

MPP Global Solutions

**Sizing Up Your Audience:
Converting Free TV
Customers to Pay TV
Services**



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The way people consume their video media has changed drastically over the last few years as technology improves and the internet has been central to this.

Thanks to on demand services, individuals can watch content whenever and however they want and free TV broadcasters have had to adapt to this quickly in order to keep up with the crowd. Cable has been the traditional method of distribution but cloud is now becoming the norm.

Of course, cable has always been using a cloud distribution network but has only been recognised recently as a result of cloud computing's rise to prominence. Companies have been broadcasting linear TV content through cable and network-based delivery systems, while satellite has emerged as a major method of beaming programming into living rooms through the use of antennas, cables, amplifiers and dishes.

However, consumers are no longer tied to their television set and are now viewing content on mobile devices such as tablets and smartphones, while PCs have become a common medium for many.

This rise in mobility has led to cable services distributing to these devices, with consumers able to view the same or different content.

Why are operators moving to the cloud for their TV distribution?

Sales of TV sets have recently dropped for the first time in history and linear operators need to adapt accordingly to the emerging trends. TV is not the only place to watch content any more and there are several other screens all now competing with each other.

TV was traditionally a "push" industry, with boardroom executives deciding what the nation watches, at a specific time. This is no longer the case. Now, it's very much a "pull" industry, where viewers are taking control of their content. It's now TV everywhere, with users pulling what they want to watch, whenever and wherever they are.

The majority of broadcasters believe 26 to 50 per cent of all their revenue will be from digital services by 2015, according to a poll conducted by MPP Global Solutions.¹ Indeed, forecasts for 97 countries show that revenues from on-demand TV shows and movies will reach \$6 billion (£3.8 billion) by 2018, compared with the \$4.2 billion generated in 2012.²

Standard live television is no longer the only way to view programming and consumers are now accessing over the top (OTT) content through various different methods, such as a PC, tablet, smartphone, a set-top box like Apple TV or a games console such as Wii U or PlayStation 3.

Tablets are a major factor in this change and sales of the devices are soaring. Worldwide shipments of tablets rose 59.6 per cent in the second quarter of 2013 from a year earlier, despite no new products - particularly iPads - being released, according to the International Data Corporation (IDC).³ For the latest quarter, 45.1 million units were shipped in total, up from 28.3 million a year earlier.

¹ Poll of Broadcasters Highlights Digital Impact on Revenue Over The Next 2 Years, MPP Global Solutions, July 31st 2013 <<http://www.mppglobal.com/ecommerce-payment-gateways-news/poll-of-broadcasters-highlights-digital-impact-on-revenue-over-the-next-2-years.aspx>>

² Asia Pacific drives on-demand TV growth, Digital TV Research, August 14th 2013 <<http://www.digitaltvresearch.com/ugc/press/64.pdf>>

³ Tablet Shipments Slow in the Second Quarter As Vendors Look To Capitalize on a Strong Second Half of 2013, According to IDC, IDC, August 5th 2013 <<http://www.idc.com/getdoc.jsp?containerId=prUS24253413>>

This opens up a large opportunity to increase digital revenue, advertising and boost digital subscription revenue. Cable now looks to cloud to improve the user experience, while addressing market drivers and key tech in supplier and consumer markets.

Cloud offers a consistent and reliable way to service the growth of IP connected multimedia devices. It allows operators to deploy new services on the user-facing site, while on the back-office side they can flexibly establish workflows, storage efficiencies, monetisation models and advanced advertising.

However, consumers are now watching content on multiple screens at once and this is also something for providers to consider. A recent report from the diffusion group found there was strong interest in having multiscreen live linear content. Some 75 per cent of pay TV subscribers said they were highly likely to use multiscreen live services if they were offered by their current provider.

Second screen engagement allows for interactive capabilities to be enabled and advanced and interactive electronic program guides can be implemented to unlock opportunities to link to social to buy items and interact with brands that are advertised on the other screen.

OTT and pay-TV - what it entails

What is OTT and why is it important?

Pure-play OTT content is usually accessed via a dedicated streaming device such as games consoles, set top boxes, personal computers, tablets and smartphones. OTT players are demonstrating that the technology, and the mind-set itself, is ready for wider adoption.

Meanwhile, TV everywhere is available from a paid TV provider and offers an app for customers to download enabling them to subscribe to paid-for content on mobile devices, including streaming of live content itself.

There was a time when all TV content was free, but several organisations have emerged to migrate people over to paid services. One company that has done this to great effect is BSkyB in the UK, which created Sky TV. In order to get customers to subscribe to the service, the company offered great content that could not be viewed on the terrestrial TV channels. This came in the form of films found on the firm's Sky Movies channels and a range of sport coverage, including the Premier League, on Sky Sports.

However, OTT content has grown in popularity in recent years, with services such as Netflix streaming programming through an internet connection. This has proven successful with tablet and smartphone owners who now have a more mobile method to view their content.

According to research by MobileSquared⁴, global smartphone penetration will be 39 per cent by 2016, with an estimated 45 per cent of users expected to be actively engaging with OTT services. By the time these figures are a reality, the global OTT market is expected to reach a value of \$166.5 billion. On top of this the IDC has confirmed smartphones now outsell feature phones, meaning more people are able to access content on their mobile device.

A recent study by the Council for Research Excellence estimated that smartphone video viewers in the

⁴ Report: OTT messaging services to create \$30 billion revenue opportunity for mobile operators, MobileSquared, August 13th 2012
<[http://www.mobilesquared.co.uk/news/REPORT+OTT+MESSAGING+SERVICES+TO+CREATE+\\$30+BILLION+REVENUE+OPPORTUNITY+FOR+MOBILE+OPERATORS_246](http://www.mobilesquared.co.uk/news/REPORT+OTT+MESSAGING+SERVICES+TO+CREATE+$30+BILLION+REVENUE+OPPORTUNITY+FOR+MOBILE+OPERATORS_246)>

US will number close to 87 million by next year⁵ - more than 25 per cent of the country's population, representing a significant opportunity for monetisation.

OTT viewers outnumber Internet Protocol Television (IPTV) in 2013. Some 380 million people will view OTT content by 2015 - compared to just 163 million who will be using IPTV managed content.⁶

TV everywhere offers the possibility of new customers and subscriptions. Sky has done this effectively with its Sky Go service, allowing subscribers to view content and live coverage through an application on a computer, tablet or smartphone.

As Sky and others have shown, pay TV operators are increasingly exploiting OTT services, which were once considered a threat, as a market opportunity of their own.

What are the four key challenges for broadcasters moving to pay-TV solutions?

There are many hurdles broadcasters need to jump over in order to provide a successful pay-TV service. The four main challenges are:

- **Migration** - how can operators move subscribers to the cloud?
- **Measure** - how can consumers and their behaviour be measured?
- **Monetisation** - how can digital services be made profitable?
- **Maximise** - how can operators maximise their return on investment and customer reach?

Migration solutions

The main question broadcasters need to ask before building their customer relationship management (CRM) systems is whether they will build one in-house or use a specialist provider. Choosing a specialist means you can tap into the expertise and lowers the cost of building up an entirely new system.

The main challenge here is connecting the current CRM with the one from the specialist provider and migrating the customers over. MPP's golden key exists as a unique reference linking the held customer data, the payment account and the CRM system itself meaning migration is simple and effective.

When dmg selected MPP to create its CRM and online payment solution, MPP needed to migrate users from the long-standing system to the new one. This was done organically by putting new customers on the new system and when a current subscriber meets a renewal trigger point they are transferred over. In 12-18 months all customers were on the MPP-hosted database, which is good for business as all clients can be found on one large system.

Using a MPP's CRM system companies can see a large database of customers, showing their entitlements, order history and how much they currently pay. It also allows them to create brand new offers using the CRM, either using a pre-made selection or something completely new with a range of prices and parameters.

⁵ Smart Mobile Devices Account for Small Share of TV Viewing, eMarketer, June 10th 2013
<<http://www.emarketer.com/Article/Smart-Mobile-Devices-Account-Small-Share-of-TV-Viewing/1009955>>

⁶ OTT TV viewers to outnumber IPTV viewers in 2013, Informa, 2013 <<http://www.informa.com/Media-centre/Press-releases--news/Latest-News/OTT-TV-viewers-to-outnumber-IPTV-viewers-in-2013-/>>

Converting linear subscribers to pay TV

Moving people from free TV to a paid service is not easy but offers and incentives can certainly help.

Increasing digital services and marketing activities will boost awareness, while incentives can be used to great effect.

For example, providers can offer six months half price initially to get more people to sign up. Many companies have bundled free broadband services as part of the overall package, which has worked well to boost customers numbers, while The Sun newspaper gave free gifts to subscribers to its new The Sun+ online content.

Sky is one company that has done this to great effect. The UK market was traditionally free-TV, but Sky saw an opportunity and thought it could provide a service worth paying for. To do this it secured great content, such as sport, movies and TV dramas that could only be viewed through a subscription package. Once these were secured it provided a good service to customers and gave offers and incentives to buy into pay TV.

Digital services need to be offered for a digital audience

Traditional television used to be for a "push" audience, where the networks would decide what is shown and when it is broadcasted. However, this is no longer the case as technology has improved, meaning people can now watch programmes whenever they want on a range of platforms. The market has now evolved into one with a "pull" audience where the consumer is in control, meaning understanding your customer is now even more vital.

Broadcasters now require TV everywhere services and they must have single sign-on capabilities so people can watch their content on a range of platforms. The service must also be reliable as without a good service the customer will go elsewhere and inform their family and friends of the bad service they received - something that has become more prominent thanks to social media.

Value added services must also be considered. Allowing customers to sign on across a range of devices through social media could be an important feature for specific demographics.

Measuring the service offering

Knowing your audience is crucial for broadcasters and having real-time analytics is essential to see what people are watching and how they are doing so. Without measuring, companies cannot improve their offering and may lose track of what their customer actually wants.

Data offers insight into how certain demographics like to pay, which is incredibly valuable information considering. It also shows what people enjoy watching, when they are doing so and what they are using. Information such as this can show how many people are using games consoles, tablets, smartphones and set top boxes to view content meaning firms can target specific platforms should they want to.

Monetisation

Monetisation is an ongoing process for broadcasters and will change and evolve as time goes on.

OTT content has two main methods of consumption. It can be done through an application such as the one provided by Netflix or it can be streamed from the internet like BBC iPlayer and there are various options available to monetise content.

How do you monetise your service?

First of all the model needs to attract the target audience. The content needs to be geared towards the correct demographic, while the pricing and method of payment must also be aligned.

Centralisation is key to the entire process. Creating a central digital payment wallet for customers is one possible option, while transactional micropayments may help boost revenues.

Another effective process in some cases is metered access, which could certainly attract interest. In this case, a certain amount of the service would be free. For example, the Telegraph's website offers ten articles a month until it requires you to subscribe, while Sky TV has offered its content for free on some occasions.

The company ran its Sky Thursdays campaign, which would give non-subscribers a chance to see what they are missing out on, and a 2013/14 Premier League match was also shown for free for the first time this year, with Sky making the Swansea vs Manchester United game available for all to see.

This gives consumers a taste of the product first so they know what they are signing up to.

Advertisements offer an alternative and can even complement other monetisation strategies. For example, ITV Player has advertisements at the start, during and at the end of the programme meaning companies can still get through to their audience despite them watching online and not through a set-top box.

Maximising the service

The maximisation depends entirely on the broadcaster. If the service is global or continental then more languages and currencies may need to be brought in. Even when companies are not offering a global service, different languages may be required due to the increased multiculturalism in many nations across the world.

Offers and incentives can be used to great effect to boost the scope of the service and can increase the customer base and allow for more competitiveness against rivals.

Sky has recently maximised its offerings by introducing NOW TV, an on-demand version of its service. Supported by MPP's extensive eCommerce modules, Sky Sports can now be accessed on NOW TV, giving customers access to all six Sky Sports channels for 24 hours for just £9.99. Consumers can also watch a vast range of film content by picking up a Sky Movies pass.

NOW TV uses the eAnywhere, eDeveloper, eShop and ePayment modules of MPP's comprehensive eSuite technology, which enables Sky to offer easy access and flexible pricing packages whilst maintaining the highest level of security.

Summary

The rise of mobile devices means consumers are watching content on a range of platforms, such as smartphones and games consoles, and not just a dedicated television.

For this reason it is absolutely crucial for broadcasters to migrate over to digital platforms in order to retain their revenue stream. This is not an easy process but by implementing a strong in-depth customer relationship management system alongside an integrated online payment solution firms can successfully harness digital revenues and offer a more complete service.

It is important for companies to consider the main challenges - migration, measurement, monetisation and maximisation - when developing a digital platform. Once all these bases are covered a fully-fledged pay-TV service can be created and broadcasters can continue to prosper.

To continue the debate



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