

Entertainment Challenges in Today's Digital Society



Part iv of vii

by Gabriel Dusil

4. How is OTT evolving, and what's in store for subscribers?

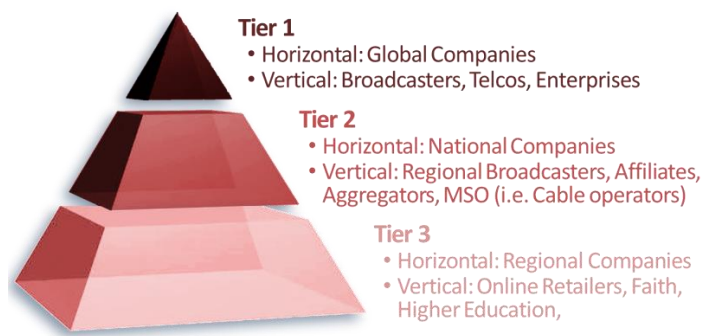


Figure i - OTT Adoption - Vertical & Horizontal Tiers

The adoption of OTT is evolving internationally along three main tiers:

- **Tier 1** – These are global and national broadcasters that are adopting their own OTT service. In the context of the technology adoption life cycle¹, they are the innovators of online streaming services. Their entertainment library is delivered as either subscription-based Video on Demand (SVoD), transaction-based VoD (TVoD), or advertising-based services (AVoD). The most popular OTT method according to recent studies is SVoD², although TVoD is also gaining in popularity. This points to the desire of subscribers wanting more granular control of their entertainment.
- **Tier 2** – These are regional broadcasters, distributors, and content aggregators that see OTT as an opportunity to expand their traditional portfolios by distributing content over the Internet. This tier also includes telcos and network service providers (NSP) looking to expand their services into entertainment by hosting and managing OTT content. These

companies collectively represent the early adopters.

- **Tier 3** – This is a relatively new market opportunity in the context of OTT. Here sits the early majority, which includes online retailers, higher education, and houses of worship, to name but a few. These companies have large treasure troves of videos for product promotion, training, advertising, and video blogs for public consumption. But some videos need to remain confidential, for partner usage only, or to a select number of subscribers. Typical file-based storage solutions are not appropriate for the real-time and bandwidth-intensive nature of video. And the added complexity of ingest, transcoding, metadata, and multiscreen viewing results in enterprises looking for a more suitable *private OTT* platform. Within this tier there are libraries that lie dormant, waiting for an appropriate OTT service that allows control over their subscriber base, implementation of strong protection, and a service that retains their content rights.

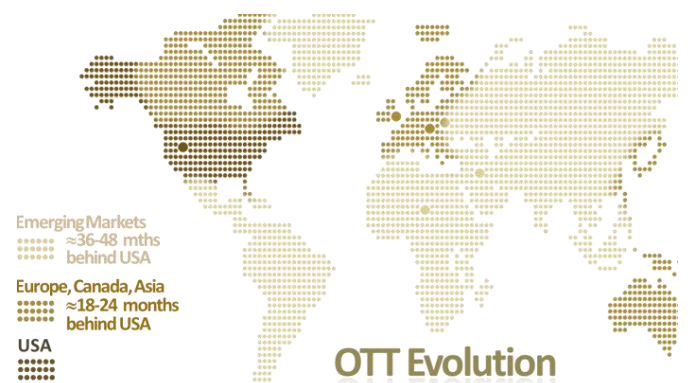


Figure ii - OTT Evolution - Geographic Distribution

These tiers are serviced somewhat differently across the globe. In emerging markets such as

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Central and Eastern Europe, the Middle East, or Africa, the main opportunities continue to reside in the higher tiers. For developed markets such as Western Europe and the USA, there is untapped potential in the lower tiers. At the moment, the USA leads the market in OTT development. Europe, Canada, and selected countries in Asia are around 18-24 months behind the USA in deployments. The remaining third-tier and emerging markets are 36-48 months behind the USA.

OTT is also evolving based on how users are consuming content. Or rather: how they *want* to consume content. The days of bundled pay-TV services may be numbered. Why pay for 500 channels when the average user watches channels whose number can be counted on one hand? Consumers only want to buy what they consume – no more, no less. This change in consumer behavior will be a threat to niche channels, but it may also be an opportunity for the long tail to differentiate its content and attract subscribers directly.

Buying a pay TV service is like going to a book store and having to buy the entire section of the store for just one book. Subscription-based services are closer to obtaining a library card and just borrowing the books you want. Borrowing in the OTT context is the same as licensing: once all the content resides in the cloud, then subscribers get a virtual license to access that content. And all that content is readily accessible, whether the subscriber knows it's there or not.

This brings us to the evolution and need for recommendation engines and their need to accurately present content that is relevant to each and every user. The modern recommendation engine combines viewing and purchasing habits, demographics, friend recommendations, collaborative engines, and other metrics to provide suggestions that fuel viewing into the long tail.



Figure iii – OTT Evolution - Content Discovery

Adolescent Collector

My dad drove me home from school one day when I was eight years old. I remember enjoying the song that was playing on the radio but had no idea who sang it or what it was called. I distinctly remember thinking, "Wouldn't it be great if I could have a copy of every song that I ever liked?"

This was the developing mind of a collector, and my imagination didn't stop there. I dreamt on and thought, "Wouldn't it be great if I not only had the songs that I *knew* I liked, but someone would give me all of the songs that I liked, but didn't even know existed?"

As I sat there in the passenger seat, barely able to see out the window (booster seats didn't exist then, and I probably wasn't wearing my seat belt), I imagined how big my collection would be. How many songs did I know and already liked? How big would my collection be if it included songs I wasn't even aware of yet? What type of machine would be able to do all that?

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Our Dodge station wagon wasn't a great ride by any stretch of the imagination, and certainly the audio system was paltry. Forget surround sound. Forget the Internet, too. Eight-track tapes were on their way out and vinyl was the audiophile's chosen medium. But it didn't seem to matter at the time. I didn't own any cassettes or records until I began to collect albums in my teens. Then I recorded my own compilations onto cassette tapes. In the 90's, I migrated my entire collection to CD's, and eventually even ditched all of them once I stored the entire collection onto my computer. I had the forethought to rip my collection in 320kbps MP3, which was complete overkill at the time due to 128kbps being the norm. But I realized that as technology progressed, the demand for higher quality would persist, and if were to rip 500 audio discs, I would do it only once in my life.

The computer, Internet, and some incredibly smart people were eventually born into this world to bring us technology where we can quickly search for new or related musical interests. We can sample artists that are in visual cluster maps similar to artists we already like³. We can do the same for song titles as well. Spotify, Rhapsody and Apple's Genius allow us to discover artists that we never even knew existed.

Many years have passed since my childhood dream of collecting all that content, and I find myself in a world where this collector's dream has now become a reality.

4. How has social interaction evolved from broadcast to OTT?

Entertainment is About Communication

It's worth mentioning at this stage that I strongly delineate between the average consumer and the avid collector. For example, most people are happy to visit the local library. But collectors want to *be*

the library. There will always be collectors that find personal satisfaction in owning vast libraries of music and movies. But it's the average consumer that drives the industry, not the collector. The average subscriber is where the bulk of OTT revenue will come from, and online services need to cater to the behaviors of the mainstream consumer.

These days I use Facebook to view what my friends 'like' and scan Twitter to see what they're chatting about. I follow others with similar interests and monitor their comments. I also read recommendations from like-minded individuals to guide me to new material. Even the viewing statistics of people that I don't know help me determine whether a view count is high enough for me to check out. I will also check out suggestions from my content provider hoping to find something new and exciting to watch.

Technology is evolving to a level of detail where subscribers are presented with personalized lists of suggestions that dig deep into media libraries and present suggestions that are both accurate and compelling. We're getting to a level of sophistication in search and discovery where these engines will know our interests *better than our best friend* - maybe even better than we know ourselves. That seems scary, but let's not get side-tracked. It can also be an opportunity.

If a recommendation engine can provide suggestions that are extremely accurate, then subscribers will pay more attention to the service. This will help drive subscriber loyalty and higher revenue opportunities.

Subscribers can enjoy suggestions from recommendation engines and social interaction thanks to the bi-directional nature of the Internet. Broadcast, for the most part, is unidirectional. Their audience is anonymous and any feedback is "out of band". But OTT is inherently bi-directional. And that opens new doors in subscriber engagement and personalization. The entertainment industry is only



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now beginning to tap into the full potential of real-time bidirectional communications. Reality shows utilize text voting and Twitter. Television offers second screen apps for live broadcasts⁴. Despite this, advertising and social networking have yet to find their full potential in the context of online entertainment. At least we are on the right track with the industry's bi-directional communication experiment, and that is leading to higher engagement and personalization.

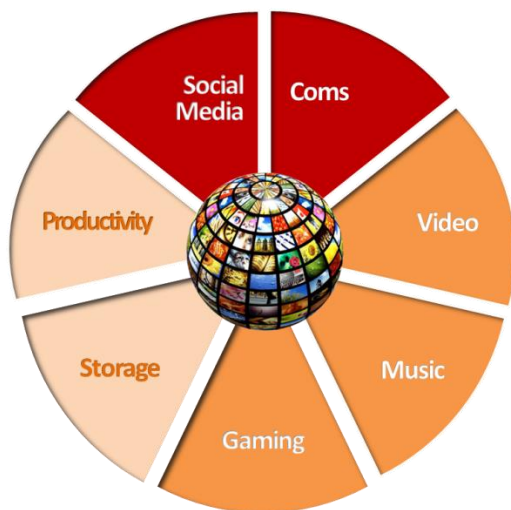


Figure iv – OTT Evolution - More than Just Video

Up to this point we have focused on OTT as an entertainment platform. But OTT is becoming more than just live, video on demand, or premium content. OTT is on its way to becoming a platform that serves entertainment, computing, and communication. The culmination of all three of these industries merges on OTT where a) video, music and gaming fall under entertainment, b) productivity applications and storage reside in computing, and c) conferencing and social networking are part of communications.

• Entertainment Challenges in Today's Digital Society

- Check out additional thought leadership answers to entertainment challenges in today's digital society:

1. Is 2nd Screen a threat to broadcasters? What are the challenges for OTT moving forward?

<http://gdusil.wordpress.com/2013/12/24/entertainment-challenges-in-todays-digital-society-i-of-vii/>

2. How will 4K be adopted by consumers?

<http://gdusil.wordpress.com/2014/01/13/entertainment-challenges-in-todays-digital-society-ii-of-vii/>

3. Is there a future for 4K video in broadcast?

<http://gdusil.wordpress.com/2014/02/10/entertainment-challenges-in-todays-digital-society-iii-of-vii/>

• Synopsis

Understanding the entertainment market from ten thousand meters helps industry executives make strategic decisions. This leads to tactical initiatives that drive innovation, new services, and revenue growth. This Q&A series takes a top-level view of today's digital landscape and helps decision makers navigate through the latest technologies and trends in digital video. Gabriel Dusil, Chief Marketing and Corporate Strategy Officer from Visual Unity discusses the ongoing developments in Over the Top (OTT) services, how these platforms are helping to shape today's digital society, and addresses the evolving changes in consumer behavior. Topics include 2nd Screen, 4K Ultra High-Definition video, H.265 HEVC, global challenges surrounding content distribution, and the future of OTT.

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• About Gabriel Dusil



Gabriel Dusil is the Chief Marketing and Corporate Strategy Officer at Visual Unity, with a mandate to advance the company's portfolio into next generation solutions and expand the company's global presence. Before joining Visual Unity, Gabriel was the VP of Sales & Marketing at Cognitive Security, and Director of Alliances at SecureWorks, responsible for partners in Europe, the Middle East, and Africa (EMEA). Previously, Gabriel worked at VeriSign and Motorola in a combination of senior marketing and sales roles. Gabriel obtained a degree in Engineering Physics from McMaster University in Canada and has advanced knowledge in Online Video Solutions, Cloud Computing, Security as a Service (SaaS), Identity and Access Management (IAM), and Managed Security Services (MSS).

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• Tags

• 4K, Broadcast, Connected TV, Digital Rights, Digital Video, DRM, Gabriel Dusil, H.265, HEVC, Internet Piracy, Internet Video, Linear Broadcast, Linear TV, Multi-screen, Multiscreen, New Media, Online Video, Online Video Platform, OTT, Over the Top Content, OVP, Recommendation Engine, Search & Discovery, Search and Discovery, second screen, Smart TV, Social TV, TV Everywhere, Ultra HD, Ultra High Definition, Visual Unity

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- ³ Music-map, <http://www.music-map.com/>
- ⁴ "8 great apps for second-screen TV", Times Herald, <http://www.timesherald.com/technology/20140204/8-great-apps-for-second-screen-tv>

