

5 Things you Need to Know Before Launching a Video on Demand service



A Mobile Operator's Guide

Introduction

The purpose of this eBook is to provide you the reader with an overview of five key areas you will need to consider before launching a Video on Demand (VoD) service. At Vennetics (vennetics.com) we provide VoD based services to operators in Europe, Canada, USA and the Caribbean. It's been our experience that the following five areas are key to informing decision makers as to the challenges and opportunities that a VoD service presents. Challenges such as meeting the evolving entertainment demands of your customers, while preserving the economics of your mobile network and at the same time creating a new opportunity for revenue growth.

The five areas addressed by chapter are as follows:

- 01** Current Video on Demand and TV viewing trends
- 02** Target markets
- 03** Video and the data usage implications for your customers
- 04** New developments in providing a VoD service
- 05** The benefits of launching a VoD service

The book is designed to be concise. It contains the latest industry trends, data and examples of real operator deployments and VoD propositions. We hope you find it interesting and helpful.

01

Video on Demand & TV Viewing Trends

The world of TV has moved from “prime time viewing” to a more convenient “my time viewing”. Your customers want and expect to be able to consume content anytime, anywhere. Service providers especially over-the-top (OTT) players like Netflix, Amazon, Hulu, Apple and Google to name a few are making premium video content available anytime, anywhere and on any device.

A great example of this “any device” development comes from Verizon’s streaming data for the 2014 World Cup that culminated in Germany’s squeaker over a heart broken Argentina which broke all types of media usage records. Viewers overwhelmingly turned to their mobile devices to watch the World Cup. According to Verizon in the US: 79.3% of all streams through Verizon Digital Media Services’ (VDMS) content delivery network went to mobile devices. Among viewing devices, Apple’s iPhone ruled: 39.5% of VDMS streams were viewed through iPhone versus 28% through an Android device. Just under 12% accessed streams through the iPad. By comparison, just 15.2 percent of the World Cup audience viewed the matches on their desktop computers, the chart below shows.

So what are the key trends globally around Video on Demand?

TV Revolution

Your customers entertainment needs have evolved, they now expect to be able to consume content anytime, anywhere. As a result new business models are emerging in which the line between fixed and mobile is becoming blurred.

Service providers especially over-the-top (OTT) players like Netflix, Amazon, Hulu, Apple and Google to name a few have revolutionized the way in which we consume video / TV by making premium video content available anytime, anywhere and on any chosen device.

NETFLIX

Apple iTunes

amazon.com

YouTube

hulu

vimeo

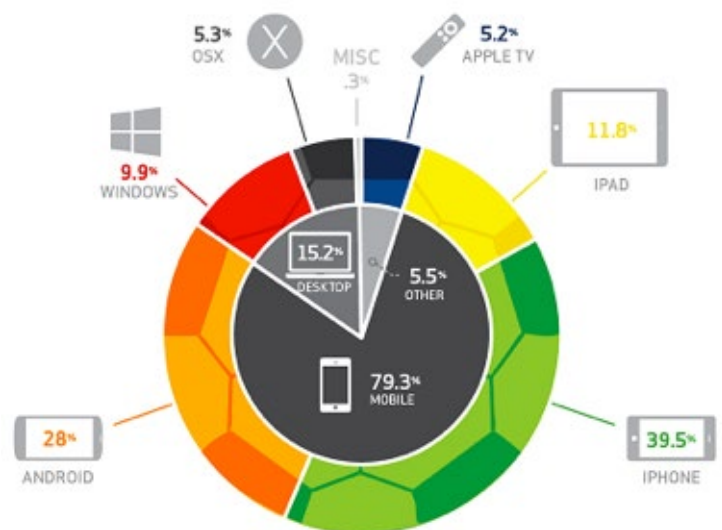


Fig 1: 2014 Streaming of World Cup Soccer viewership by Device. Source: Verizon

Convenience

Consumers have moved from “Prime Time” to “My Time” viewing. According to a Virgin Media report from October 2014, roughly 43% of their customers watch shows at a time of their choosing. With only 20% of their customers tuning in for “must see” moments like a sporting occasion.

Using data collected from more than 2.3 million Virgin Media subscribers, the operator found that 34% of their subscribers use a mobile device to view shows. The data also showed that customers are being influenced by social media recommendations, given rise to a surge of reflex recordings of shows and box sets. Once again this recordings will be watched at a time convenient for the customer.



Multi Screen

According to Ooyala's 2014 Global Video Index:

70% of time watched on tablets was with videos longer than 10 minutes

Mobile phones remain the favourite “snacking tool”. Viewers registered

45% of their time watching videos of 6 minutes or less.

When it comes to long form content, screen size matters. On connected TV's, viewers spent

54% of their time watching content longer than 60 minutes.

On tablets, viewers spent

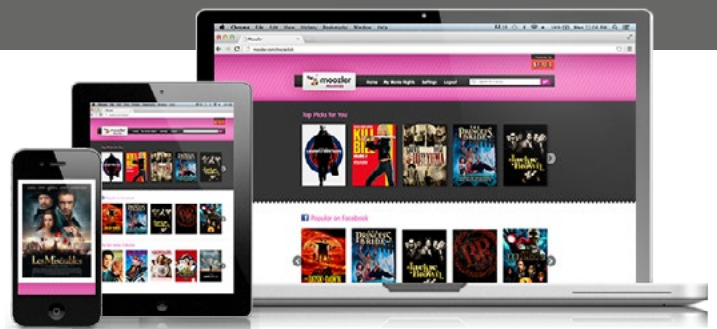
23% of their time watching videos longer the 60 minutes in length, more than any other device.

Second Screen

Second Screen is the use of an additional monitor (e.g. tablet, smartphone) while watching television. It allows the audience to interact with what they're consuming whether it's a TV show or movie.

Second screen apps usually offer extra content, including additional information, behind-the-scenes footage, commentaries, interviews with stars, and more. The content enhances the television experience for viewers, allowing them to learn more about the show and connect with other viewers or friends.

But second-screen applications should not be just an extension of TV content; they should become a tool that creates a social environment which Facebook and Twitter have helped to make a reality.



The VoD Market is challenging

Competing in the VoD market is extremely challenging. 2014 saw two major announcements in the UK and US.

In the UK in October 2014 newly-appointed Tesco CEO Dave Lewis decided that Tesco's VoD Blinkbox business was a distraction, so he's instructed senior staff to sell it. Apparently, if a buyer can't be found, it will simply shut down. Tesco acquired Blinkbox three years ago, and analysts estimate that Tesco have sunk millions of pounds into the service.

In the US also in October 2014 Verizon announced it was shutting down its Redbox Instant, streaming video service. The service, which combined the Redbox DVD rental kiosk business with a streaming video offering from Verizon, was launched in 2013 to compete against online video company Netflix but never caught on with consumers.



Mobile Operator and OTT Partnerships

To launch and operate a VoD service bulging with the latest Hollywood Blockbuster and TV shows costs is extremely expensive with costs running into the millions of dollars. One of the major reasons why Netflix has started to create its own content is the fact that the licensing costs for new content are so high. Studios are still greedy, and charge licensing costs as high as \$4 per new movie per play.

Many mobile operators have looked at launching their own VoD service, but the business case simply hasn't stacked up despite the fact that the vast majority of traffic over their networks is now video. Operator's like Vodafone in Europe instead of providing their own VoD service have instead opted to partner with Netflix to offer a free 6 month promotion on their high value 4G Price Plans. However, the data required to watch Netflix on mobile devices is not free and will come out of the customer's data allowance.



Video set to grow faster than any other mobile application

Globally, faster networks, more bandwidth and an increasing number of ever smarter devices are helping to grow mobile video adoption.

According to Ericsson's Mobility Report published in June 2014 Video is the largest and fastest growing segment of mobile data traffic. It is expected to grow around 13 times by 2019, by which time it is forecasted to account for over 50% of all global mobile data traffic. Social networking constitutes more than 10% of total mobile data traffic today and is predicted to grow 10 times between 2013 and 2019.

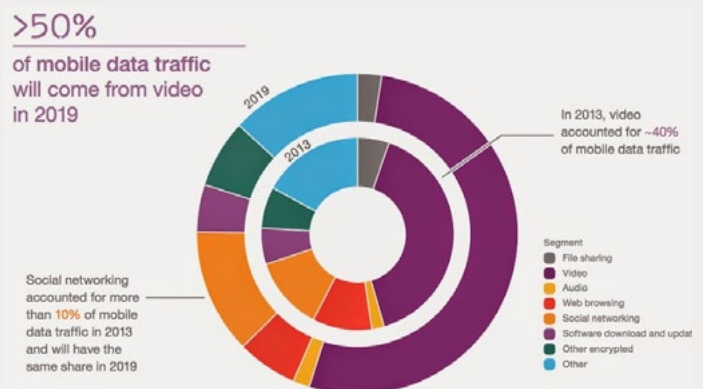


Fig 2: Mobile Application Traffic Outlook source: Ericsson Mobility Report June 2014

02

VoD Target Market - Who's using Video on Demand

What are they watching?

In the same research study Nielsen found that when it comes to VoD usage, the top genre by a clear margin is the feature film: 52% of the top 100 programs viewed on VoD are feature films, according to the report, with general drama (29%) the next-most popular and the only other to break the double-digit mark in this measure.

Sorting those responses by age group, the study reveals that feature films are more popular among the 18-34-year-old VoD audience than the 50+ audience, while the opposite is true for general drama.

So to conclude from what we've observed in the market globally and the US data provided by Nielsen there are four main segments watching VoD.

According to research conducted by Nielsen in the US in September 2013 Video-on-demand (VoD) users tend to be younger than traditional TV users and more likely to live in families with kids. Nielsen's findings indicate that VoD's audience is heavily skewed towards the under-50 crowd, with a plurality 31% of users aged 18-34. By comparison, 48% of TV users are aged 50 and up, while just 17% are in the 18-34 bracket.

While TV and VoD users don't differ much in their ethnic distribution, the Nielsen report does indicate that there's a substantial difference when it comes to high-income households. Indeed, fully 31% of VoD users earn more than \$100,000 per year, compared to 21% of the TV audience.

Additionally, the VoD audience is more likely to have high speed internet (88% vs. 75%) and to own a tablet (34% vs. 26%).

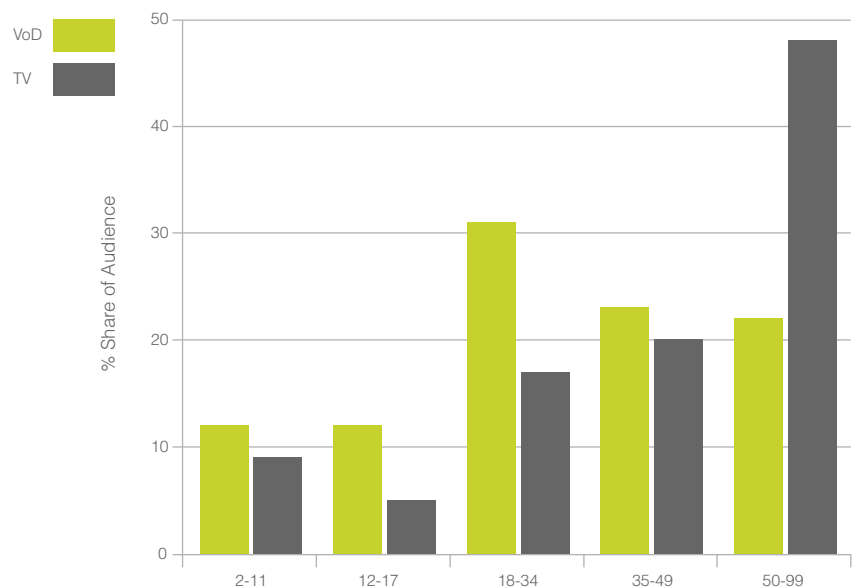


Fig 3: Age Distribution of TV and VoD users source: Nielsen September 2013



Generation Y: 13 - 33 years of age

Members of Gen Y grew up with the Internet and mobile phones as a given. They are early adopters of new internet based services and see continuous connectivity as their right — there for them any place, anytime.

Their media viewing habits are no different: They expect access to content whenever they want it, delivered to any screen they choose.



Generation X: 34 - 45 years of age

Generation X tops the list of owners of at least two screen devices, making the multi-screen habit a norm for this generation.

Smart phones are the most important screen devices due to their individualism. They are also the segment that own more tablets compared to the other segments.



Generation V: Women 25 - 49 years of age

Women aged 25 - 49 are amongst the largest users of VoD services, they are the family media managers and love being in- control of their and their children's media experience.

They have radically shifted their media habits to accommodate new devices and platforms that fit into their families' lifestyle. They watch online video for information, entertainment and exploration – across devices and often as a shared experience.



Boomers: 46 - 54 years of age

Boomers have not grown up with publicly available internet and wireless technologies. However, they have become avid users of these offerings and relevant internet based services which includes VoD.

Younger Boomers are reaching their earning prime, giving the money to spend of media technology and video services.

03

VoD and the data usage implications for your customers

According to a White Paper entitled Content and OTT Partnerships published by OPENNET in October 2014 a customer that only uses their mobile for watching standard quality video on LTE for 30 minutes/ day can expect to use up 4GB/ month. Switch up to HD video and this figure goes up to 15GB. Using the same calculator for mixed data use (browsing, occasional music download, emails, etc), then the suggested usage of standard quality video use for a 4GB data package is just 6 minutes / day (see Figure 4 below for usage illustration).

So what can mobile operators do?

At Vennetics we work with a number of operators that we see as having innovative approaches to Data Pricing. Three in the UK and Bell Mobility in Canada are probably the best examples.

Three

At Three they offer All you can Eat Data on their postpay plans and sim only postpay plans. With all-you-can-eat data you can use as much data as you want. This means you can use your smartphone as you like - so you can watch movies, download apps, browse the web, look at maps and check your emails as often as you like without worrying about going over a data allowance.



Fig 4: Usage Illustration - What does 4GB Data get you per month source: Opennet 2014

Bell Mobility

Most people have no clue what they get for a MB or a GB. Calculating data usage is an unknown concept to most consumers. However, the concept of time is well understood. Bell Canada offers their mobile customers 10 hours of video usage/ month for \$5/month.

Letting customers know how many hours of video they've used and how much they've got left in terminology that the customer understands is another way of encouraging users to use Video on their mobile devices and once again removes the fear factor of reaching data caps and bill shock.

04

New developments in providing a VoD service

Vennetics provide your viewers with the easiest way to search, find and bookmark the movies and TV shows they want to watch.

Investment in new technologies and architectures ultimately depends on the anticipated return on investment. Mobile Operators while clearly bullish on the importance of Video on Demand for their business - are still struggling to develop an effective way to monetise their VoD service. In this chapter we outline a new smart approach to launching a aggregated VoD service.

Launching a Video on Demand service

It is critical that if an operator provides their own VoD service they provide their customers with the ability to access a large majority of preferred content, live or on demand, at any time , on any device of their choosing. The multi screen VoD experience requires a number of elements, including a consistent yet device-optimized UI and experience, multi-screen time shifting capability, personalisation and the ability to pause and resume seamlessly from device to device.

To bring this level of offering to market is not cheap. In October 2014 the US premium cable network Starz announced that it planned to launch a subscription based Video on Demand service with similar functionality to that outlined above. Their initial investment is budgeted at US\$20 million.

There is an easier way

It's clear that user behaviours and commercial models around video will continue to evolve . The solution and features described below are part of the K-Box Product Solution from Vennetics and they will allow you to play a valuable role in your consumers Video on Demand experience.

Vennetics provide your viewers with the easiest way to search, find and bookmark the movies and TV shows they want to watch. Vennetics brings together a combined view of the most popular VoD services and uniquely curates the video content across multiple VoD catalogs into one easy to use storefront. Removing the need to search each catalog separately.

Curated Storefront

The K-Box platform allows for a fully branded storefront to be provided, including a range of T-VoD and S-VoD content. As Vennetix is a formal affiliate partner of the leading VoD services, the K-Box products come pre-integrated with those platforms, using the appropriate developer APIs. For example, each of the following leading services are supported:



-additional local on-demand catalogues



Fig 5: Vennetix VoD Aggregation Solution - source: Vennetix.com

A lot of research exists to demonstrate how important effective content discovery is to the success of any VoD application. For example, Netflix Chief Product Officer Neil Hunt in October 2014 (Ref 1.) described how a typical Netflix user may only spend one minute looking at their catalogue and browse through only twenty titles before leaving that site to look somewhere else. In this context, the K-Box curated storefront allows users to be presented with contemporary content that is always relevant within their own local market.

Comparative Search

Given the large volume of on-demand content now available across many platforms, browsing fatigue is becoming a significant user problem. The K-Box solution addresses this issue directly by providing a single advanced search capability that spans all of the major on-demand catalogues. The system not only provides for very fine-grained search criteria to be defined but also presents an immediate price comparison of results across the available sources for the same title.

Affiliate Programs

The K-Box application allows for a direct revenue stream to be created from the commercial activity initiated at the site. For example, T-VoD services typically provide a direct sales commission. That is, if a user discovers a title through the K-Box storefront and subsequently buys or rents that title from iTunes, then Apple will pay a commission on this purchase.

Social Interactivity

One consistent trend observed across all on-demand sources for TV series is binge viewing, such that a lot of users will typically watch many episodes over a short period of time. This generates an associated problem related to spoilers. Friends may be inhibited in discussing the content in the usual way, as they have each watched different episodes of the same program.

The K-Box platform allows user to create virtual "Movie Nights" when they can arrange to watch the same content as their friends at the same time. Initially, this kind of social media integration serves to increase awareness of the service by pushing branded invites around the growing number of connections for each subsequent user of the application. However, social interactivity is also extremely valuable for users in helping to track which of their friends have watched which pieces of content (based strictly on what users have chosen to share with particular friends).

05 The benefits of launching a VoD service

Drives customer engagement and creates new value

Bundling a VoD solution with your 4G offering makes sense as it enhances your overall 4G proposition and is relevant for a large segment of your customer base. However, it's critical for operators to offer a service that competes against OTT players and offers similar functionality that delivers a seamless, robust solution for multiscreen video.

Defends against OTT services and protects your revenue

Service providers' own video services negate the threat posed by similar services from rival providers, i.e., broadcasters, cable networks and Internet distributors. As such, they act as a defense against competition and a way to maintain revenue from any existing pay TV services.

Creates new revenue opportunities

While this is an area operators are still wrestling with, multiscreen video services allow an unprecedented degree of targeting and segmentation. Advertisers can reach consumers in or out of their homes, at a household or individual level, and even when they are in-store. If creative models can be developed successfully, operators will be able to generate significant new ad revenue from multiscreen video.

Increases customer satisfaction and reduces churn

When implemented correctly, multiscreen video services have been shown to boost customer satisfaction and reduce churn. They also enhance the value of higher broadband tiers, faster mobile data connections and premium channels, and therefore can help drive customers to these higher-margin price plans.

Addresses potential shifts in viewing patterns within new generation

An emerging generation of video viewers is demanding content across multiple platforms, live and on demand. According to a study conducted by Retrevo and Arthur D. Little, nearly one in three U.S. residents under the age of 25 now watch all or most of their TV on the Internet, compared with 12 percent of all U.S. consumers. Over the years, traditional TV viewing could start to be replaced by online viewing. This means that operators must at least evolve with new generations or lose out.

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About Vennetics

Vennetics makes Video on Demand (VoD) easy. We're integrated with the leading and most popular Video on Demand (VoD) providers such as Netflix, iTunes, Amazon Prime, YouTube Movies and BBC iPlayer to name a few. This enables us to provide a white label, multi-screen VoD solution powered by the latest movies and TV shows.

Our innovative OTT approach removes the complexities and expense normally associated with VoD; such as transcoding for proprietary clients, enforcing strict digital rights management, and the need to purchase expensive movie and TV content from studios.

We leverage the content from the leading VoD providers and work closely with you to deliver a Video on Demand service that will exceed the evolving entertainment and communication needs of your customers.

Abbreviations

Abbreviation	Description
API	Application Programming Interface
AWS	Amazon Web Services
EPG	Electronic Program Guide
RTÉ	Raidió Teilifís Éireann
SLA	Service Level Agreement
S-VoD	Subscription VoD
TV	Television
T-VoD	Transactional VoD
UX	User Experience
VoD	Video on Demand

References

Number	Identifier	Title
1	gigaom.com	Article on Netflix Browsing

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