

MPP Global Solutions

VOD in 2014: Challenges, Concepts & Opportunities



MPP Global Solutions

Birchwood Park
Warrington, WA3 6YN
United Kingdom

1115 Broadway, 11th Floor
New York, NY 10010
USA



+44 844 873 1418



+1 212 901 3795



info@mppglobal.com



www.mppglobal.com

VOD in 2014: Challenges, Concepts & Opportunities

The media and entertainment industry has evolved rapidly in the past few years, with new technology having a huge bearing on how consumers engage with digital content.

Sales of smart TVs, internet-enabled games consoles, smartphones and tablets continued to rise in 2013 and this has contributed to the ongoing video-on-demand (VOD) boom. The days when consumers were forced to follow rigid TV broadcasting schedules in order to see their favourite programmes appear to be coming to an end, as the emergence of services such as BBC iPlayer and Sky's On Demand has given viewers more freedom to watch what they want, when they want.

According to Nielsen, the average US consumer spends 60 hours viewing content across multiple devices every week, with 84 per cent of people using smartphones and tablets as second screens while watching TV at the same time¹. This means the dynamic of the traditional family living room - where everybody was once 100 per cent focused on the TV - has changed drastically.

The incredible popularity of YouTube underlines the soaring demand for instant video. It attracts more than one billion unique users a month and 100 hours of footage is uploaded every minute².

YouTube also sets a good example for media and entertainment companies that are looking for the best ways to monetise their digital content. Although the platform is free to use, thousands of advertisers are using TrueView in-stream, while more than a million advertisers use Google Ad platforms.

VOD is expected to evolve further in 2014, with more emphasis being placed on social sign-in, mobile applications and advanced browsing. Media and entertainment companies will continue to launch next generation offerings and will take major strides towards improving the overall customer experience.

What Challenges Does VOD Present?

MPP Global Solutions recently hosted a webinar, entitled **VOD: Challenges, Concepts and Opportunities**, in which participants were given an opportunity to outline the biggest challenges that video-on-demand presents them with. The majority of VOD providers and broadcasters said the monetisation of digital content is their biggest concern in 2014.

The demand for online video is likely to grow further this year, but despite its undoubted popularity, some companies have found it hard to make money from their offerings. This is why it is a good idea to look at some of the systems and solutions utilised by organisations that have already had great success in this field.

¹ What's Empowering the New Digital Consumer?, Nielsen, February 10th 2014
<http://www.nielsen.com/us/en/newswire/2014/whats-empowering-the-new-digital-consumer.html>

² Official YouTube statistics <http://www.youtube.com/yt/press/en-GB/statistics.html>

There are many different subscription models for businesses to choose from and it is not always easy to find out which solutions work the best. While some firms have benefited from adopting a system that requires viewers to pay a fixed monthly fee, for example, others have had more success using a more bespoke pay-as-you-go method.

Other challenges that were raised during the MPP webinar included:

- Engagement and interaction
- Localisation
- Big data and customer relationship management (CRM)
- Infrastructure

Engagement and interaction are clearly key considerations. It does not matter how slick your online payment infrastructure is - if you are failing to produce stimulating content that people are willing to pay to watch, you will not make any money from your digital material. Conversely, subscribers will not be able to watch your exciting and engaging videos if your technology infrastructure is not user-friendly.

Netflix is a good example to follow when it comes to monetising digital content. The entertainment platform has attracted more than 40 million subscribers to date and as many as 38 per cent of all Americans now use the service.

In a recent investor relations note, Netflix bosses confirmed the company would spend nearly \$3 billion (\$1.79 billion) on content alone in 2014³. Netflix has benefited from offering a one-month free trial to potential customers, who are then encouraged to pay a small fee each month in order to view content. Popular shows like Breaking Bad and Netflix-exclusives Orange is the New Black and House of Cards have undoubtedly played a major part in convincing people to part with their money each month.

Netflix will also spend more than \$500 million on marketing campaigns this year and a further \$400 million on technology development. The latter should ensure the company's apps become even more user-friendly, which will help to improve the overall customer experience. This underlines the importance of strong technology infrastructure.

Localisation is another issue that can prevent entertainment organisations from maximising the potential of their digital content. Companies sometimes find it hard to expand beyond their home country. Just because a particular VOD subscription model has worked well in the UK and US, for example, it does not mean it will be an automatic success elsewhere.

Firms must accommodate foreign viewers and the best way to do this is to introduce payment types and languages that make it easier for people to sign up. In short, localisation services are an integral part of monetising an international product. Some of the participants in the webinar also outlined CRM and big data as their most pressing concern in 2014. With so much new subscription data being generated daily, entertainment companies have an opportunity to produce more targeted promotional

³ Netflix Long-Term View <http://ir.netflix.com/long-term-view.cfm>

campaigns and launch new offers aimed at existing customers. However, a lot of firms find big data overwhelming and it is easy for subscription databases to fall into disarray.

How Can These Challenges Be Overcome?

Companies must ensure they are catering for the "always connected audience" in 2014. This means moving away from legacy systems and adopting cutting-edge solutions that provide the flexibility required to deliver engaging video content to increasingly mobile subscribers.

More businesses are using sophisticated CRM systems, such as MPP's eSuite, as these provide advanced functionality and enable businesses to keep all of their subscription data under control.

At MPP we believe it is essential to find that single view of your customer base, across any channel, format or device. You can achieve this by creating centralised back office platforms, advanced analytics and integrated CRM systems.

Do not underestimate the importance of being able to quickly run reports on any given demographic within your customer base. Tracking users' behaviour, habits, preferences, orders and so on is the single best way of understanding your audience and being able to engage, retain and upsell to those individuals and groups.

Aside from using a holistic and adaptable CRM system, firms must overcome the notion that TV is a "push industry". Only a few years ago, TV broadcasters were able to push content whenever they liked, as consumers were constrained by linear programme schedules.

The emergence of VOD means this is no longer the case and viewers are now able to "pull" the content they want to watch whenever they wish. The sooner entertainment providers revert from pushing to pulling, and the sooner they adapt to the growing multiscreen trend, the easier they will find it to monetise digital media.

Providing TV services anywhere and everywhere gives companies a unique opportunity to open up new revenue streams, with targeted advertisements, branded entertainment and fresh subscriptions all adding to their bottom lines. The best way to do this is to maintain a strong brand.

Statistics suggest companies have less than eight seconds to make an impression on an internet user, so make sure your content is intriguing and well presented. Firms should also ensure their applications and payment portals are appealing.

Aside from its outstanding functionality and ease of use, one of the best things about eSuite is its adaptability. The CRM solution can fit seamlessly into a company's existing branding, which means customers will be instantly familiar with the system.

The Importance of a Centralised CRM Solution

While quality content is king, entertainment companies cannot afford to underestimate the importance of strong customer relations.

This is why modern CRM solutions will be so valuable in 2014. A recent report by technology research organisation Gartner showed that customer management solutions will be at the heart of digital initiatives for years to come, with global CRM software revenue expected to reach \$23.9 billion in 2014⁴.

Rapidly changing viewing habits mean CRM systems are an integral part of the delivery of VOD services. MPP's eSuite solution has been adopted by numerous broadcasters and entertainment companies and this has enabled them to overcome some of the strategic challenges that have already been outlined in this report.

The ePayment package is a ready-made, branded payment page that makes it easy for firms to monetise their content. It allows customers to sign up for subscriptions as quickly and seamlessly as possible and removes the need for people to re-enter their details whenever they want to view additional video footage by introducing a one-click payment option. The importance of this cannot be underestimated, as it makes a big difference to the overall customer experience, which is vital in an increasingly competitive marketplace.

Entertainment companies can also benefit from the eDeveloper solution, which makes use of MPP's extensive range of ready-made APIs. Tailored to a client's exact specifications, the package makes it easy for businesses to process complex payment and account transactions and also enables them to display subscribers' order history.

The eManager facility, meanwhile, further enhances the customer experience. It gives subscribers an opportunity to manage their accounts, which could mean updating their payment details and tracking their purchase history. Again, eManager is flexible and can be adapted to fit in with a client's existing brand.

Another integral part of the eSuite offering is eHQ. This is an advanced back office management tool and is an essential platform for entertainment companies that are keen to obtain a centralised view of their subscription data. It makes product pricing and subscription management easy and is also used by marketers to devise targeted promotional campaigns based on a person's viewing history. Marketing material that directly appeals to a person's interests is far more likely to generate revenue than generic, one-size-fits-all adverts that have been aimed at a wider audience.

eSuite is also an ideal solution to localisation, as its flexibility and advanced functionality enable clients to use it in countries that have different languages and cultures. These are just some of the ways in which a CRM solution can help entertainment companies to deliver VOD as effectively as possible.

⁴ Report: 'Gartner Says CRM Will Be at the Heart of Digital Initiatives for Years to Come', <http://www.gartner.com/newsroom/id/2665215>

Case Study: Philips Smart TV

One example of an entertainment company that has successfully adopted MPP's industry-leading CRM system is Philips⁵.

The electronics giant required a solution capable of handling and managing eCommerce transactions for the second generation of its Smart TV service. It wanted to allow customers to pay for VOD content and apps through a centralised payment account.

In many ways, the services offered through Philips Smart TV are a great reflection of how far the entertainment industry has progressed in recent years. Not only does it offer TV broadcasting, it also allows VOD, internet browsing, various apps and social media access.

The latter is a hugely important consideration, as social networking sites are immensely popular across the globe. Facebook alone attracts more than 1.2 billion active monthly users and also garners hits from 945 million mobile users each month⁶, which reinforces the point that entertainment companies must embrace social media and make full use of these platforms when delivering VOD content.

eSuite enables customers to buy material from hundreds of content providers via their Philips Smart TV payment account - removing the need for subscribers to enter their payment details every time they want to view video footage that has been created by a different third-party source. Parents can use the account to monitor what their children are watching and Philips' customer representatives can also manage enquiries via a customer support console.

It is an international service and underlines the point that effective CRM solutions can help entertainment firms to overcome the challenge of localisation.

Other Success Stories

When it comes to monetising digital content, BSkyB sets a good example for others to follow.

As was stated during the VOD webinar, the firm's NOW TV offering - which provides viewers with a means of watching online content without signing up to a contract - is expected to break the one million subscriber mark in 2014. In a press release from January 2014⁷, BSkyB confirmed the launch of NOW TV has received a "positive customer response".

One venture that was particularly successful was the introduction of NOW TV Sky Sports day pass, which enables subscribers to pay a small fee to watch sporting coverage on set days. The company said sales of these passes spiked on November 10th 2013, when the Premier League match between Manchester United and Arsenal was broadcast. This is a great example of how entertainment providers are thinking of innovative ways to offer different options to their customers, with the ultimate goal of maximising the revenue accrued from digital content.

⁵ MPP Global Solutions case study <http://www.mppglobal.com/e-commerce-payment-gateways-case-studies/philips-smart-tv.aspx>

⁶ Facebook Newsroom; Key Facts <http://newsroom.fb.com/Key-Facts>

⁷ Sky press release http://corporate.sky.com/documents/pdf/latest_results/q2_1314_press_release.pdf

Summary: What are the Keys to Success?

There is no doubt that the booming popularity of connected devices, such as smart TVs, smartphones and tablets has revolutionised the entertainment industry and the growth of VOD has given companies a golden opportunity to find new revenue streams.

Although VOD brings many benefits, it also presents lots of challenges - the most prominent of which, according to MPP's webinar poll, is identifying the best ways to monetise digital media. So, how do entertainment businesses overcome these obstacles?

- **Produce quality content:** It sounds obvious, but the first thing you need to do to ensure people are paying for your content is to produce footage that is truly fresh and engaging. The likes of Sky and Netflix have demonstrated how important this is.
- **Embrace multi-screening:** Consumers want to view video content on the move, which means companies must produce material that can be accessed from a range of mobile devices.
- **Use a CRM system:** Solutions such as MPP's eSuite are fast becoming essential tools for entertainment providers, as these systems are proven to give companies a stronger chance of overcoming the challenges presented by VOD.
- **Improve the customer experience:** The online entertainment industry is fast paced and competitive, so once you have attracted new subscribers, make sure you keep them. Slick payment processes, advanced customer management services and targeted marketing campaigns - all of which are made easy by eSuite - can help to boost customer retention rates.
- **Use big data:** Having adopted a sophisticated CRM solution, all of the subscriber data you need is at your fingertips. Use this wisely.
- **Accommodate foreign audiences:** Localisation is a big sticking point for many entertainment companies. To maximise revenues from your VOD content, you should tailor your services to accommodate viewers who speak different languages and come from different cultures.
- **Increase customer interaction:** Social media is immensely popular and firms should use this to their advantage. Enabling people to sign up for subscriptions via their Facebook, Twitter or Google+ account is a very shrewd move.

Last year saw huge developments in the VOD market and the industry is set to evolve even further in 2014. Entertainment providers that follow the tips outlined above will certainly give themselves an edge over their competitors in the coming 12 months and beyond.

To continue the debate



@mppglobal



sales@mppglobal.com



+44 844 873 1418



+1 212 901 3795



www.mppglobal.com