

WHITEPAPER

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# **GROW OTT REVENUES: MAXIMISE CONVERSIONS & MINIMISE CHURN**

As OTT services continue to take over the TV industry, operators need to consider how to maximise conversions and minimise churn.

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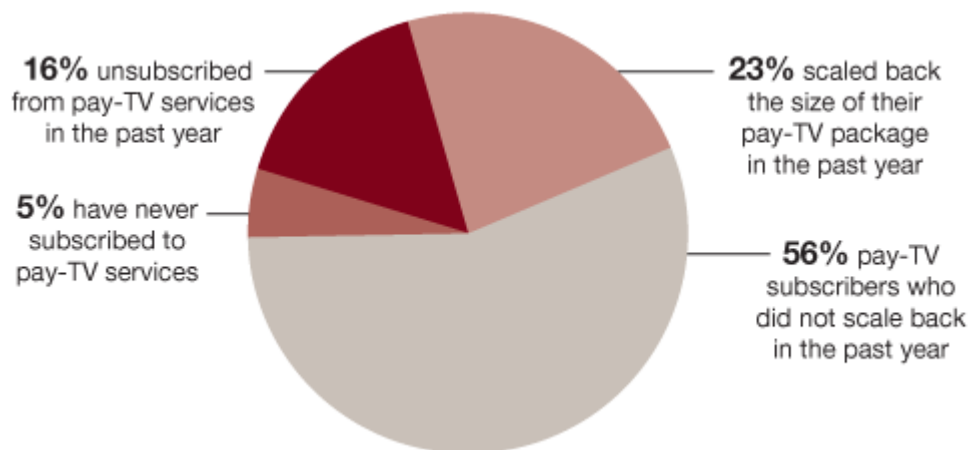
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## 2.0 Introduction

With more OTT services emerging across the market, it has become even more critical for TV operators and broadcasters to be aware of what they need, to ensure the success of a service.

The competition across the video content market means that attracting consumers to an OTT service, getting them to register and pay, and ensuring they continue using the service are crucial. This is driven by recent Pay TV figures, as seen below, illustrating that 39% of the customers surveyed are scaling back or unsubscribing from their Pay TV services.



(Source: PwC)

Audiences of today have a clearer idea of what they want, both in terms of content and the method they use to consume it. This situation provides video content organisations with a range of opportunities to offer services which meet these requirements and monetise audiences effectively.

It is essential for any organisation launching or enhancing an OTT service to be aware of the key considerations, tactics and strategies for maximising conversions and minimising churn.

## 3.0 Managing the OTT Customer Lifecycle

There is a lot more that goes into an OTT service than simply identifying the need for one. Broadcasters and operators have been looking at OTT since the late 2000's, and while many are aware of the potential benefits, there is the necessity to implement the right supporting technology to maximise those benefits. Technology considerations and the ability to support the service can play a key part in not only launching the service but also in ensuring its success both with consumers and with business revenues.

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### 3.1 Leveraging Audience Data

Data is the new oil when it comes to developing strategies and growing revenues. Data is a raw material which needs extraction and refinement for usable products to be based on it. This is because without the insight available to you, organisations can experience the issue of cold start – whereby you develop a product which might not meet the expectations of audiences.

Visiting and paying viewers provide organisations with behavioural intelligence, including:

- Content and content type
- Genre, category and referral URL
- Author and content provider information
- Frequency and location trends

Collecting this insight enables operators to create personalised and optimised consumer engagements by building behavioural profiles. This information can be collected, analysed and used to optimise the experience for the consumer, surfacing more relevant content to them or creating compelling incentives to motivate anonymous visitors to register, and ultimately, become paying customers.

The issue many organisations have faced with their digital services is that until a consumer registers there is limited information available about them. Digital fingerprinting is enabling operators to overcome this problem by providing:

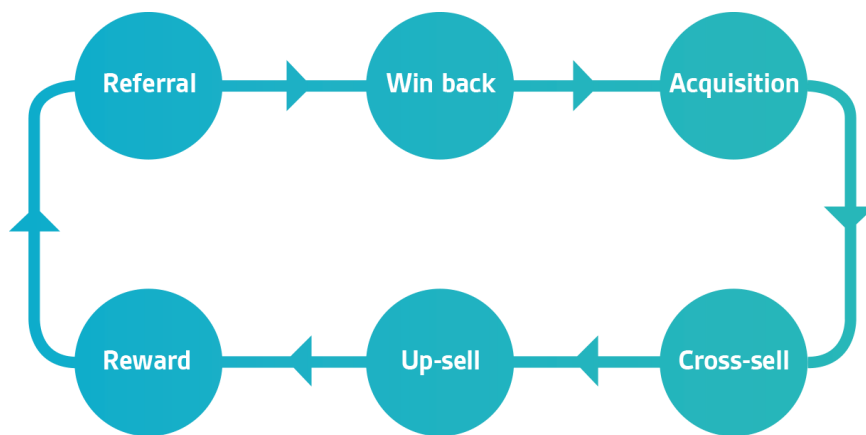
- The device and browser type being used
- Country, language and time zone
- Whether the user is using ad-blockers or plug-ins
- Browser access rights

This technology tracks characteristics of an anonymous visitor, enabling organisations to target them, with the goal of converting them to paying or registering for the OTT service. Once they

have converted and become registered or paying subscribers, operators can create in-depth profiles rather than cold ones. Leveraging the insight from the viewing and behaviour habits assigned to the profile, companies can keep their customers engaged and using the service.

## 3.2 Maximising Conversions

Attracting consumers has often been a challenge for any subscription business, but for OTT operators it has become especially critical to drive acquisitions. With it costing on average, 6 times as much to acquire a subscriber as it is to retain them, it is essential that the tactics being leveraged are driving results.<sup>1</sup>



Experience in the market has shown that to maximise conversions it is critical for broadcasters and operators to incentivise the consumer.

### 3.2.1 Offers & Free Trials

It is important to set up a range of consumer-facing incentives to attract consumers to buy products or services and become a customer or subscriber. Have access to a platform such as eSuite (an advanced eCommerce platform empowering TV and OTT companies to monetise video content) which provides functionality to create offers for OTT services, including:

- Free Period Offer
- Low Start Offer
- Percentage Discount Offer
- Trial Subscription Offer

<sup>1</sup> It is 6 Times More Expensive to Win a New Customer than to Retain an Existing One. Tricia Morris, March 2016. Business 2 Community.

<http://www.business2community.com/strategy/6-times-expensive-win-new-customer-retain-existing-one-01483871#KdYYyTJbIKwqEMg.97>

Introduce a free trial for a set period of time, such as 30 days, to enable consumers to sample the content on offer. There is also the opportunity to take payment details when the consumer registers, but not charge them until the free trial period has lapsed and they roll into a monthly or



yearly subscription, dependent on the service.

Offers can be leveraged in a similar fashion, such as by providing a discount for joining the service (1

month free in a 12 month subscription). This reduces barriers to entry, and if the consumer feels they are getting good value for money, they are more willing to sign up and pay.

### 3.2.2 Voucher Codes

Operators can also leverage voucher code functionality for a variety of promotions. These can then be used to target different audiences and different segments of customers:

- o Registered Consumer: a personalised voucher based on their interaction with the service, which converts them into becoming a paying subscriber.
- o Engaged Subscriber: offer a voucher code which provides a month free if they recommend a friend to the service.
- o Long-Serving Subscriber: reward their loyalty by providing early access to exclusive content.

By leveraging offers, voucher codes and free trials, operators can encourage increased traffic and conversions helping to grow OTT revenues.

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## 3.3 Centralisation of Customer Data

In order to understand consumers and subscribers, it is also essential to have access to their information in a central repository. Using a centralised platform enables organisations to access all customer data and records in a single view, across multiple territories, products and languages.

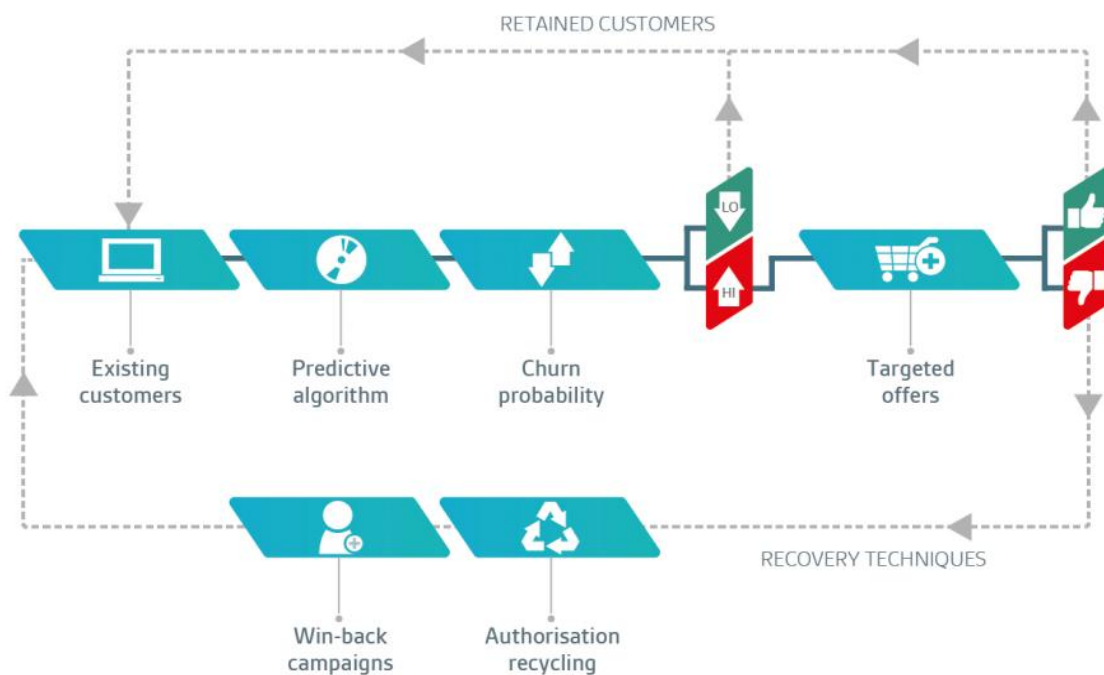
Leveraging a platform such as eSuite, operators have access to the information available throughout the complete customer lifecycle, from registration, authentication, purchase, delivery and entitlement management, upgrade, profile maintenance, support and subscription renewal. With this level of insight, TV organisations and OTT providers can build much closer and more engaged relationships with consumers and subscribers. Companies can analyse everything from viewer interest to specific search items, to the type of device the consumer is using, as well as

the geographical location of the consumer. Utilisation of this data enables organisations to offer tailored packages to audiences, maximising conversion rates and fostering loyalty.

### 3.4 Minimising Churn

While increasing conversions and growing revenues are vital for OTT services, it is similarly critical to retain customers and protect revenues. This is where the importance of churn management comes in. With 20% of US broadband households cancelling at least one OTT service in the past 12 months, operators need to take into consideration the different ways they can reduce subscriber churn.<sup>2</sup>

Operators today can now protect subscription revenues with predictive churn algorithms and the application of advanced customer retention services.



<sup>2</sup> Parks Associates Announces Update to OTT Subscriber Churn Rates for Netflix, Hulu and Amazon Users. Park Associates, April 2016. Parks Associates.

<https://www.parksassociates.com/blog/article/pr-0414016>

### 3.4.1 Voluntary Churn

Reduce the number of customers churning voluntarily by implementing technology to both prevent cancellations and attract churned customers back to the service.

During the cancellation flow, a proven tactic has been to ask why the consumer is wishing to cancel the subscription. Much of the time, the main factor is price, at which point the operator can offer a reduced monthly fee for a limited period of access to the service.

OTT service providers can also reach out to churned customers with win-back campaigns, presenting enticing offers or discounted subscriptions based on their interaction with the service previously. This again highlights the importance of having insightful consumer data available, and leveraging it to your advantage, helping maintain and grow revenues.

### 3.4.2 Involuntary Churn

Involuntary churn can represent a significant amount of revenue an operator is losing needlessly. Leveraging eSuite's Retention & Recovery module, operators can boost existing subscriber revenues and reduce the amount of revenue losses.

- Card Expiry Date Validation: validate card expiry dates for a renewal cycle to ensure a successful subscription renewal event.
- Automatic Account Updating: ensure the most current card information is used during authorisation attempts, reaching out to authorising banks ahead of payment.
- Retry Rules: leverage configurable multi-layered time-based retry rules, which are both configurable on an individual subscription and on a global basis.

Using retention and recovery technology, OTT service providers can reduce cancellation numbers by over 70% and increase retention.

### 3.4.3 Predictive Churn

Leverage predictive churn technology and accurately identify subscribers who are at high risk of churning. This knowledge enables you to adopt preventative measures to help retain those subscribers and protect revenues. eSuite employs Machine Learning techniques which enables organisations to understand consumer behaviour.

The technology analyses historical data of existing customers to understand at which point they engaged with the service, when they purchased the product or service, their engagement since subscribing and this determines a churn precision rate. In live environments where predicted churn was measured against actual churn, precision rates of 90% to 98% were experienced.



While 5% of subscribers churning, for example, might not seem a significant number of people initially, taking into consideration the amount of revenue that represents this can have a serious impact for an operator. Even a small reduction each month has a significant impact on customer/subscriber count and revenues in the long term.

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## 3.5 Scalability

The TV and online video industry is markedly different to where it was ten years ago and it is essential to consider where the OTT market will be even within a couple of years. Therefore, it is critical to implement a platform which is scalable and adaptable, not only to meet the demands of the organisation, but also to manage the demands of the market.

Leveraging a flexible platform, which has a host of API's and SDK functionality, means that TV and OTT operators can shape their service and product offering quickly, easily and efficiently, ensuring organisations can accomplish all their objectives, especially considering audience demands changing.

## 4.0 Additional Considerations

While many broadcasters and operators have considered launching or have already launched an OTT service, it is essential to understand other factors which can play a significant role in the success of the service. The considerations outside of the platform need to be monitored and adhered both at the start of the OTT project and following its launch, to ensure that the service stays on track to succeed and drive revenues.

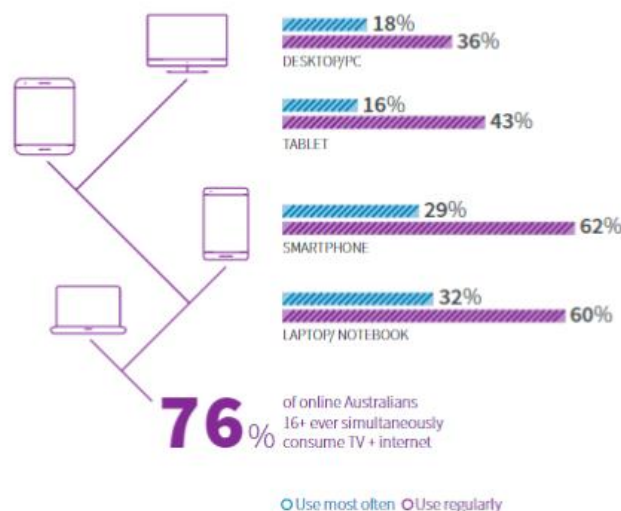
### 4.1 Audience

Understanding who your target audience is made up of is critical both when launching the service and once it is live. This requires research to ensure that you are reaching out to the right demographic.

For a Pay TV operator looking to launch their own OTT service, there is the added benefit of already having a customer base and possessing information on their viewing habits and purchasing habits. This means the operator can factor in what demographic is constituted by most of the Pay TV audience; therefore, creating a service to target either those currently not attracted to the Pay TV offering; or different demographics who are paying for a specific bundle, e.g. millennials.

#### Key Considerations for Targeted Audiences

- What demographic are you currently *not* targeting?
- Where is the biggest opportunity in your region?
- Who are your competitors targeting?
- What content are you looking to offer?



(Source: Australian Multi-Screen Report Quarter 2016)

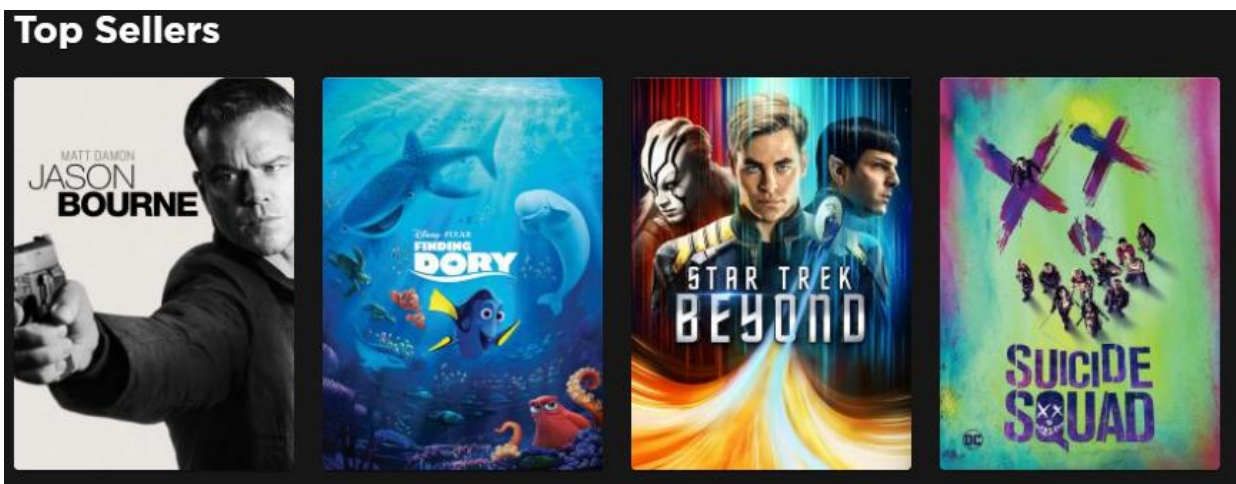
More consumers are turning to digital content and accessing this through a range of devices. This means that by providing access to the service across multiple devices, you can attract the digital consumer — who on average owns *over 3* connected devices.<sup>3</sup>

Limiting how your audience can access and view the video content can play a significant role in terms of not only of who is attracted to the service, but also of the revenues generated because of the OTT service. Therefore, bearing in mind who you decide to target, it is essential to consider what devices and ways of engaging with the service you offer.

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## 4.2 Content Offering

Following the research phase and determination of the target audience, it is essential to establish what video content will be on offer. This information should be closely derived from the audience you are targeting to suit their preferences, to attract them and keep them using the service. Otherwise, TV organisations with OTT services will be at risk of not driving revenues with the new or enhanced offering.



Operators looking to launch an OTT service can tailor their offering based on their target audience, while operators already with services can tailor it based on the customers using the service. Pay TV operators can leverage the channels from their Pay TV services to offer tailored products, ensuring they can reach a broad spectrum of audiences.

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<sup>3</sup> Digital Consumers own 3.64 connected devices. Chase Buckle. February 2016. Global Web Index. <http://www.globalwebindex.net/blog/digital-consumers-own-3.64-connected-devices>

## 4.3 The Type of Service

The type of OTT service you decide to offer, whether that be SVOD, TVOD, AVOD or the emerging MVOD, can be based on several considerations. However, the prominent factors are the audience and the content, as these play a significant role in determining the pricing model you should offer.

Type	Goal	Value	Payment Option
Subscription Video On Demand (SVOD)	Allow the consumer to commit to a determined period of time (such as monthly/yearly), during which certain video materials will be constantly available to them.	Gives the consumer greatest flexibility in terms of easy, immediate access to wide range of materials over a long time; thereby potentially allowing the client to establish and manage a positive user-relationship; leading to extensive recording of user-preferences; and potential further sales.	<i>Subscription</i> (recurring or scheduled charges)
Transactional Video On Demand (TVOD)	Enable the consumer spontaneously to purchase either a single piece of video content, to be consumed within a short, defined period; or to gain access to one or more broadcast streams for a fixed period. May also relate to a single purchase which the customer can then view any number of times post purchase.	Raises consumer comfort-level, by giving them the freedom to make purchases without long-term commitment. As such, gives the client freedom to target a wide range of users; potentially with occasional, marquee content, such as sports events.	<i>One-off</i> (single, one-time charge)
Advert Video On Demand (AVOD)	Allow the consumer to access video content for free while building a profile around their interactions and engagements.	Lower barriers to entry associated with purchasing, by requesting consumers solely to register. Use the information from their profiles to feed into the adverts being shown, which should see more engagement from them.	<i>Free</i> (revenues generated through advertising)
Metered Video On Demand (MVOD)	Enable the consumer to sample content, and continue to view as much as they wish, while only paying for the exact amount (likely determined in numbers	Lowers consumers' commitment threshold, by allowing them to try-and-buy. Thereby allows the user's interest-level to be worked up from scratch; potentially leading to a	<i>As-you-go</i> (asynchronous, ongoing charges)

	of minutes) that they actually view. They may also use this as a 'lure' to draw customers in, first 10 minutes for free and if you want to watch the rest of the film you must register or buy a subscription.	broader purchase commitment.	
Hybrid Video On Demand	Provide consumers a choice between how they engage with the service. For example, offer consumers the option to purchase video content on pay-per-view basis or join as a subscriber.	Reduce barriers to entry by targeting a range of audiences, helping to generate revenue through different models. Use the information available from the different customer demographics to create targeted offers and marketing campaigns to reach out and entice audiences.	<i>Subscription or pay-per-view</i> (as-you-go, one-time transaction, recurring or scheduled charges)

The type of service or business model an operator adopts can play a significant role in the success of an OTT service, which is why it is essential to understand your target audience and the type of content you are going to offer before deciding on a business model.

## 4.4 Competition

Even while recognising the importance of the industry disruptors who have shaped the OTT industry, your immediate competition needs to be your first priority.

For example, with Netflix holding the majority of the market, it would be difficult to compete head-to-head with this industry disruptor. Therefore, considering the service type you are offering, the audience you are targeting and the content available, it is essential to look to your immediate competitors and identify where to offer more, what to do differently and how best to acquire more of the market.

## 5.0 In Summary

As OTT services continue to take over the TV industry, operators need to consider how to maximise conversions and minimise churn. It is essential to consider the type of service to offer, the content and target audience, as well as the tactics best suited for acquiring customers and the implementation of technology which keeps them using the service.

Implementing a platform such as eSuite, which works alongside the online video platform (OVP), providing clear touchpoints and engagement opportunities throughout the customer lifecycle, is critical for launching or developing a successful OTT service.



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### 5.1 Contact Us Today to Learn More



+44 844 873 1418 | +1 212 901 3795 | +61 414 805 333



hello@mppglobal.com



www.mppglobal.com