

## Over-the-Top (OTT) Media Content

# Agenda

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Business Dynamics

Growth Drivers

Over-the-Top media in North America, Europe and Emerging Markets

Recent Trends

Key Players

Key Concerns

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# Executive Summary

## Overview

- Over-the-Top (OTT) media content is any content (audio, image, video) sent to any device (mobile, desktop, tablets etc.) over the internet independent of viewers Internet Service Provider (ISP)
- Global OTT market is estimated to grow from \$xx billion in 20xx to \$xx billion by 20xx, at a Compound Annual Growth Rate (CAGR) of xx%

## Business Model

- OTT model is a combination of content, price and convenience. The data is directly accessible to consumers via the internet
- Availability of content forms the base of the supply chain. User choices are driven by content

## Growth Drivers

- Increasing use of smartphones, smart TVs and other smart devices
- Relatively low cost associated with the services
- Growing consumer interest due to OTT's ease of use

## Trends and Players

- Approaches of delivering media content has evolved from National broadcasters & limited channels to online viewing and almost unlimited content
- Number of online streaming subscribers increasing every year
- Key players include Company1, Company2, Company3 and Company4

## Opportunity & Outlook

- With increasing demand and rapid adoption of OTT services by consumers, it presents a huge opportunity for existing and new OTT service providers
- OTT video will be a significant trend that could affect telecom, media and technology companies to a considerable degree in the future

## Introduction

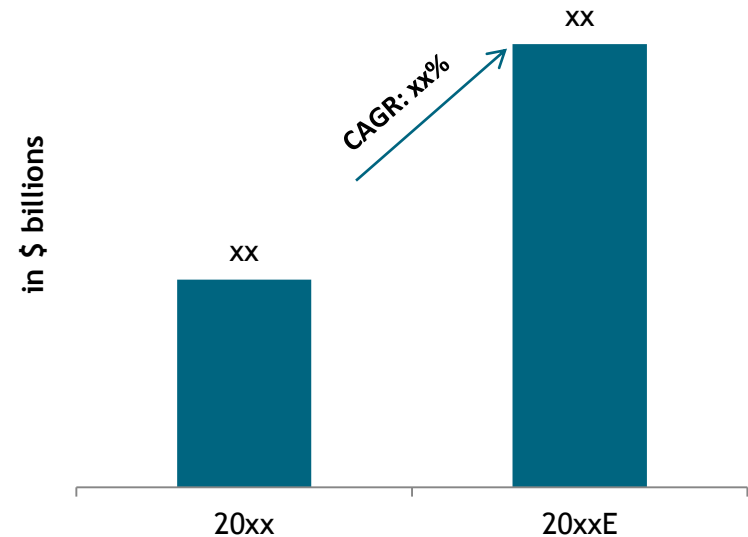
# Introduction

## Over-the-Top Media Content

- Over-the-Top (OTT) media content refers to video, television and other services provided over the internet rather than via a service provider's own dedicated, managed IPTV network
- It is delivered directly from provider to viewer using an open internet/broadband connection, independent of the viewer's Internet Service Provider (ISP), without the need for carriage negotiations and without any infrastructure investment on the part of the provider
- In an OTT offering, the ISP may be aware of the contents of the Internet Protocol (IP) packets but is not responsible for the viewing abilities, copyrights, and/or other redistribution rights of the content
- It refers to content that arrives from a third party, such as Company1, Company2, or Company3, and reaches to the end user device, leaving the internet provider responsible only for transporting IP packets

## Market Size

- The growing investment in broadband infrastructure, with the improvement in network speed and performance, has opened up new opportunities to provide content Over-the-Top, not only in more advanced, developed economies but also in emerging markets
- Every increasing content coupled with personal viewing devices mean strong growth prospects for the OTT market
- Global OTT market is forecasted to grow from \$xx billion in 20xx to \$xx billion by 20xxE, at a Compound Annual Growth Rate (CAGR) of xx%



# Introduction

## OTT Segmentation

### Business Segments

By Content

Text and Image  
Audio/Voice  
Video

By Access Type

Smartphones, Tablets & Pdas  
Laptops and Desktops  
Set Top Boxes (Stbs)  
Smart TV  
Gaming Consoles

By Vertical

BFSI  
IT and Telecom  
Media and Entertainment  
Education  
Healthcare  
Households  
Others

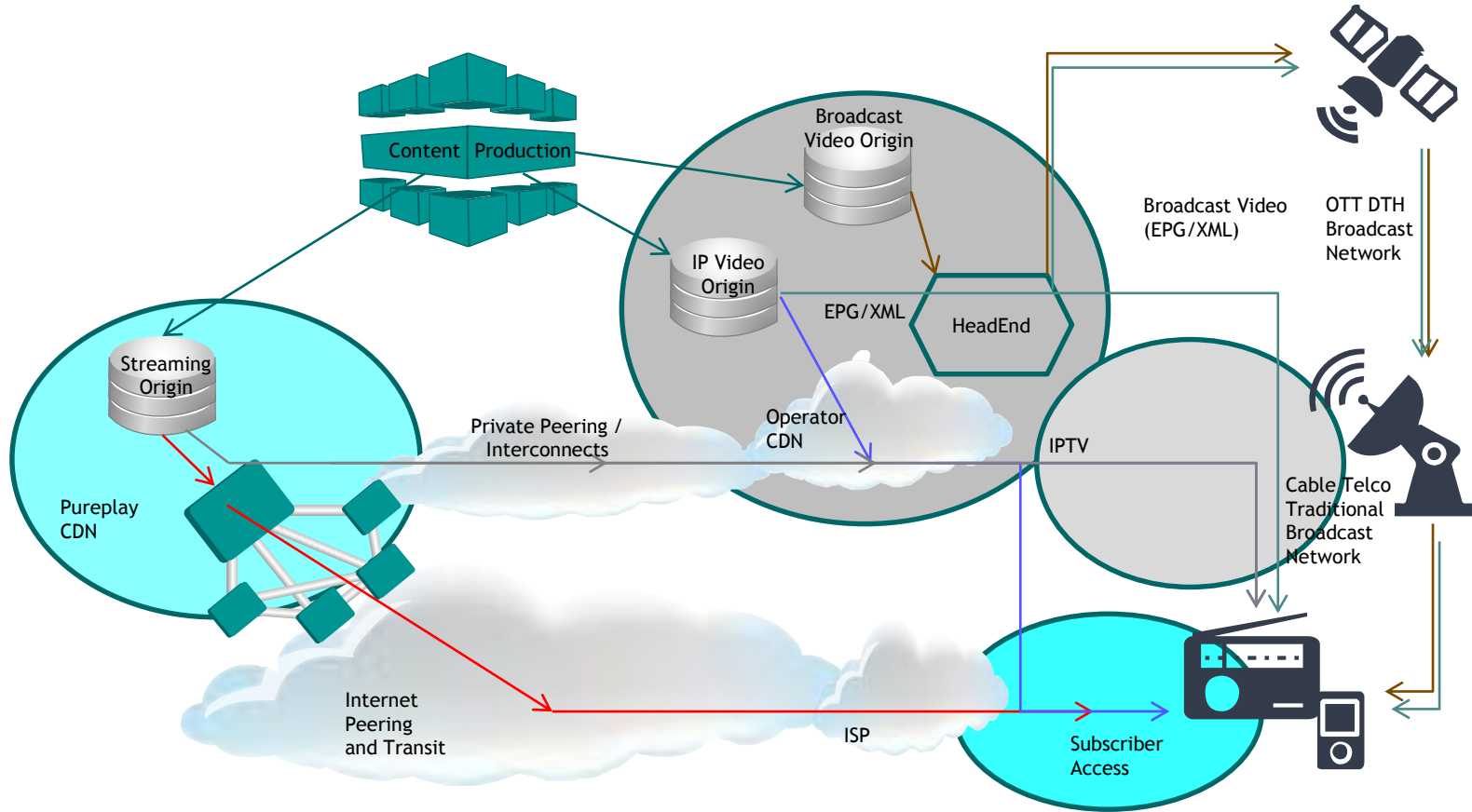
By Region

North America (NA)  
Europe  
Asia-Pacific Including Japan  
Middle East and Africa (MEA)  
Latin America (LA)

## Business Dynamics

# Business Dynamics

## Video Delivery Model



Content Sourcing (no protocol) →

PurePlay OTT video Via public internet →

IP Encoded video →

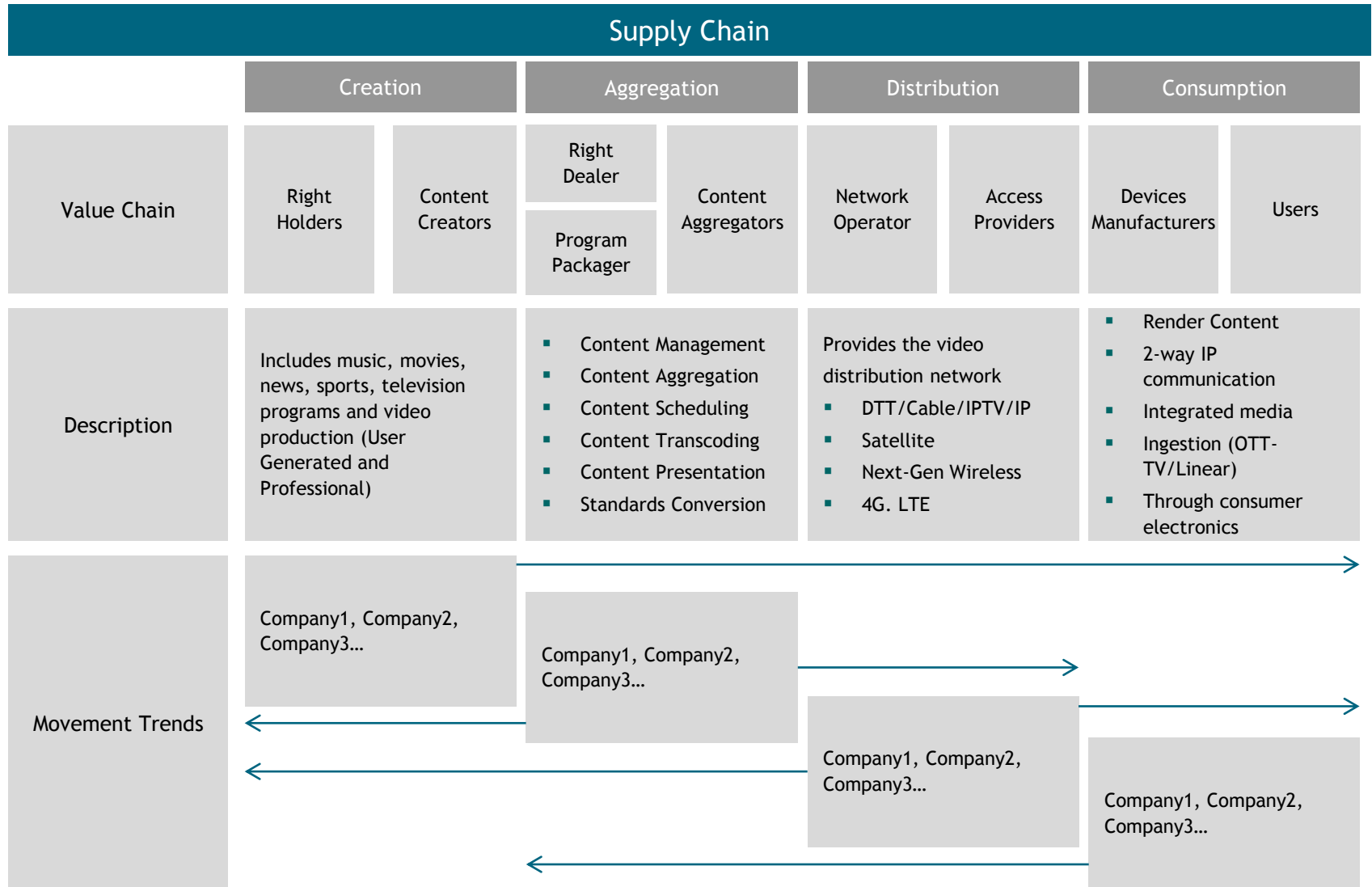
EPG/MHEG →

Traditional Broadcast →

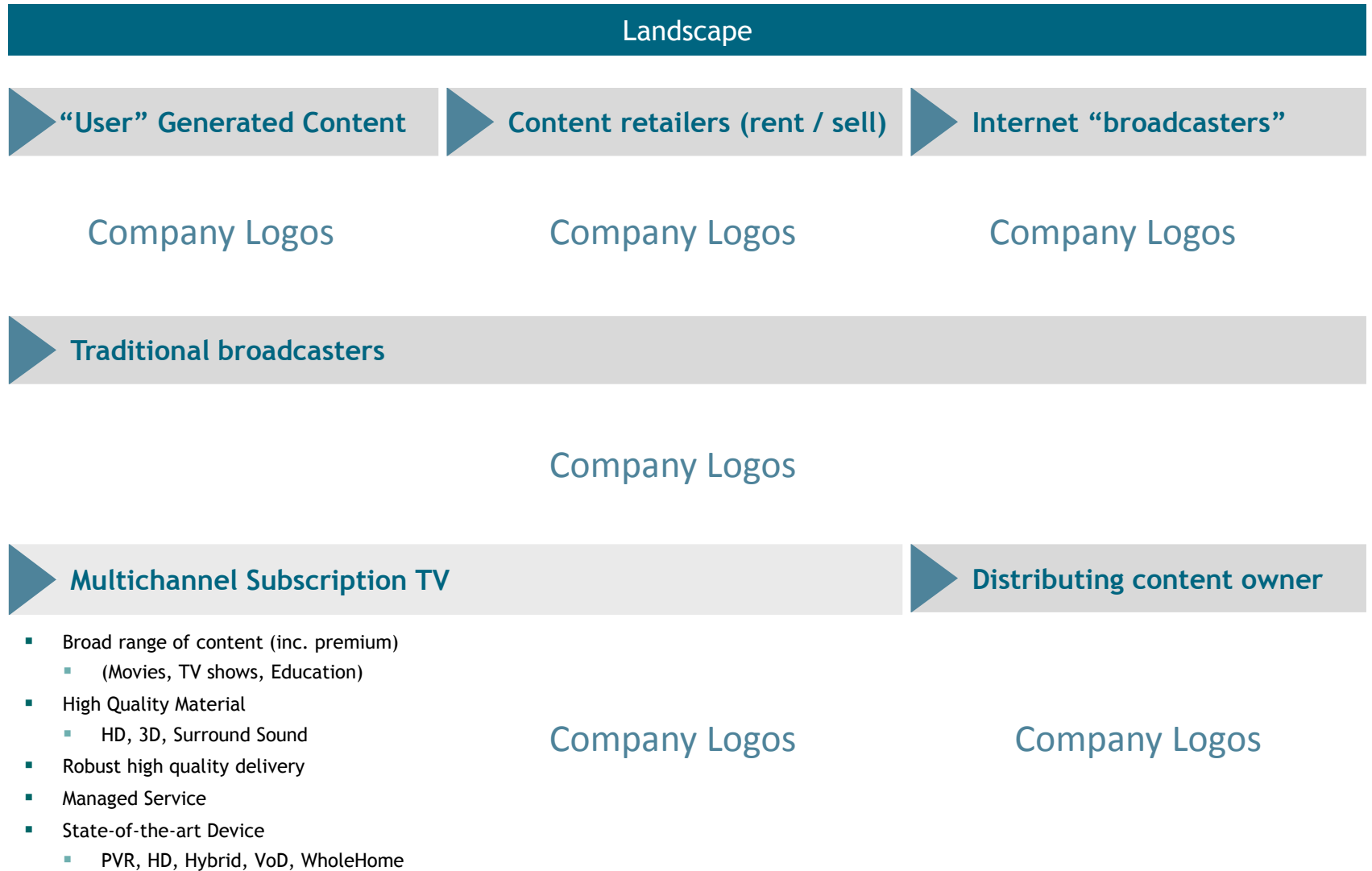
PurePlay OTT video Via Operator CDN →



# Business Dynamics



# Business Dynamics



# Business Dynamics

## Other TV and Video Service Models

### Broadcasters

- In the U.S, the U.K., and many other world regions, broadcasters continue to provide over-the-air TV programming
- They have migrated their services to digital, in most cases due to mandates by local regulators

### Pay-TV Service Providers

- Pay-TV operators provide content both on-net (where the service provider owns the network) and OTT (to consumers who cannot be accessed via those operators' networks)
- Satellite TV providers in the U.S., Europe, Latin America, and other markets offer a hybrid of traditional one-way satellite delivery plus two-way interactive services over broadband IP access networks
- Some tier-one Telco's go one step further by enabling application developers to access functions that reside within their networks, such as location and presence, unified communications, and messaging features, all of which can be blended with the video experience

### Aggregators

- Aggregators come in two types: those, such as Company1, that deliver traditional pay TV programming to a pay operator's headed for on-net delivery to consumers and those, such as Company2 and Company3, that provide content directly to consumers as OTT

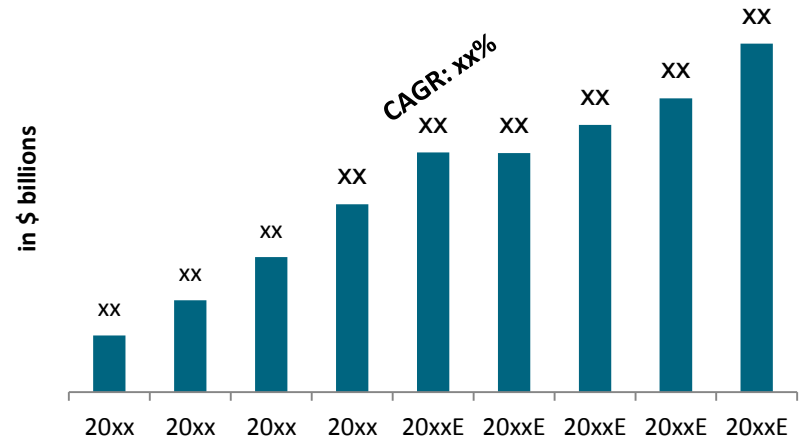
## Growth Drivers

# Growth Drivers

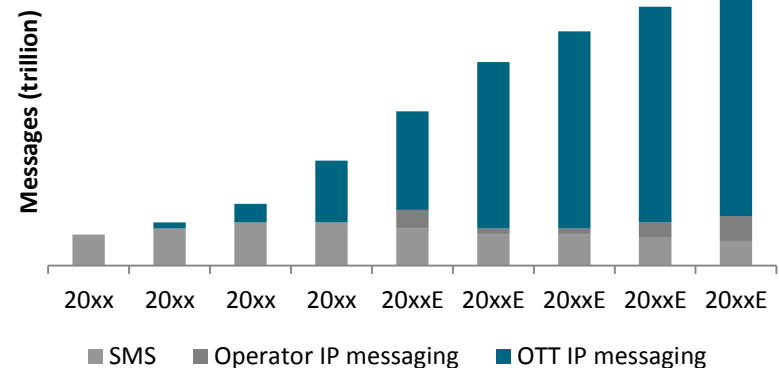
## Smart Phones

- Increasing number of smart phones and broadband connectivity are major growth drivers for OTT
- The number of smartphones shipments are forecasted to almost double from about x billion in 20xx to x.x billion in 20xx
- With smart phones, the OTT IP messaging services are driving much higher levels of user engagement compared with SMS
- Company1 recorded an all-time high of xx billion outgoing messages in a single day in June 20xx, which equated to an average of more than xx messages per user per day
- Messaging volumes associated with OTT services are expected to almost double from 20xx and reach xx trillion messages in 20xx
- The usage of audio and video services on the smartphone has also seen a substantial rise in recent years

## Smart Phone Shipments



## Messages Sent via Mobile Handsets Worldwide

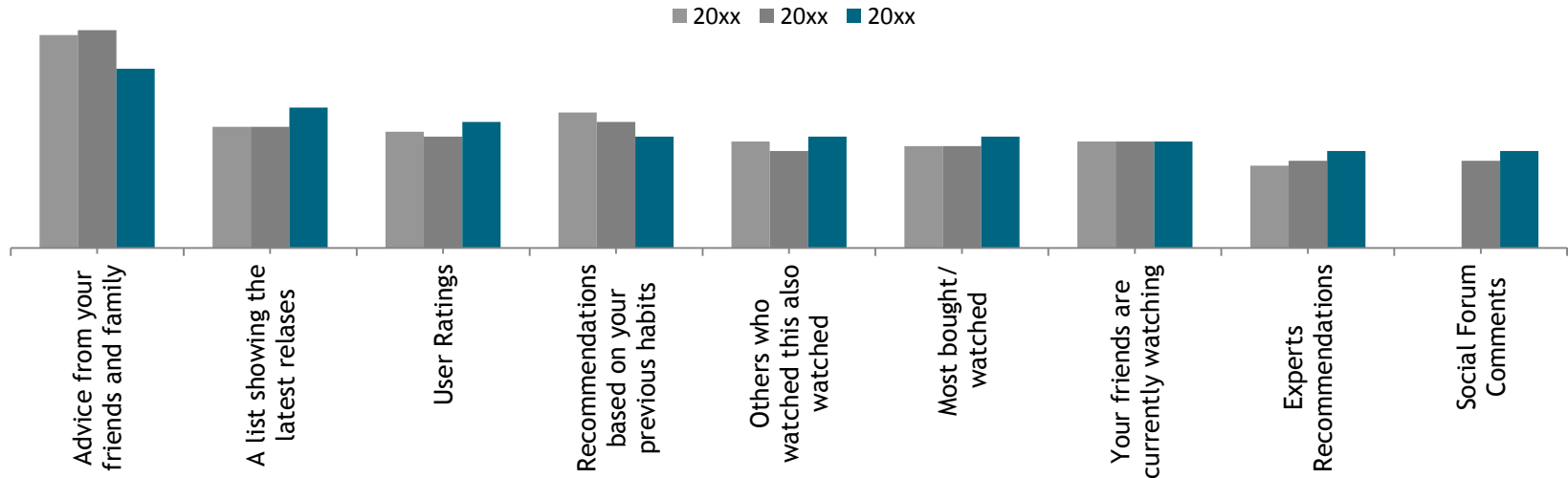


# Growth Drivers

## Social Adoption

- With many different ways of accessing, discussing and viewing video, the process of discovering new content has become vital to individual consumers
- Internet and social media has provided a great platform for content discovery and also sources of recommendations people consider most useful
- Increasing use of social media has led to the change in the behaviour of the consumer viewing and has is largely responsible for the growth in OTT market
- A consumer may discover a program on a social network, or while browsing the Subscription Video on Demand (SVoD) library on their mobile phone and watch it or directly add it to their playlist to watch later on any connected device

## Sources of recommendations people consider most useful



## OTT in North America, Europe and Emerging Markets

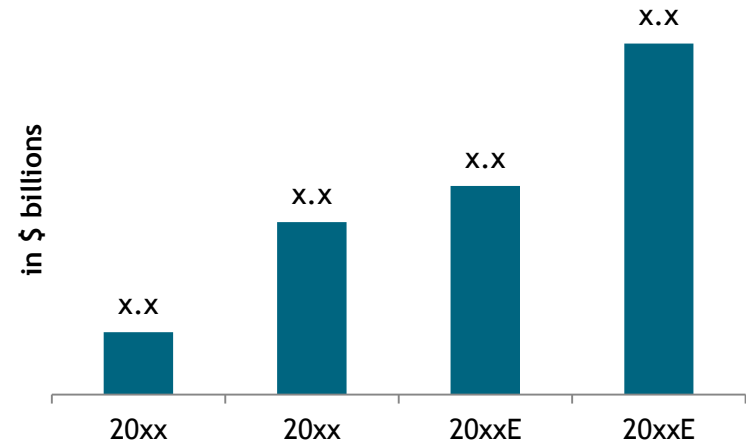
# OTT in North America

## Overview

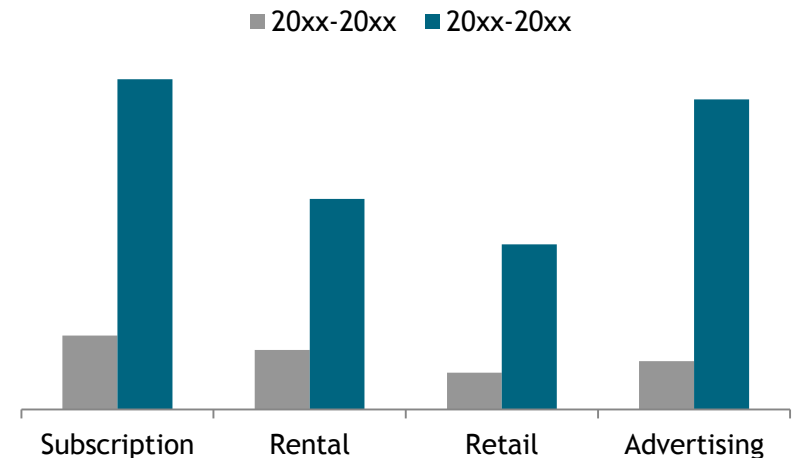
- OTT revenues are expected to cross \$xx billion on the back of SVoD providers such as by Company1 and Company2, who make up nearly half of the total North American industry top line
- SVoD revenues alone are expected to reach \$x.x billion in 20xx, or xx% of total OTT revenue in the region
- SVoD services are expected to grow xx% from 20xx to 20xx, from \$x.x billion to \$x.x billion
- OTT video services providers such as Company1, Company2 and Company3 are forecasted to have about xx million subscribers by the end of 20xx
- By 20xx, subscription is estimated to cross xx million, at which point OTT revenues will have overtaken DVDs

(\$ millions)	2013	2014E	2019E
Subscription	xx	xx	xx
Rental	xx	xx	xx
Retail	Xx	xx	xx
Advertising	xx	xx	xx
<b>Total</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>

## North American OTT Market



## North American OTT Revenue Growth by Type



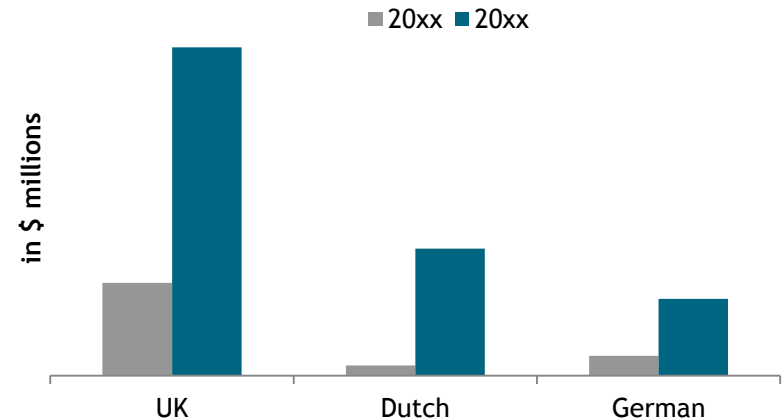


# OTT in Europe

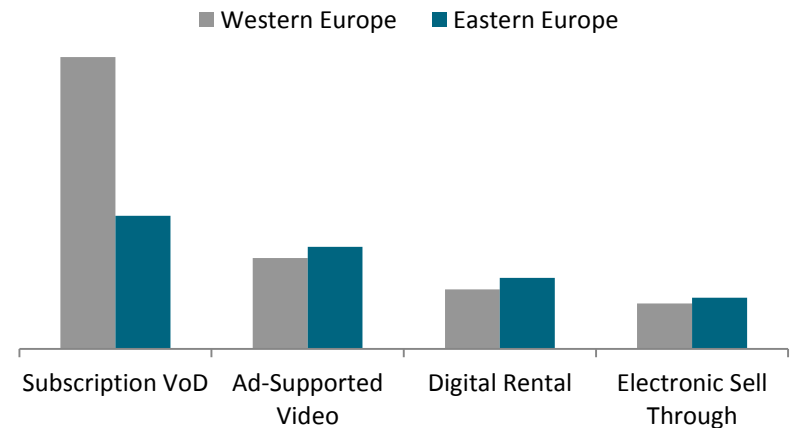
## Overview

- The European OTT market, driven by lower technology costs and an increasing demand for content is likely to see strong growth over the next xx years
- OTT revenues in the United Kingdom, are expected to increase by xx% and reach \$xx million by 20xx
- Dutch and German OTT revenues are forecasted to grow by xx% and xx% and reach \$xx million and \$xx million respectively
- The entry of Company1 into the European market has provided a catalyst, of sorts, stimulating investment in the region
- In 20xx, SVoD revenues are expected to achieve the highest growth in both Western and Eastern Europe with xx% and xx% respectively
- Eastern Europe is forecasted to achieve higher growth for Ad-Supported Video, Digital Rental and Electronic Sell Through revenues as compared to Western Europe
- During this period, both Western and Eastern Europe are projected to witness lowest growth in Electronic Sell Through revenue segment

## European OTT Market



## 2014 European OTT Video Revenue Growth

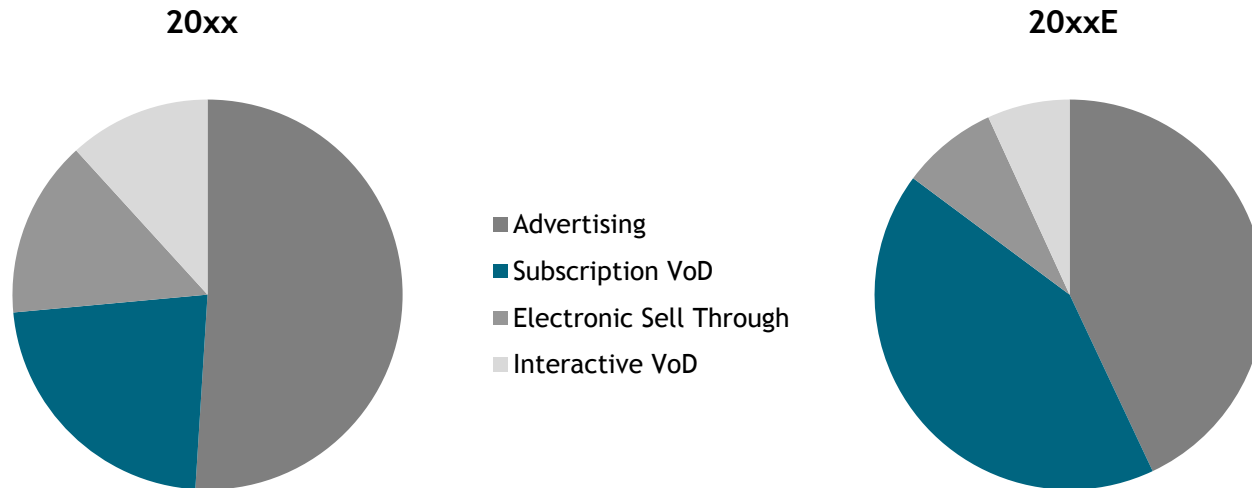


# OTT in Europe

## Overview of Western Europe OTT Video Revenue Segments

- Advertising segment had a major share in the OTT video market in Western Europe in 20xx
- However, it's share as a percent of overall revenue is expected to decline from xx% in 20xx to xx% in 20xx, as companies push to enlarge their paying subscriber base
- Consumer spending segment comprising of SVoD, Electronic Sell Through and Interactive VoD is expected to increase it's share from xx% in 20xx to xx% in 20xx
- The Electronic Sell Through share of the total consumer spending is expected to decline from xx% in 20xx to xx% in 20xx whereas SVoD segment is expected to increase it's share from xx% to xx% during this period
- In 20xx, Interactive VoD segment had the lowest share with xx% of total OTT video revenue and is forecasted to decline even further and reach xx% share in 20xx

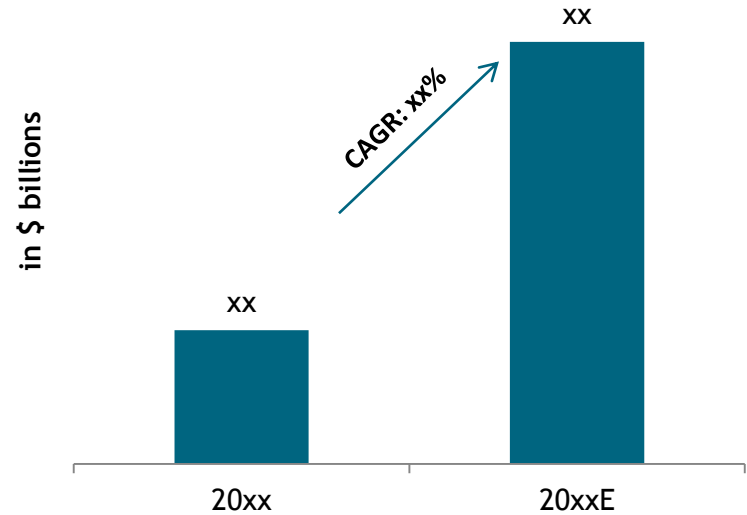
## Distribution of Western Europe OTT Video Revenue



# OTT in Emerging Markets

## Overview

- OTT revenue in emerging markets is expected to expand from US\$xx billion in 20xx to US\$xx billion in 20xx
- The industry primarily runs on an advertising-funded model that has become difficult to sustain, given the high cost of content
- However, paid models are gaining traction within hybrid business models, whereby service providers offer free content to expand the user base, but at the same time position premium Transactional Video on Demand (TVoD) and SVoD content to generate additional revenue
- Among the emerging markets, China, Russia, Brazil and Mexico are expected to offer the most scale and growth potential till 20xx



## Company1 in Emerging Markets

- Company1's Product was available to xx% of emerging market households in 20xx, with a user base of xx million
- This number is expected to grow to xx% by the end of 20xx, increasing the user base to xx million
- This shows the extent to which OTT video has grown not only in developed regions but also in emerging markets, both as an alternative and as a complement to established free-to-air (FTA) and Pay-TV platforms

	20xx	20xxE
User Base (mm)	xx	xx
Households	xx	xx

## Recent Trends

# Recent Trends

## Approaches of Delivering Media Content

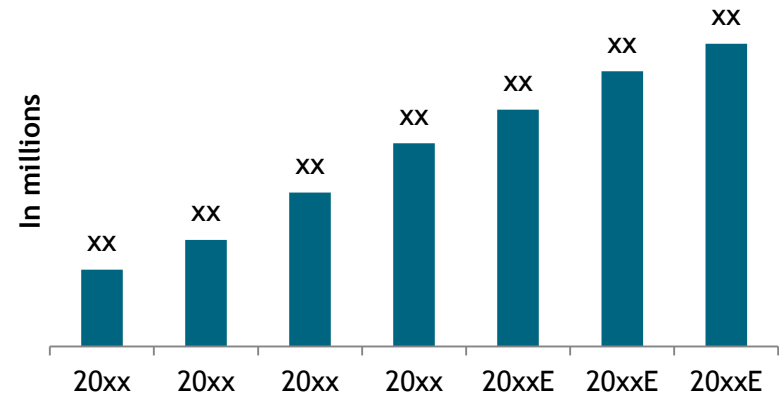
Past	Current	Upcoming
National broadcasters, limited channels, SD content	Pay TV monopoly, Closed system, 100s of channels- Customized EPG, HD content	OTT, Open systems ERP - Content aggregators, online broadcasting, True HD - 3D content
Slow home internet (Dial up)	Broadband	Faster broadband speeds 3G/4G
Limited quality online content	Growth in quality OTT service providers	Pay OTT content
Analog terrestrial transmission; A/V content; Cable/low end set top boxes	Digital transmission. IPTV, Hybrid powerful STBs, Video on Demand, Video Communication	Home Gateways connected devices, Hubs Content Cloud
No interactivity	Interactive services - chatting, polling	TV Commerce
Cathode-ray	Plasma, LCD, LED, 3D	Smart TV

# Recent Trends

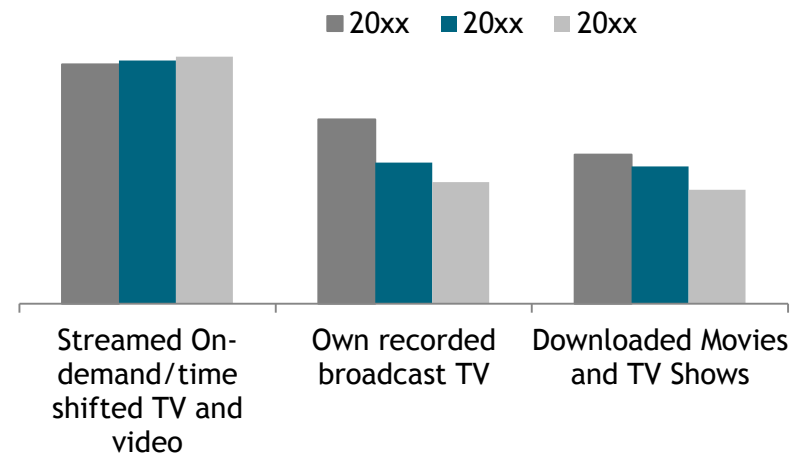
## Smart TV and On Demand Media

- Smart TV market has been growing over the recent years and is expected to continue this trend
- In 20xx, a total of xx million units of Smart TV were shipped globally
- The total figure is estimated to reach xx million in 20xx and is expected to grow to xx million by 20xx, a CAGR of xx%
- The key driving forces in the remarkable growth of the Smart TV market are high picture-quality and easily accessible content
- Consumption of physical media, such as DVDs and Blu-ray is on a gradual, medium-term downward trend
- Viewing of recorded broadcast TV and downloaded movies and shows is witnessing a downward trend as well
- Streaming of on-demand and time shifted content, including Company1 which is now available on Smart TVs, is growing at a steady, gradual pace
- Smart TVs, computers and internet connection are becoming an integral part of people's TV and video consumption habits

## Global Smart TV Shipments

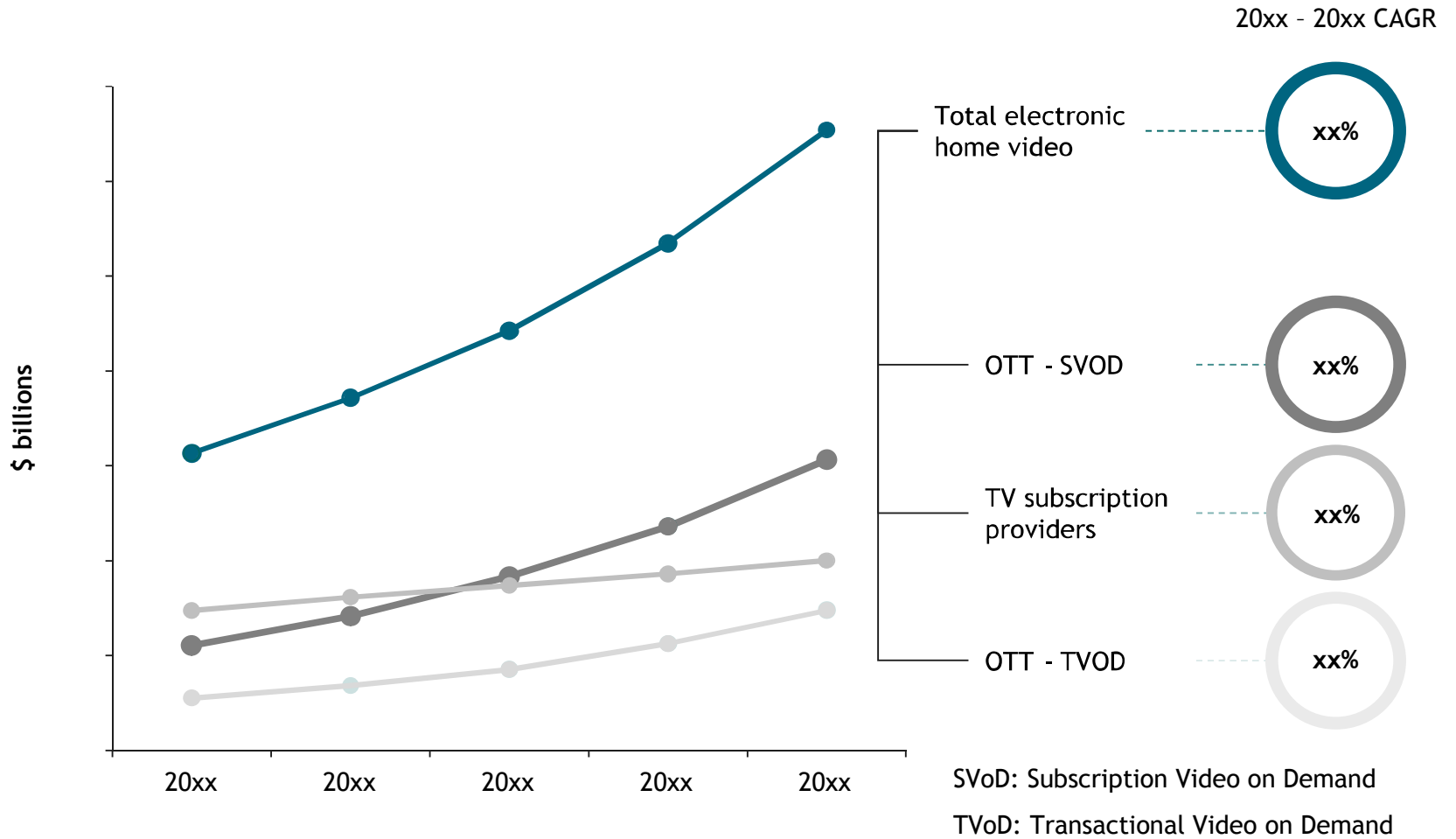


## % watching on-demand media more than weekly



# Recent Trends

## Global Home Video Spending

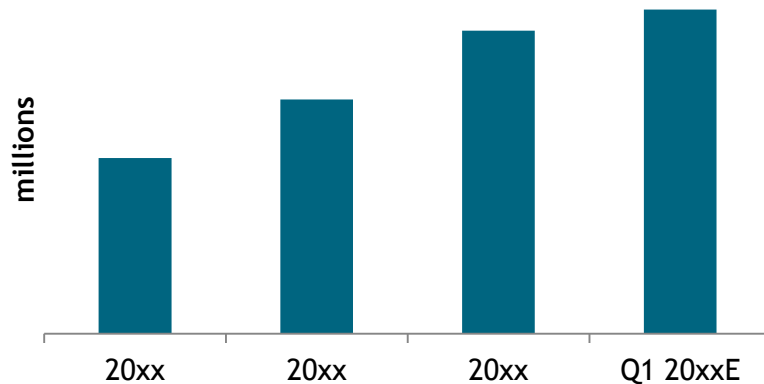


# Recent Trends

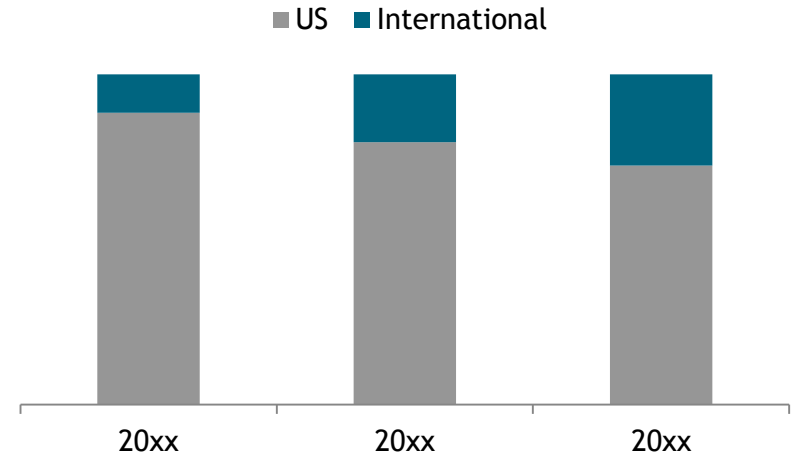
## Online Streaming - Company1 Case Study

- Online Streaming subscribers are growing rapidly worldwide with major players like Company1 and Company2 reaching out to markets globally
- In 20xx, Company1 streaming subscribers reached xx billion globally growing rapidly from xx billion in 20xx, registering a CAGR of xx%
- This trend is expected to continue and by Q1 20xx, Company1 streaming subscribers is expected to reach xx billion
- Higher growth rate is seen in International streaming market as compared to US
- Company1's domestic DVD revenues has declined from \$xx billion in 20xx to \$xx million in 20xx

## Company's Global Streaming Members



## Company's Streaming Segments

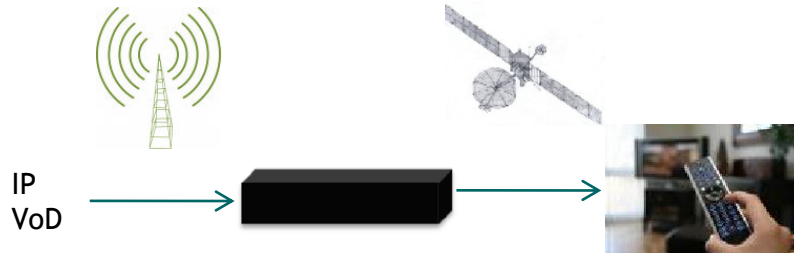




# Recent Trends

## IPTV Hybrid STB (Historic Hybrid Rationale)

Free-to-air  
Broadcast



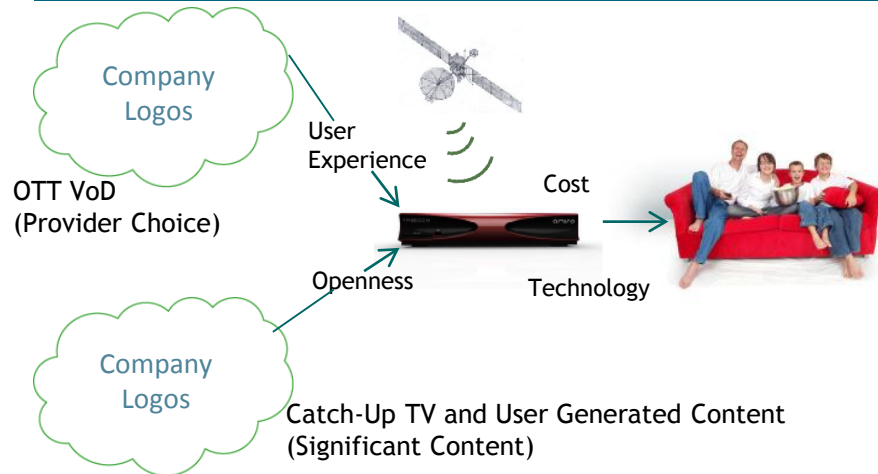
### Advantages

- No network upgrades
- Access to greater content

### Challenges

- Content agreements still required
- Technology must handle all web formats
- Access to open internet weakens commercial control
- Possible security concerns

## OTT Hybrid STB (New Generation Hybrid Rationale)



### Advantages

- Network incapable of handling broadcast content
- Free-to-air content “anchored” the proposition

### Challenges

- Requires the service provider to do all VoD licensing deals
- Differentiation purely through on-demand content which must have critical mass

## Key Players

# Key Players

Service Providers

Company Logos

# Key Players

## Retail Device Providers

Company Logos

# Key Players

## Company1

- Company1 is the world's leading internet television network
- It has over xx million members in nearly xx countries enjoying more than xx billion hours of TV shows and movies in a month
- Company1's total revenue achieved a growth rate of xx% in the 20xx and reached \$xx billion from \$xx billion in 20xx
- International streaming revenue grew at xx% from \$xx million to \$xx billion in this period
- Company1 is expanding its footprints and is expected to launch in Country 1 and Country 2 by Q1 20xx

Company1 Logo

## Company2

- Company2 is an online video store with a strong emphasis on TV content
- It is a joint venture of Company3, Company3 and Company4 and is headquartered at City in USA
- The Company2 plus subscribers have grown from xx million in December 20Xx to xx million in April, 20xx, whereas revenues touched the \$xx billion mark in 20xx compared to \$xx million in 20xx

Company2 Logo

## Company3

- Company3 is a premium cable and satellite television network owned by Company4. Company3 generated \$xx billion in operating profit in 20xx, as revenue grew xx% to \$xx billion
- Product 1 is an online video service that offers a selection of films and TV shows from Company3. Its mobile app, which is available to the premium channel's subscribers, saw xx% growth in active users in 20xx
- In October, 20xx Company3 announced that it would launch an over-the-top version of Product 1 in 20xx; that will be distributed as a stand-alone subscription service and will not require an existing television subscription to use

Company3 Logo

## Key Concerns

# Key Concerns

## Technology Concerns

### Video quality: Quality of Service (QoS) and Quality of Experience (QoE)

- Compared to Pay-TV providers that use dedicated facilities and manage end-to-end delivery, OTT providers have to contend with the best-effort delivery characteristics of the open internet
- This has an impact on the video quality of OTT providers as QoS and QoE is relatively low

### Multi-encoding for device-specific video formats and protocols

- Most online video distribution uses the MPEG-4/H.264 video format, there is no single container format
- There are proprietary containers from Company1, Company2 and several open-source formats
- Different device providers support different formats, and each format has its own method of content security such as encryption and Digital rights management (DRM)
- This fragmentation means that in order to reach more consumers, content producers are forced to support more container formats

### Processing architectures used by different video-processing suppliers

- There are two general architectural approaches for multiscreen video encoders. One approach combines encoding, transcoding, and packaging together in a single system, in one process. In the other approach encoding is at the headend, packaging in the cloud or at the edge and transcoding can either be at the headend or in the cloud or at edge
- Broadcasters and other direct-to-consumer video providers tend to favour appliances that provide compression and content packaging in a single form factor whereas service providers like to separate compression from packaging

# Key Concerns

## Net Neutrality

### About Net Neutrality

- Net Neutrality suggests that a service provider such as a telco has to treat all data bits in the same manner without discrimination, restriction or interference irrespective of their source, destination and the application
- The principle of Net Neutrality is that all data should be treated equally, whether it's a handful of bytes that make up an email or a torrent of them that make up a movie and the cost of carrying them should be equal too

### On-going Debate

- The debate is whether the internet should stick to its current single one-size-fits all-model, or a new, premium fast lane needs to be developed for video streaming services such as catch-up players and OTT providers like Company1
- Federal Communications Commission (FCC) chairman Tom Wheeler has put up a proposal that would reclassify consumer broadband Internet as a utility under Title II of the Communications Act, banning Internet Service Providers from charging content providers for more reliable Internet access
- The agency will vote on February 26, 2015 to reclassify the Internet under Title II of the 1934 Communications Act

### Effects

- With net neutrality, Internet Service Providers (ISPs) have to treat all traffic sources equally and have an even playing field among content providers
- Without net neutrality, ISPs can charge content providers who want their content promoted and the consumers might lose control of what they would like to view online



## Strategy for Related Industries

# Strategy for Related Industries

## Cable TV and DTH operators

- Cable TV and DTH operators need to focus on securing premium content rights to keep a quality distance to OTT video players
- Launching an OTT video service for own subscribers can be a good business strategy to prevent churn

## Broadcasters

- Broadcasters should develop a clear platform strategy to define what content is available where to maximize value of this emerging opportunity
- Broadcasters can consider acquiring combined OTT/ broadcasting rights
- Digitalized libraries will be their key asset

## Telecom operators

- OTT video is a growing market and telecom operators should take full advantage of this opportunity by leveraging their large subscriber base for up selling
- Mobile-only operators could use a strong OTT video proposition to remain competitive against convergent players

Company Logos

Company Logos

Company Logos

## Conclusion

# Conclusion

## Key Takeaways

- Demand for OTT is unquestionable. Online delivery is being put in place by all types of video-programming providers: pay TV, content providers themselves, device makers, and device ecosystems
- Online delivery is a means of replicating the traditional broadcast (and pay-TV) world online. It needs ad insertion, closed-captioning, and content security in the same way that the linear TV world does
- The profitability of an OTT video business will depend on a large subscriber base and the highly efficient operations of a large scale technical platform
- Consequently, in the mid- to long-term, the emergence of a dominant OTT video platform with multi-party content in each market is expected
- As OTT content producers must support devices other than the living room TV, they cannot avoid supporting all screen sizes, aspect ratios, proprietary codecs, and multiple DRM schemes that are currently in use across this universe of devices
- A clear commitment to the open internet alongside freedom for service-price differentiation by network access, provided it does not involve discrimination, would deliver a win-win for network access providers and over-the-top application providers and developers
- With increasing demand and rapid adoption of OTT services by consumers, it presents a huge opportunity for existing and new OTT service providers
- OTT video will be a significant trend that could affect telecom, media and technology companies to a considerable degree in the future

# Conclusion

## SWOT Analysis

### Strengths

- Low cost services
- Easy accessibility
- No Network upgrades
- Access to greater content
- Greater choice of attractive viewing devices

### Weaknesses

- Less authentication
- Less security
- Multiplicity of devices and streaming formats makes the head end more complicated

OTT

### Opportunities

- Creating a large customer base for cross selling
- Reaching to emerging markets
- Collaboration with content owners
- IP Rights Management

### Threats

- Licensing Problems
- Negotiation difficulties with content-owners
- Anti competitor blocking