

# MPP Global Solutions

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## How to Monetise The Connected Entertainment Environment



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Most of us can't remember a world without television. We regarded it with outright wonder when we first discovered it. It offered so much and asked for so little in return. Through all the stages of our lives, television has been there, in our living room. The living room, however, has changed; as has the time we spend at home and our viewing patterns and expectations of television. The linear broadcast model can no longer provide the answer in a world of mobile, connected and sophisticated viewers.

The modern viewer is in control, creative and on the move – constantly. These people are eschewing standard broadcast television for the flexibility and, seemingly, limitless potential of Connected television. One thing is for certain, the television is here to stay; society has integrated it into the breath of life. What it will provide, however, tomorrow and for years to come, seems limited only by our ability to dream. Exciting times but also times that offer a whole new set of challenges, the question of how to successfully monetise Connected television being chief among them. How can the media and entertainment industries adapt, understand and profit from their new business models.

## *The Television of Yesterday, Today and Tomorrow*

Sit down an eight year old kid and ask them to imagine a world where they could only watch cartoons on Saturday morning and if they missed them, they missed them. If they slept in and their older sister was practicing her flute, they were sunk. The content was chosen, scheduled and delivered, once. The eight year old would likely recoil in horror, too young to recall the time not so long ago when broadcasters controlled a captured audience. The whole family watched it together, multiple viewers of a single screen.

Today, that kid and his parents alike, are far more demanding and so they should be; they have borne witness to such rapid progress they rightly believe anything is possible. The pace of life has certainly sped up in the last two decades and television is now required to come to us not the other way round. It should fit into busy schedules and be available to a viewer across platforms whilst on the bus, at the beach or a boring wedding. We are all watching everywhere, anytime.

This has precipitated the decline of terrestrial channel views because of a fragmented audience while simultaneously generating huge leaps forward in IPTV, OTT and smart televisions. Just the last few years have seen the emergence of TV Catch Up, the cementing of VOD's and the increased revenue of Pay TV subscriptions. The idea of multi-device, mobile, on demand has taken hold. This will become an absolutely essential fact for all operators this year and beyond.

Television can no longer consider itself a "push" industry, the state of play has changed, the consumer is now pulling the content they want as and when it suits them. The future is bountiful for innovations. There are advancements in social TV and second-screen engagement seemingly monthly and the second-generation of smart TVs, with more pre-loaded and downloadable apps, are set to cement themselves in the homes of the world.

This highlights whether the viewer of the future will be more inclined to cut the cord with traditional providers, a local cable or satellite provider, for example in favour of a Connected TV option that better reflects their viewing habits. Many traditional HbbTV operators are already offering linear TV Everywhere services for a small subscription increase. BSkyB, Virgin and HBO are all giving their existing customers more reasons to stay and potential new customers plenty of reasons to join. Traditional Pay TV has never looked so vulnerable but

then again, it's never looked quite so exciting either.

## ***OTT and the New Pay TV Environment***

Over-the-top television is the vanguard of change. Empowering the viewer, essentially allowing them to program their own viewing content – on their schedule – wherever they are. OTT refers to content you can view via the Internet – YouTube, iTunes or Netflix for example. By using a broadband connection, viewers are able to bypass or “go over the top” of providers of linear broadcast TV and can exist solely within an infrastructure devoid of the traditional administrative controls of a content or service provider.

The end-user is the master of content. This may read like a concern for broadcasters but it is, in fact, a great boon. The equation becomes simple: provide superior flexibility and ease of service and the probability is high that the viewer will consume the content.

Four key technologies are the foundational elements of an integrated OTT solution: adaptive bit rate streaming, content delivery networks, a seamless user experience and flexible content security. These core components each have their own unique challenges that require specific focus. Early adapters like the BBC with iPlayer, BSkyB with SkyGo and YouTube have broken the trail in the development of the aforementioned technologies.

These operators are all providing OTT services but with business models that differ vastly. There are a variety of methods to monetise content and needn't be restricted to basic subscriptions or pay-per-view models. YouTube, for example, has single-handedly changed the Internet. It has enabled anyone to upload content and thus, become a publisher. YouTube has also developed its own monetisation models that users can exercise on the platform itself.

Though the most valuable brand in Google's portfolio, it is only recently that YouTube has stopped costing the company money. Indicative that reliance on advertising as sole stream of revenue is outdated thinking. Owning quality content that the public is prepared to pay for is crucial.

The reality of the industry is that if you are not growing you are dying. Netflix and LoveFilm, though incredibly successful in their current forms, are constantly seeking out new ways to grow profits and control more of their business.

Netflix, in an attempt to combat the high costs of digital rights management, has begun producing its own content. What began with buying the exclusive rights to distribute Lilyhammer, a crime show about an Italian-American in Norway has led to producing their very own, highly acclaimed, House of Cards, starring Kevin Spacey. Similar to the reimagining of television into Connected television, Netflix reimagined a classic British miniseries for the modern viewer. Offering the series of thirteen episodes as a full complement immediately online, allowing the customer to choose when, where and for how long they will watch.

There are many companies making excellent headway in the OTT environment. A few in particular have pronounced themselves as ones to watch. Roku, an early adapter, is the gold standard for a small company. What began only five years ago, the small business is now able to challenge industry heavyweights like Apple. Since 2008, Roku has sold 5 million

media streamers with a total of 8 billion streams viewed, in other words, 120,000 football pitches of DVDs. Having recently added TimeWarner content and its accompanying 300 networks, Roku seems poised to be a force in the marketplace for a long time to come.

In contrast, Panasonic is a late-comer to the OTT world. It has released its first media-streaming box only recently and is potentially shackled by their lack of urgency or will brand history prevail over product. It will serve as an interesting barometer of the modern consumer. Will the old faithful television provider, Panasonic, step in late and push out the lesser-known but highly specialized and accomplished company?

Spotify is set to enter the video streaming industry with an existing captured audience of over 6 million paying subscribers and over 24 million total users. Already established with Smart TV apps and 1 billion Facebook shares daily, it seems to be a short step to sharing the audio you enjoy to sharing the TV you enjoy.

## ***Challenges in the OTT World***

OTT is by no means a one-size-fits-all solution and there are many challenges that impact providers. Digital rights management is a significant obstacle; the demand for the best quality content has led to protracted and challenging negotiations with current content holders. This process seems to be easing, if only slightly, as creases in the industry begin to present themselves.

Beyond content acquisition, the importance of a centralised hub for customer relationship management cannot be overstated. Without continually pursuing the most current, intuitive and thus, stress free interface for users, churn will be definite.

Churn is one of the largest challenges in the telecommunications industry. The relationship management between broadcasting and telecom will play out, inevitably. Either warring or marching in unison, these industries will meet in the world of OTT.

Further challenges of monetisation, finding the proper business model that provides a universal solution, integrating multi-screen services, tracking and understanding consumer behaviour are prevalent. Consumer behaviour is top of mind because with the transformation of television from a pull to a push industry, the focus on the end-user is intense. The industry can only be described as user-centric; returning again to the idea that understanding your audience is imperative revenue.

OTT is the future of streaming. Its viewers outnumber IPTV this year and 380 billion people will view OTT content by 2015 compared to only 163 million to be using IPTV managed content. This begs the question of how Pay TV and the new Pay TV can merge seamlessly. Aforementioned is the example of HbbTV operators like HBO offering linear TV everywhere in an effort to adapt and grow. Providers and operators could also move into pre-loaded or downloadable apps in SmartTV sets, game consoles or set-top-boxes. There are many approaches but the common refrain is to return to your customer to find the answer that is best for your business.

## ***Technology: Changing the Landscape of Pay TV***

That last decade has been a delight of technological advancement. These advancements have connected the world, thereby creating a global community that was simply impossible to achieve before the connectivity threshold was shattered. Now tablets, video game consoles, media streamers and phones all connect the world to us and us to the world. Twitter, Instagram, blogging, the list of the new ways we interact in the digital age is astonishing.

The phone once served the sole purpose of allowing two people to speak to one another. It too was located in the home and if you missed a call, you missed a call. The term smart phone barely suffices in defining the current capabilities of the modern phone. Touch screens, apps, social media, work, entertainment, it is used in every facet of daily life.

That leaves the television as the last electronic device to adapt. Understandably so, it stood alone, like the phone, with a defined purpose everyone used without a question. But unlike the phone, it didn't experience a gradual shift from grounded to remote. The growth of the mobile phone market over a longer period of time made for a more natural transition. But regardless of its relatively late entry, television is uniquely positioned to open up new revenues for OTT operators.

With internet and connectivity rates at about 80% in North America, Europe and the UK and the emerging markets in Latin America, South America, Africa and India, therefore localisation, reach and scalability will be integral to global monetisation projects.

Different markets require particular approaches. The value of consumer-faced convenience cannot be overlooked. There is a range of offerings, credit or debit card preferred in the North American market versus real-time bank transfers in Eastern Europe or the use of vouchers for unbanked populations. Again, serve the many communities specifically and your global reach will increase.

### ***Smart TV***

Smart or Connected TVs offer access to content and archives from the same television interface, are powered by an advanced discovery engine and provide complement programming with interactive services.

The first generation of Smart TVs will never be considered a rousing success. Nearly 40% of owners never hooked up the television to the internet. Considering the quality of the user interface and content available, it is no real surprise. If only to serve as the basis of second generation advances in Smart TVs, the first generation served a valuable purpose. The focus has shifted to tablet-based guides and controls making for a far more user-friendly experience that also controls recordings and social engagements.

Smart TVs are the future, bringing manufacturers, content and payment providers together. By 2016 there will be over 570 million homes with Smart TVs. According to Digiworld iDate's recent study, paid services will account for 57% of revenue on Connected TVs by 2014. This is no small feat; it is still a struggle for traditional business models to embrace the idea of paid content generating at a higher rate than advertising. But as the world of connected entertainment changes, so too must the approach toward advertising.

## ***Experience, Deliver and Monetise***

Monetisation is but a small part of any connected business project. The proper business model, partners, integrations, platform providers, and CRM are all factors to consider. The three keys to success are a quality user experience, the delivery of premium content and proper choice of monetisation model – in short, experience, deliver, monetise.

A high performing user experience or UX requires a single sign on, mobile and current content that can be easily viewed on all devices. Though content and business model are obvious concerns, the consumer-faced offering provided must function smoothly and not become an obstacle for the user. This is the part of the business that the customer actually touches and shepherds them through content and services. Sub-par user interfaces are not tolerated; there is too much competition for a customer to use an inferior product.

The creation of a delivery platform has many considerations. Offerings must be accessible in all different regions – is it scaleable, in other words. The ease with which it can be integrated with various payment models, video providers, user interface guides must be addressed along with the level of security and robustness of the service.

The broadcasting industry business model has mainly been a business to business and the need for a comprehensive CRM or customer relationship management low. However, with the degree of business to consumer opportunities growing rapidly, companies are constantly searching for the ideal CRM solution. It must be an intuitive hub, used to centralise everything from customer data and support to product management, reporting and analytics and localisation.

The most effective monetisation strategies rely on a comprehensive understanding of the customer and what their payment needs are. Offering the proper payment options is vital to the overall user experience. There are several monetisation models to choose from, including: a central payment wallet, metered access, subscriptions and recurring billing, and micropayments. The type of payment is as important as the model chosen. Regionally dependent, payment type is culturally influenced and must be studied. Supporting as many types as possible is the ideal. Credit and debit, local payment options, bank-transfers and mobile billing are just a few of an assortment of payment types available.

## ***Summary***

The viewer is now empowered with accessible, mobile and connected devices providing limitless opportunities to be entertained. Connected television is primed for rapid growth and a solid approach to monetisation will please the most important constituents, the customers. The user must be at the centre of all decisions; everything from content to payment flow must be seamless without hitches and hiccups making certain aspects less inviting.

There is no doubt that TV is king and that OTT services and Smart TVs have redrawn the landscape of Pay TV. Technology is the engine that drives innovation but it too is inspired by the needs of the consumer. By marrying key technologies with a sound business model and a fully realised CRM with locally unique and scalable abilities, customers will be bridged to content for which they will happily pay. This, in turn, leads to the acquisition and retention of

viewers.

Constantly seeking out new revenue streams, being open to innovation and the power of adaptive thinking are essential to being successful and longstanding in this exciting and expanding world of Connected TV. Digital rights management will be a continuing challenge for the OTT industry but producing and publishing may prove to be the leap that more and more companies begin to take. This will become ever more feasible as capital and revenue grow in OTT through partnerships, integrations and communication.

The industry will continue to surprise but the relevance of the end-user never will.

### ***To continue the debate***



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