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OVER-THE-TOP CONTENT

The new norm for content delivery

SMART OTT IS THE NEW NORMAL

Traditional scheduled TV viewing is no longer the norm with content viewing becoming a whatever, whenever, wherever experience. With over-the-top (OTT) video accessible anytime and anywhere, Edgeware's Director of Asia Pacific Peter Löfling, shares his predictions and imperatives for the broadcasting industry in 2016



Peter Löfling, Director, Asia Pacific, Edgeware

“With increasing competition, 2016 will solidify a new normal in which OTT providers compete on being smarter – both in acquiring or producing high concept originals, and in delivering relevant content to the consumer the way they prefer without compromising quality.”

Living in an on-demand world, a simple swipe of one's mobile phone or a few clicks of the mouse can now bring consumers a plethora of content and applications. Direct to Home (DTH), IPTV and Over-the-Top (OTT) services are projected to grow in the next five years on the back of government support in infrastructure development including fibre roll-outs fueled by increased consumer demand across the Asia Pacific. The region is expected to become the world's second largest for OTT SVOD services by 2018[1].

It has no doubt been a great year for OTT in the Asia Pacific, with many new OTT service launches, most notably Netflix launching in Hong Kong, Singapore, South Korea, and Taiwan earlier this year. If 2015 was the year of OTT content, here's Edgeware's take on what 2016 will bring.

Competing on Smart OTT delivery

We are already seeing increasing competition in the OTT space, and the number of players will continue to increase this year. Pure-play OTT players who aggregate content will face competition from new entrants including traditional pay TV providers, broadcasters and content providers who have started offering their own OTT services such as Viacom's Noggin, HBO Now, CBS All Access, and BBC iPlayer. The need to reach consumers' multi-screen demand with a direct-to-consumer offering is inevitable. With increasing competition, 2016 will solidify a new normal in which OTT providers compete on being smarter – both in acquiring or producing high concept originals, and in delivering relevant content to the consumer the way they prefer without compromising quality. Smart OTT requires providers to consider the packaging, formats and commercial model that work for the particular customer category.

The increasing amount of available content via alternative distribution platforms are challenging the customer channel bundle model as viewers increasingly question the need to pay for content they are not interested in. This will likely result in new product packaging models and increasingly 'slim' alternatives specially designed for OTT distribution. Globally we have seen that Cloud DVR is demonstrating substantial growth, with the industry seeing benefits of cost savings

and service flexibility as content rights become increasingly available. This trend is also expected to spread into Asia Pacific, with early adopters like now TV in Hong Kong taking the lead in the adoption.

now TV Hong Kong, using video consolidation platform (VCP) allows the provider to efficiently deliver new and current services at massive scale to all device types, offering its viewers an outstanding TV experience. This means less buffering, less delay on real-time broadcasts and less packet loss. On top of that it will be easy to add on new services to create a personalized TV experience for each viewer with personalized ads, a DVR in the cloud, pause-live, TV on any device - and so on.

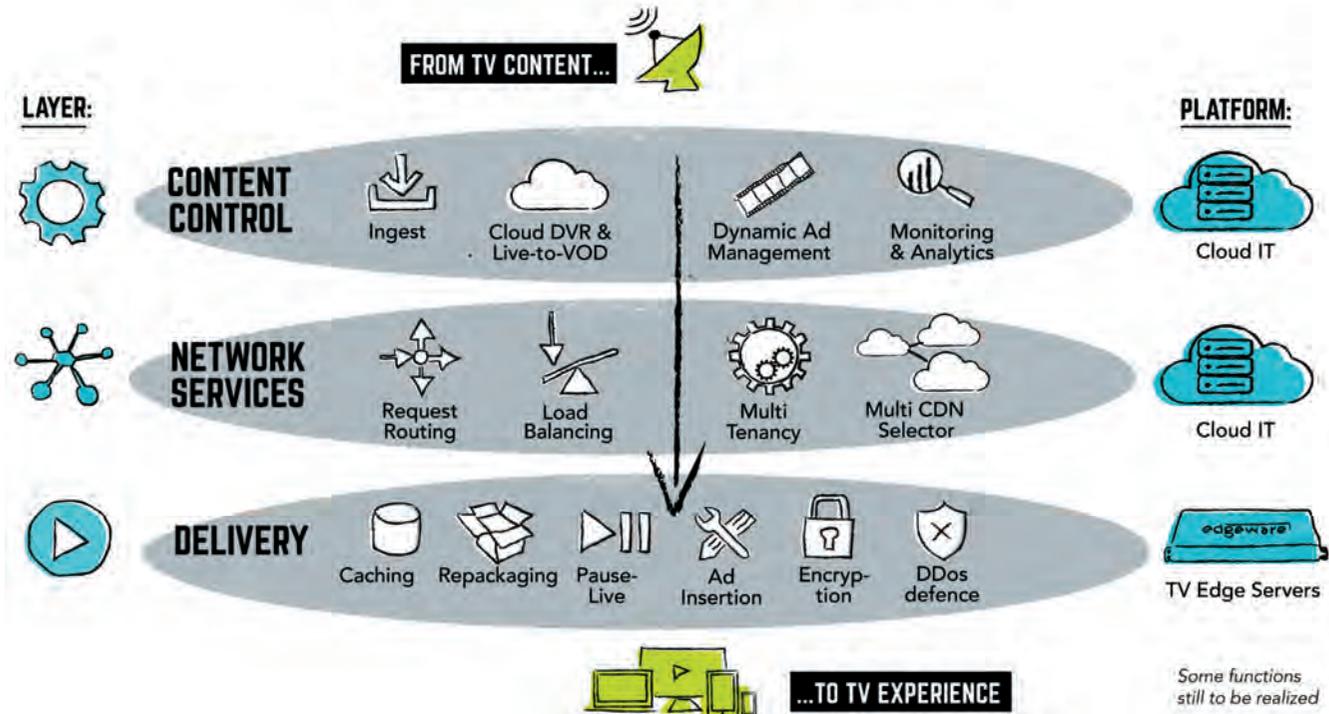
Purposeful advertising

Personalization by ad insertion finds its place in the industry. Ad insertion technology has been particularly popular for live streams, replacing old ads with new ones, leading to new revenue opportunities. We can expect stronger industry adoption of the technology, fuelled by the fast-growing phenomenon known as programmatic advertising. Programmatic ad spend is estimated to grow at 20 percent annually and digital media spend will for the first time, account for more than a quarter of total advertising spend in 2016.

With the vast availability of audience data from the service providers, media networks, advertisers, and national statistics agencies – TV service and content providers can now combine real-time analytics and ad insertion technologies to provide targeted, personalized experience to viewers at the right time. As we shift TV viewing from big to smaller screens (and with less patience), there will be more scrutiny of the type of ads we see.

In the streaming world, the consequences of bad ads – those that are repeated too often or are context unaware – are likely to do more damage to the business than simply channel switching. With so many options, unsatisfied viewers are ready to unsubscribe existing service and never look back. This puts demand on brands and advertisers in reevaluating how to reach their audience cross-device, and constantly delivering advertising content that is relevant, timely and engaging.

THE EDGEWARE TV CDN ARCHITECTURE



We will also likely see more innovations on ad format, such as shorter, interactive ads and advertising with a purpose. For example, asking viewers to select a different ending, ability to instantly customize a product, targeting ad content based on recently watched items, device types, regions, or even aimed at viewers who are dog lovers. With some creativity and commercial awareness, the implementation of ad insertion in combination with analytics technologies sees no boundaries.

Actionable analytics

A streaming service enables providers to establish a direct relationship and have conversations with their customers. For example, through requiring viewers to register or sign up for access, the service providers can begin to gather meaningful customer data and gain insights into engagement level, consumption patterns, and so on. Understanding the customer's view habits and how the service performs and is consumed is critical in managing the transformation and innovation of new concepts. According to International Data Corporation (IDC), by 2018, 35 percent of IT resources will be spent to support the creation of new digital revenue stream.

With growing competitive and margin pressures, the need for real-time, actionable data in the TV and content provider space has never been greater. Customer satisfaction and quality of experience become increasingly

important measures to sustain growth, reduce churn, and monetize content and services.

In 2016, we can expect analytics to play a more significant role in helping OTT providers to act smarter – by making informed business decisions and supporting a constant process of testing, learning and monetizing new models and concepts.

Here are some examples where specific application of analytics will be most useful:

- Identify the cause of streaming disturbances faced by a specific customer whether it is device, asset or network problem
- Understand content engagement by looking into how long viewers watch a certain asset in order to support content creation or acquisition decisions, or provide insights back to content creators
- Make quarterly market-driven priorities for the business by understanding the cause of customer churn, for example is it functionality, content or price?

The future of content

There's no doubt that the new OTT model will be ideal for shorter content, but the focus on how content is produced depends on the preference and viewing pattern of viewers. Instead of reducing the length of traditional content, the new OTT model opens up opportunities for creativity and storytelling in a variety of ways

to engage viewers according to their needs and giving the option of watching content on different devices in different ways. With the right delivery network, producing content of various lengths to engage viewers is now possible. This flexibility in watching on different devices opens up different choices for viewers rather than replacing longer shows and movies.

The way forward

There are still challenges ahead the industry needs to overcome in adopting and changing content network delivery. The success depends on the quality of experience and the ability to economically delivering OTT at a large scale. Some of the current delivery models would not be able to survive this flux. OTT in our opinion will continue to flourish as more and more content choices and commercial packages become available to the viewer. Content owners addressing the delivery challenge and creating purpose built platforms for TV will be the big winners.

'Driven by consumers' expectation for high quality content on demand, OTT remains the key in 2016. To stay ahead, the imperative will be for the industry to look at innovations that enable best viewing experiences from networks, content delivery services to ad-revenue models. At Edgware, we are excited to share our perspectives and solutions at BroadcastAsia 2016, bringing to participants solutions aimed at delivering profitable, next generation cloud TV and video services.