 2012). During this early phase, digital video consumption in Indonesia was predominantly shaped by an advertising-based, free-to-access model. As a result, audiences developed a consumption pattern in which online entertainment was perceived as easily accessible and low-cost, forming an important behavioral baseline that would later influence the reception of paid streaming services.

The transition toward a Subscription Video on Demand (SVoD) ecosystem began in the mid-2010s with the entry of global and regional platforms. Netflix officially entered the Indonesian market in January 2016, offering localized pricing and a free trial period to attract early adopters (Rahman, 2016). Shortly after, HOOQ launched in April 2016, positioning itself through Asian-focused content and flexible payment systems such as carrier billing to reach a broader segment of users (Amalia, 2016). However, the development of SVoD services faced regulatory challenges,

as Netflix was blocked by the state-owned Telkom Group shortly after its launch due to compliance concerns. This restriction remained in place until July 2020, when access was officially restored following regulatory adjustments and increased public demand (Nabilla, 2020). In contrast, HOOQ ceased operations in April 2020 after its parent company initiated liquidation, reflecting the intense competition and financial pressures within the emerging SVoD market (Haryanto, 2020).

A significant acceleration in OTT adoption occurred in 2020, driven by the simultaneous unblocking of Netflix, the entry of Disney+ Hotstar, and the onset of the COVID-19 pandemic. Mobility restrictions and stay-at-home policies increased reliance on digital platforms, leading to a substantial rise in streaming consumption. During this period, SVoD services evolved from being supplementary entertainment options into primary media channels, reflecting a broader structural shift toward on-demand and personalized viewing behaviors. However, the growing fragmentation of content across multiple subscription platforms has also introduced new economic considerations for consumers, as accessing diverse content increasingly requires multiple paid subscriptions. This condition may reinforce perceptions of cost burden and, in some cases, contribute to the persistence of piracy as an alternative means of access (Hermanto et al., 2022).

At present, the OTT and SVOD industry in Indonesia has reached a substantial scale, reflecting its evolution into a dominant segment within the digital media landscape. Empirical evidence indicates that

approximately one in three Indonesians consume OTT content, representing around 83 million users, with total viewing reaching 3.5 billion hours per month or an average of 41.4 hours per user (The Trade Desk & Kantar, 2022). In addition, the SVOD market is projected to generate approximately USD 399 million in revenue in 2025 and continue its upward trajectory in the coming years (Statista Market Forecast, 2025). These figures demonstrate that OTT and SVOD services are no longer peripheral innovations but have become integral components of Indonesia's media industry, significantly influencing both market structures and contemporary consumption behavior.

2.2 Development of SVoD Platform in Indonesia

The development of SVOD platforms in Indonesia is driven by rapid digital expansion and increasing internet accessibility. Indonesia recorded over 204.7 million internet users, representing 73.7% of the total population, creating a strong foundation for streaming adoption (Dwiryanto, 2022). This growth accelerated further during the COVID-19 pandemic, when restrictions on physical activities shifted entertainment consumption toward digital platforms, making online video streaming one of the primary substitutes for cinema and traditional media (Saxena, 2020). As a result, SVOD platforms have transitioned from complementary services into core components of the digital entertainment ecosystem.

The Indonesian SVOD market is characterized by intense competition between global and local platforms operating within the same ecosystem. International platforms such as Netflix, Disney+ Hotstar, Amazon Prime

Video, and Viu compete directly with local platforms such as Vidio (Sistim et al., 2024). In terms of platform usage share, the Indonesian streaming market shows a distinct distribution across platforms. Data from GoodStats based on a Populix survey in 2022 indicates that Netflix was the most popular video streaming platform among Indonesian users with 69% usage, followed by Disney+ Hotstar at 62% and YouTube at 52%. Other platforms such as Viu (36%), Vidio (25%), and WeTV (24%) also demonstrated relatively significant market presence, while HBO GO and iflix each accounted for 15% of usage. These findings indicate that although global platforms such as Netflix and Disney+ Hotstar dominate Indonesia's streaming market, local and regional platforms such as Vidio and WeTV continue to maintain substantial audience engagement. This suggests that competition within Indonesia's SVOD ecosystem is influenced not only by global brand dominance, but also by platforms' ability to adapt to local audience preferences and viewing habits.

Despite the dominance of global platforms in viewing share, user behavior and subscription patterns reveal a more complex market dynamic. Indonesia records approximately 3.5 billion hours of OTT content consumption per month, reflecting high engagement intensity among users (The Trade Desk & Kantar, 2022). Additionally, 62% of users prefer OTT platforms compared to 40% for traditional television, confirming a structural shift in media consumption (The Trade Desk & Kantar, 2022). This high level of engagement supports the growth of both global and local platforms, while also indicating strong demand for continuous and on-

demand content consumption.

The competitive advantage of SVOD platforms in Indonesia is strongly shaped by differences in content strategy between global and local players. Global platforms such as Netflix and Disney+ Hotstar rely on large-scale content ecosystems, combining high-budget original productions, international film libraries, and globally recognized intellectual properties to attract broad audiences.

Netflix emphasizes content volume and diversity across genres and regions while promoting binge-watching through full-season releases, whereas Disney+ focuses on franchise-driven content such as Marvel and Star Wars with a weekly release model to sustain engagement (Yuckion, 2022). In contrast, local platforms such as Vidio prioritize localized content as their core strategy, offering Indonesian films, television programs, and exclusive Vidio Original Series, supported by live streaming and premium sports broadcasting (Aqielah & Paramita, 2023). This approach has proven effective, as Vidio captured approximately 22% of SVOD subscribers in Indonesia with around 5 million paid users, driven by strong demand for local content and sports programming (Fanani, 2025). These differences indicate that while global platforms compete through scale and global appeal, local platforms sustain competitiveness through cultural relevance and content localization, which plays a critical role in increasing user engagement within the Indonesian market.

In terms of business models, SVOD platforms in Indonesia have adopted diverse pricing and distribution strategies to maximize user

acquisition and retention. While the core model remains subscription-based, platforms increasingly implement hybrid approaches such as bundling services with telecommunications providers, mobile-only subscription plans, and tiered pricing structures. This shift reflects broader digital monetization trends in Indonesia, where platforms combine subscription, ad-based, and freemium models to accommodate varying levels of consumer purchasing power (Online et al., 2025). For instance, local platforms such as Vidio apply a hybrid monetization strategy by offering both free ad-supported content and premium subscription services, and fast track for their original series, supported by exclusive content such as original series and live sports broadcasting (Vidio, n.d). This approach is particularly relevant in the Indonesian market, where willingness to pay for digital content remains relatively low, leading platforms to rely on competitive pricing, free trials, and telecom partnerships to convert users into paying subscribers. As a result, hybrid and flexible pricing models have become essential in expanding market reach and sustaining long-term user engagement within the SVOD ecosystem. For example, telecom partnerships such as Telkomsel's bundling packages with Disney+ Hotstar enable users to access streaming services at reduced costs or as part of mobile data plans (Telkomsel, n.d). These strategies significantly lower entry barriers and expand market reach, particularly among price-sensitive consumers in emerging markets.

Platform features also play a critical role in shaping user engagement and retention within SVOD services (Kareem et al., 2024). Advanced AI

recommendation algorithms, personalized content feeds, and autoplay functions are designed to increase viewing duration by tailoring content suggestions based on user behavior (Karisma et al., 2025). These systems analyze viewing history and preferences to optimize user experience and platform stickiness (Neyah, n.d.). The interaction between competitive strategies, pricing models, and technological features ultimately defines the SVOD ecosystem in Indonesia, this dynamic environment increases content accessibility and intensifies competition, shaping how users evaluate the value of legal streaming services within the broader digital entertainment landscape.

2.3 Digital Piracy Phenomenon in the SVoD Products

Digital piracy refers to the unauthorized access, reproduction, and distribution of copyrighted digital content without permission from the rights holders (Belle & Peitz, 2014). In the context of SVOD platforms, piracy typically involves accessing films and television series through illegal streaming websites, file-sharing platforms, or redistributed content outside official subscription services. Unlike traditional piracy, which relied on physical media, digital piracy operates through highly accessible online channels that significantly reduce barriers to consumption (Riekkinen, 2018).

Despite the rapid expansion of legal streaming platforms, digital piracy remains a persistent issue in Indonesia's digital entertainment landscape. According to MUSO (2023), Indonesia ranked among the countries with the highest traffic to piracy websites globally, recording

approximately 1.03 billion visits within a single year. This indicates that unauthorized content consumption continues to coexist with the increasing adoption of legal streaming services. A study conducted by the Asosiasi Video Streaming Indonesia (AVISI) and TSurvey.id reported that approximately 49.5 million Indonesians access pirated films and television series through illegal digital channels. The study also revealed a significant imbalance between legal and illegal consumption, showing that piracy users outnumber legal streaming subscribers by approximately 2.29 to 1 (Prayoga, 2025). These findings suggest that piracy behavior has become deeply embedded within Indonesia's contemporary digital entertainment ecosystem.

The persistence of digital piracy has also generated significant economic consequences for the film and entertainment industry. A study conducted by the Asosiasi Video Streaming Indonesia (AVISI) and Universitas Pelita Harapan (UPH), discussed by the Kementerian Ekonomi Kreatif Republik Indonesia, estimated that piracy activities may contribute to annual financial losses ranging from approximately IDR 25–30 trillion within Indonesia's creative economy sector (Kementerian Ekraf, 2025). These losses affect not only streaming service providers and production companies but also distributors, filmmakers, and other creative workers involved in the digital media value chain. Consequently, digital piracy is increasingly regarded as a major challenge to the sustainability and long-term development of the national creative industry.

In addition, short-video platforms such as TikTok have introduced

newer and more fragmented forms of piracy practices. Rather than distributing full-length content directly, users frequently upload segmented clips of films or television series across multiple short videos, allowing audiences to follow entire narratives through sequential viewing (Bahari et al., 2026). Previous studies indicate that TikTok has become one of the platforms frequently used for the dissemination of pirated film content due to its massive popularity and rapid content circulation among users. The study also highlights that copyrighted films are often redistributed through short-duration uploads, with some pirated film clips reportedly reaching up to 500,000 viewers on the platform. Compared to conventional piracy websites, this form of content circulation is more difficult to regulate because content can spread rapidly through algorithm-driven recommendations and repeated reposting by users. These conditions demonstrate that digital piracy continuously evolves alongside changing patterns of digital media consumption and social media usage (Chindy, 2023)

2.4 Digital Consumption Behavior and Piracy Practices in the SVOD Ecosystem

Digital consumption behavior in the SVOD ecosystem is increasingly characterized by high intensity, personalization, and platform dependency (Neyah, n.d.). Indonesian users demonstrate strong engagement with streaming platforms, as reflected in the rapid growth of OTT consumption across the country. A recent survey indicates that approximately one in three Indonesians actively consume OTT content,

totaling around 83 million users. Collectively, these users generate approximately 3.5 billion hours of watch time per month, with an average of 41.4 hours per user, highlighting the intensity of on-demand viewing behavior (The Trade Desk & Kantar, 2022). These patterns indicate that streaming platforms are not merely alternative entertainment channels but have become deeply embedded in users' daily routines and media consumption habits. This shift reflects a transition from passive media consumption to active content selection, where users exercise control over what, when, and how they watch content. As a result, streaming behavior is no longer occasional but embedded into daily routines (Novita, 2022).

One defining characteristic of SVOD consumption is multi-platform usage behavior. Instead of relying on a single service, users often subscribe to or access multiple platforms simultaneously to fulfill different content needs (Woo, 2024). Research indicates that content fragmentation across platforms forces users to switch between services to access specific titles, creating what is often referred to as "subscription fatigue". This behavior increases perceived cost burdens, as users must maintain multiple subscriptions to access diverse content libraries, which may influence their evaluation of legal versus illegal alternatives (D. Jeong, 2025; Nguyen, 2025).

In addition, binge-watching culture has become a dominant consumption pattern within SVOD environments. Platforms such as Netflix encourage continuous viewing through full-season releases and autoplay features, leading users to consume multiple episodes in a single

session (Qonita & Wibowo, 2024). This behavior is associated with increased emotional engagement and platform attachment but also reduces content scarcity, as users quickly exhaust available content (Starosta, 2020). Consequently, when desired content is unavailable on subscribed platforms, users may seek alternative sources to satisfy immediate consumption needs.

Another critical dimension shaping consumer behavior in the SVOD ecosystem is price sensitivity and perceived value, particularly in emerging markets such as Indonesia where consumers tend to carefully evaluate digital spending. Users often assess subscription services through a cost–benefit perspective, comparing the price of subscriptions with the quantity, exclusivity, and accessibility of content offered (V & Mohan, 2022).

This evaluation becomes more pronounced as content is fragmented across multiple platforms, requiring users to subscribe to several services to access desired titles. Evidence from (Cesareo & Pastore, 2026) shows that although Indonesia’s digital content market continues to grow, willingness to pay for digital entertainment remains relatively low, with many users still preferring free or ad-supported alternatives. Similarly, findings from that consumers prioritize perceived value over platform loyalty, meaning subscription decisions are highly dependent on whether the content offering justifies the cost (Awasthi, 2021; Yoon & Chun, 2023). As a result, when subscription fees are perceived as high relative to benefits, users may rationally justify accessing pirated content as a cost-

saving alternative, suggesting that economic evaluation plays a central role in shaping both legal consumption and piracy behavior in the SVOD context (Nagaraj et al., 2021).

Social and technological factors also influence how users access and share content. Recommendation algorithms, social media discussions, and peer influence contribute to content discovery, often directing users toward trending titles (Andini, 2024). In some cases, users are introduced to content through clips or discussions on platforms such as TikTok or online communities, which may then lead them to search for full versions outside official platforms. This indicates that consumption behavior is not isolated but socially mediated within digital ecosystems, this called as subscription fatigue (D. Jeong, 2025).

Overall, digital consumption behavior within the SVOD ecosystem reflects the complex interaction between technological accessibility, platform structures, and user preferences. The increasing dependence on personalized, on-demand, and multi-platform streaming services has transformed how audiences access and evaluate digital entertainment content. Within this environment, piracy practices may emerge not merely as deviant behavior, but as part of broader consumption patterns shaped by convenience, accessibility, perceived value, and social influence. Therefore, understanding piracy behavior requires examining not only legal or ethical considerations, but also the broader digital consumption context in which users interact with streaming platforms.