



POV

OTT+: Industry Transformations and Innovations Ahead

Authors

Shubhangani Maheshwari, Tushar Srivastava, Kumar Kislay

Contents

1. Abstract	3
2. Path to OTT+: The Next-Gen Shift	3
3. Trends that Move the Consumption Needs	4
4. Evolving Business Models	5
5. AI is Redefining the OTT Consumption Pattern	5,6
6. The Game Changer: Blockchain Disruptions in OTT	6
7. Innovation in OTT Creates Market Opportunities.....	7
8. Conclusion: The Road Ahead.....	7
9. About the Author.....	8

Abstract

OTT digital platforms are under tremendous pressure to meet the continuing changes in a manner in which content is discovered, accessed, and viewed by consumers in the M&E industry. In the digital era of hyper-connectivity, consumers prefer access to content that is personalized. Consequently, the media and entertainment industry is witnessing changes that are unprecedented in nature.

This paper intends to present the major shifts and innovations in this industry, along with the disruptions that are foreseeable in the near future. Market forces and the exponential growth of content that is forcing a realignment of distribution models are further explored. The focus also extends to consumer habits and advertising in the M&E industry, along with offering a perspective of the impact of disruptive technologies like Blockchain.

Path to OTT+: The Next-Gen Shift

OTT (Over-the-top) is a revolutionizing opportunity in the Media and Entertainment industry. Content viewing has undergone a radical and complete transformation, disrupted heavily at a breath-taking pace. The scope for traditional Pay TV, which is based on the linear TV viewing concept, is narrowing; the developments in mobile technology, the dizzying speeds of broadband, and the spectacular advances in wireless technology have enabled the consumption of content anytime, anywhere.

Additionally, the increase in consumers' preference for personalized content has pushed marketers to deliver targeted content and advertisements such as Original Content Streaming, Live Video Streaming, Hybrid Video Streaming, or UHD (4K) Streaming.

As content moves through various stages—from content creation to its final consumption across channels—the content monetization, distribution, and positioning strategy have become pivotal to the OTT platform.

All of the above has turned the spotlight on content monetization. Predictive and prescriptive analytics have revolutionized the media supply value chain. Technology enablers, including AI and Blockchain, are agents of transformation, enabling stakeholders to realign business models that create innovative channels for the purpose of delivering the right content.

Trends that Move the Consumption Needles

The industry has moved on to the next level of advancement in the OTT space, i.e. OTT+. In the recent years, consumers are increasingly becoming 'Cord Cutters' and millennials are earning the tag of 'Cord Nevers', as clearly seen by their preferences.

New business models are evolving in an effort to go around the challenges of price margins and are moving towards economies of scale.

It has set off a series of transformational changes that are impacting the space, time, and place for content consumption.

01 **Space Shifting**
Unlimited data storage in local devices

02 **Time Shifting**
Non-linear streaming

03 **Place Shifting**
Viewer's own device for streaming

The trends that are enabling the shift towards the OTT+ era include:

a. Live and low latency streaming: in the year 2017, more than 40% of millennials have reportedly created and streamed live videos, while over one-third of internet users have streamed/shared live videos that were created by friends and celebrities. Technologically, latency challenges have been overcome through the Common Media Application Format (CMAF), and by leveraging enhanced encoding solutions. The standards and quality of experience that have been traditionally offered by cable and satellite service providers are now being matched by OTT service providers.

b. Adoption of Cloud Media Processing: the end objective of cloud-based video processing and delivery models is to achieve operational efficiency, improve flexibility, and offer scalability. This enables OTT providers to launch new models and offer services with more scalability.

c. Growth of virtual multichannel video-programming distributors: multiple vMVPDS, such as Sling TV, YouTube TV, etc., presently reach a staggering 1.4 million homes in the US alone and are taking content consumption to new levels.

The OTT market has also been responding to many of the recent game-changing consolidations and partnerships between entities in the M&E space. This includes Disney's acquisition of Fox, Netflix's partnership with streaming service providers, and the partnership between Verizon and Yahoo among other newsworthy deals.

Evolving Business Models

Despite the existence of different business models, the consumption models that are followed are more or less similar due to common business objectives. These models are common, mainly as a result of the easy availability of content and the reduced costs towards distribution which helps in maximizing viewership.

The industry has witnessed a steady growth in OTT video solutions over the last few years. The opportunities and incentives that accrue as a result of reduced costs of distribution fully change the value chain and the incentives. Despite the fact that linear viewing presently remains the cornerstone of TV viewing across global markets, the consumption of on-demand content continues to expand exponentially. Consumer Video-on-Demand (VoD) traffic is predicted to double by 2021, nothing up a CAGR of 24% for the period 2016 - 2021.

Ad-revenue, which was the mainstay of traditional TV till date, is presently following the consumption model of OTT, by offering solutions that offer an extensive selection of video content on-demand. With emerging and changing video delivery capabilities, the Pay-TV business model is also experiencing changes. Broadcasters and entities are developing better delivery capabilities by leveraging hybrid approaches for the purpose of launching direct-to-consumer live video solutions. Pricing

models are also being combined. For instance, AVOD, SVOD, and TVOD, is being combined for the purpose of addressing dynamic pricing of the content by various distribution entities such as Roku, Apple TV, Amazon FireTV, and Hulu.

Netflix and Amazon presently enjoy the liberty of big budgets. This has allowed them to grow the amount of revenue and the margin that can be commanded by certain categories of content.

AI is Redefining the OTT Consumption Pattern

AI offers intelligent insights to M&E. Stakeholders are competing in an effort to leverage AI, rolling out concerted efforts to differentiate their services from the rest. These platforms offer actionable intelligence to players, and this helps OTT businesses gain important insights into customer engagement and experience, and exploit this information for better delivery and business benefits.

It further helps marketers to identify customers and fully understand expectations and enrich user experience while enjoying enhanced content recommendations. In addition to mining information, AI also helps to optimize OTT delivery. The content delivery infrastructure is monitored, offering valuable inputs for improving compression techniques apart from optimizing network traffic, which helps to achieve scalability in operations.

Possibly the best example yet, is that of the trailer of Morgan—the 20th Century Fox horror flick. The trailer was developed by ML, a subset of AI. Six minutes of gripping footage was selected from the 90-minute duration movie, through a process that took around 24-hours to complete. This contrasts sharply with the few weeks usually taken for a film's trailer development.

A large number of innovations are emerging routinely across digital platforms including AR, 360-degree viewing, and VR videos. A recent report by RGB Broadcasting predicts that by the year 2020, Augmented Reality (AR) and Virtual Reality (VR) headsets worth USD 9.7 million will be sold worldwide. There is anticipation that the coming year will witness considerable adoption of AR devices including the likes of ARKit and AR via ARCore. Industry leaders such as Google, Facebook, and Apple have already rolled out plans for massive investment in video technologies that offer 360 degree viewing and immersive experiences.

The Game Changer: Blockchain Disruptions in OTT

Blockchain has invaded M&E with disruptions. A recent report reveals that Blockchain in the Telecom-Media market is predicted to expand from USD 46.6 million in 2018 to a staggering USD 993.8 million by 2023, growing at an impressive Compound Annual Growth Rate (CAGR) of 84.4% for the period forecasted.

Multiple new crypto projects have been developed lately that either use existing Blockchains or rely on new Blockchains for video streaming.

Possible disruptions in the industry by Blockchain include:

- **Opportunities for new channel launches**

New channels for live events, sports, fantasy, science fiction, and news are likely to be created. Blockchain will enable players to build a platform that will gradually become an aggregator for creators of content.

- **More freedom to content creators**

The decentralized platform will facilitate the positioning of new shows. This will also save considerable effort and remove the need for dependence on streaming service providers and studios.

- **Advertising and free content**

Any business model in the M&E industry is susceptible to disruption by free content. Video projects that are Blockchain-enabled are likely to be traded through crypto-currencies that can be used by advertisers for channelizing promotions. This model will ensure that crypto is credited directly to the creators of content ruling out any role for intermediaries.

Innovation in OTT Creates Market Opportunities

Innovation is pivotal to the existence of businesses, and OTT offers multiple opportunities to players to innovate. The pace with which digital disruptions are transforming the M&E industry is increasing the amount of IP-delivered TV content that is being created. This is pushing players to change distribution models, while also having an impact on consumption patterns. Most major operators have either launched or are in the process of launching and scaling up offerings in the direct-to-consumer segment. For instance, Disney has firmed up plans to roll out two streaming services, with the possibility of more in the future, following the successful 21st Century Fox deal.

Another key consideration that is driving innovation is the need for security. While new and exciting capabilities are possible from OTT services, risks are inherent—to the owners of content as well as service providers.

While standardization efforts continue across the industry, the challenge of device fragmentation will continue to impact service providers who desire to make available secure premium content. This gets further compounded by the need for service providers to manage agreements with multiple vendors in Digital Rights Management (DRM). This, in turn, results in the creation of multiple interfaces for the streaming platform on the backend of the processes.

Many critical innovations are expected to dominate M&E; for instance, superior customer experience, targeted and smarter advertising

and the highest quality of video distribution. Stakeholders are presently investing heavily in acquiring new capabilities for the purpose of targeting users through device ids. This will permit advertisers to use the first-party data or the data management platform (DMP) to reach out to specific, targeted and identified audiences.

Conclusion: The Road Ahead

OTT will grab the limelight for the next decade, plotting a path through the emerging content consumption pattern that transits from traditional broadcasts to the direct-to-consumer model. Though digital platforms are available for consuming content, it is the studios, the TV networks, cable service providers and new aggregators like Netflix that continue to dominate the ideation, creation and the distribution of shows.

Blockchain has evolved, gaining the ability to transform the entertainment industry, by breaking the perceived monopoly, bringing in a peer-to-peer network to replace the centralized gate-keepers. New opportunities also unfold with the developments—network evolution in combination with digital ad insertion capabilities, facilitate sharper consumer targeting technology. Made possible through AI and streaming technologies, this presents advertisers with more opportunities for targeted advertising.

The disruptions present content creators with unlimited opportunities to create content that will reach more customers, dispensing with the need for negotiating distribution deals with multiple broadcasters. The preferences of audiences will hinge on the quality of service and experience.

About the Authors



Shubhangani Maheshwari

Associate Consultant, CMT, LTIMindtree

Shubhangani is an Associate Consultant in CPG, Media & Entertainment, and Technology at LTIMindtree. She is closely involved in Intelligent Automation Solutions, and Digital Transformation projects that Amplify Consumer Experience. She has extensive experience in e-commerce and the B2B domain.



Tushar Srivastava

Consultant, LTIMindtree

Tushar is a Consultant at LTIMindtree. He has been actively involved in projects that bring Digital Transformation across the media value chain. Among his achievements, are the partnerships that he has helped cement with new-age media technology companies. He helps traditional broadcasters and media companies leverage advanced technologies and platforms for digital transformation.



Kumar Kislay

Consultant, Media & Entertainment, LTIMindtree

Kumar is an SME in Media & Entertainment, with 12+ years of experience working with cross-functional teams from diverse cultures. He is passionate about innovations in the digital space, and closely follows emerging technological advancements including Machine Learning, Analytics, and Blockchain. Kumar has, in the past, taken up various Project Leadership initiatives and has rich experience in various industries, including Automotive and Aerospace.

LTIMindtree is a global technology consulting and digital solutions company that enables enterprises across industries to reimagine business models, accelerate innovation, and maximize growth by harnessing digital technologies. As a digital transformation partner to more than 700 clients, LTIMindtree brings extensive domain and technology expertise to help drive superior competitive differentiation, customer experiences, and business outcomes in a converging world. Powered by 84,000+ talented and entrepreneurial professionals across more than 30 countries, LTIMindtree — a Larsen & Toubro Group company — combines the industry-acclaimed strengths of erstwhile Larsen and Toubro Infotech and Mindtree in solving the most complex business challenges and delivering transformation at scale. For more information, please visit <https://www.ltimindtree.com/>