OTT and the User Interface

Brett Sappington, Senior Analyst, Parks Associates

TODAY’S PROGRAM GUIDES

Today’s television services throughout the world are provided with at least a non-interactive EPG, consisting of a menu of information on scheduled linear TV programming. Operators or broadcasters deliver these menus as a dedicated channel, broadcast by specialized systems located in the provider’s central distribution facility. Customers can tune into these specialized channels in order to view all of the available linear TV channels and the current and upcoming programs available on each. These guides scroll through the channels sequentially in a continuous loop. The benefit of these guides is that they require no special software on the set top box beyond what is required to watch any TV channel. However, consumers must wait for individual channels to appear in order to observe what content is available.

PROVIDER UPGRADES

Where possible, many providers upgrade their set top boxes to provide greater interactivity in the program guide, allowing consumers greater control over the discovery process and improving their overall satisfaction with the TV service. In order to provide interactivity, the operator must have a mechanism for two-way communication. The program guide moves from a broadcast channel to an interactive application that resides on the set top box. As a result, the features and complexity of the guides, often referred to as interactive program guides (IPGs) are dependent upon the computing capabilities of the set top box, the program guide software, and any supporting systems available through the TV/video service provider.

U.S. PAY TV CUSTOMER RATING OF THE EPG

“How would you rate the following aspects of your TV service?”

<table>
<thead>
<tr>
<th>Service</th>
<th>Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telco/IPTV</td>
<td>60%</td>
<td>20%</td>
</tr>
<tr>
<td>Satellite</td>
<td>80%</td>
<td>30%</td>
</tr>
<tr>
<td>Cable</td>
<td>70%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: *Trends in Electronic Program Guide Development* | © Parks Associates
BASIC INTERACTIVITY

The most basic interactivity allows consumers to navigate the menu of linear programming. To support this interactivity, the remote control, limited to channel selection in non-interactive environments, adds directional and selection buttons and a new dimension of functionality. Using these buttons, consumers can navigate to particular channels, view future programming, and select desired content for viewing. This additional functionality also makes the remote control a more critical aspect of the consumer content discovery experience.

CONTENT—FEATURES

As television services diffuse into a market, operators often add DVR features to their set top box and VOD offerings. As a result, the IPG has expanded to accommodate each of these services. Often, discovery and selection for each area of content (linear TV, VOD, DVR) is available as part of a different interface within the IPG, due to the fact that the content for each area is stored and delivered in a different manner. Linear TV is multicast to subscribers throughout the service area. VOD is unicast to subscribers upon request. DVR content is stored locally on the set top box.

INTERNET CAPABLE

With the introduction of Internet connected TVs and set top boxes, the amount of available content and the number of potential sources increases significantly. Over the top (OTT) Internet video, user generated content, and stores of content on networked devices in the home become available to the television and set top box. The same content becomes available to consumers in a variety of formats and in differing business models. As the computing power and capabilities of the set top box increase, operators are able to provide access to content beyond video, such as information on weather or traffic, games, and social networking content. The digital set-top box can also deliver value-added services such as video mail, caller ID on the TV, and monitoring services such as energy or personal health. As a result, the consumer’s television interface becomes dramatically more complex.

In competitive television markets, the TV service interface becomes a strong competitive advantage for video content providers.
THE CHALLENGE

Herein lays the challenge for many operators. Offering additional services and content allows increased ARPU and prevents consumers from either churning to other providers or “cutting the cord” altogether. However, in order to deliver this growing set of content and features, the operator must provide an interface that does not overwhelm the customer. Content left undiscovered translates to revenue left on the table, be it in the form of advertising or subscription. As a result, operators and content owners must develop and deploy user interfaces that enable the consumers to easily search and discover content that is to their liking.

In competitive television markets, the TV service interface becomes a strong competitive advantage for video content providers. Operators spend significant sums in developing and maintaining their user interface, including both software development and studies of consumer preferences and usage. Once an operator is satisfied with their interface, they are typically reluctant to make changes, particularly due to the risk in upsetting existing subscribers.

CONTINUING EVOLUTION

Several obstacles hinder the continued evolution of several trends in the EPG and in video services overall. Certain trends will provide greater opportunity for revenue due to the pocketbook size of the beneficiaries. Those key obstacles include:

• Delays in interaction with pay TV applications / VOD interfaces, etc.
• Support for convergence features
• Metadata tagging within content

Solutions to each of these areas will benefit pay TV and/or mobile operators, the players in the market with the deepest pockets and the greatest opportunity for revenue if these challenges are overcome.

ABOUT THE AUTHOR

Brett Sappington, Senior Analyst

Brett Sappington is currently Senior Analyst with Parks Associates. He has spent over fifteen years in the industry as an executive manager and entrepreneur, building new businesses and new divisions for technology and business services firms.

INDUSTRY EXPERTISE: International Digital Living Trends, Television Services (IPTV, cable, satellite/DTH, terrestrial/DTT), Broadband Services, Multiscreen Services, Value-added Services, Cloud-based Consumer Services, Set-top Boxes, Residential Gateways, Electronic Program Guides, Video Search and Recommendation, Video Metadata, Middleware

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