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Optimizing Video: Enhancing Content Performance for OTT Success

IN PARTNERSHIP WITH: SymphonyAI MEDIA

Content Metrics Take on New Meaning

The streaming video market today is in the midst of changes and challenges. Financial performance is crucial for OTT services in general, and particularly now in a competitive environment amidst economic uncertainty.

Free Ad-supported Streaming Television (FAST)

describes video services that are available at no charge to the viewer but include advertisements that cannot be fast-forwarded or otherwise skipped.

Widespread adoption of OTT services has led to a service-saturated, maturing market offering consumers a variety of content choices across paid and free service models. As SVOD (subscription-based video-on-demand) growth slows, many media organizations have either diversified or plan to diversify their business models to maximize their total addressable market.

Consumers view content on various streaming services across a wide range of connected devices. In this fragmented market, the need for content sellers and streaming services to understand content performance is a make-or-break initiative.

Media organizations seeking to strategically monetize content in the current OTT market must invest in better data solutions to understand and predict content engagement, manage various revenue streams, and identify new business opportunities to stay competitive.

This whitepaper examines the current state of the competitive streaming video market, its challenges driving the need for deeper content insights, and the benefits of implementing data-driven solutions able to handle today's complex revenue models. The whitepaper also examines best practices and real-world deployments of advanced content intelligence.

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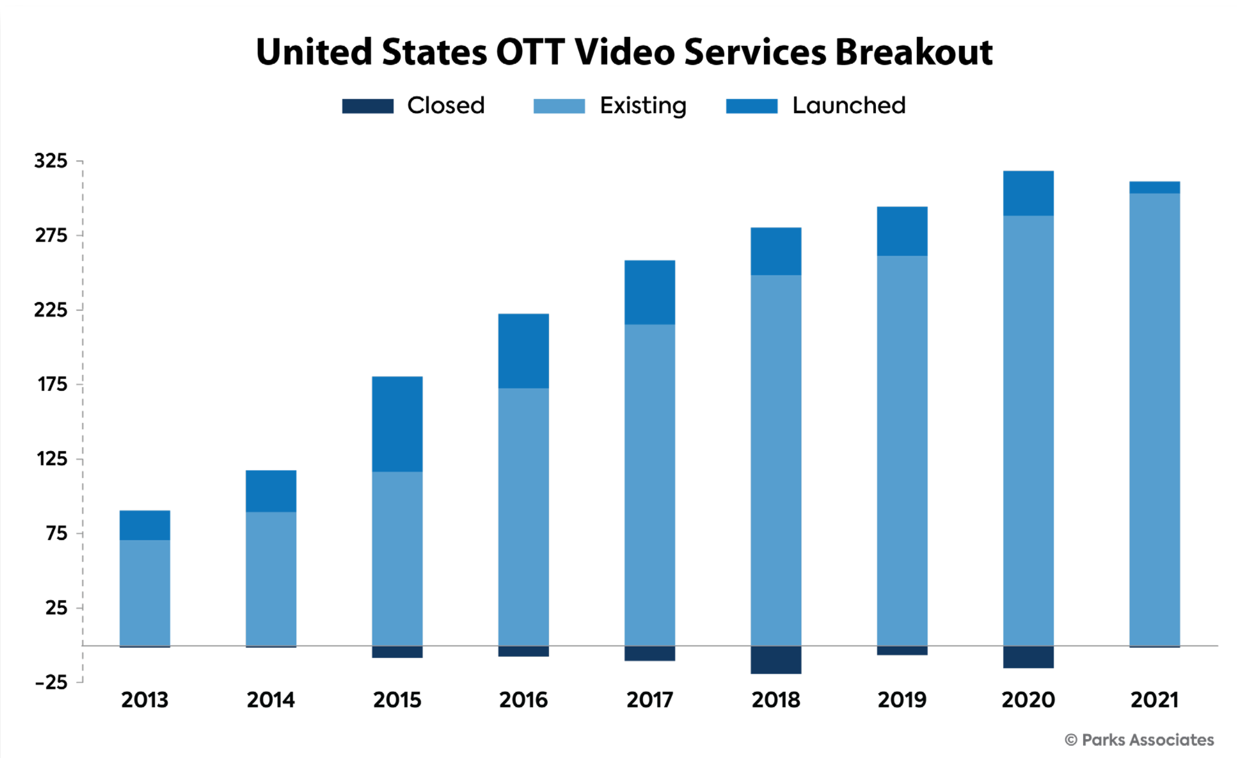
Subscription (SVOD) OTT Adoption

Consumers have embraced OTT services.

> 87% of US internet households now subscribe to one or more streaming video services, and 20% subscribe to eight or more OTT services.

This represents substantial growth compared to five years ago. However, competition is fierce. There are over 300 OTT video services in the US alone, in addition to thousands of FAST channels.

Content sellers and video services are experimenting with new ways to attract and retain subscribers, as well as introducing hybrid business models and partnerships. Netflix's addition of an AVOD (advertising-based video-on-demand) tier is a trend to watch. Driven primarily by modest subscriber growth and rising content costs, ad-supported offerings could prove to be an excellent option for consumers, especially given recession and inflation impact. For media organizations, AVOD can offset declines in subscriber revenue and provide additional customer acquisition opportunities.



The adoption of newer services, such as HBO Max and Disney+, is getting a boost from expanded content libraries, hybrid advertising and subscription business models, and investments in original programming. While new services are seeing steady growth, new subscriptions to leading streaming platforms such as Netflix, Amazon, and Hulu leveled off in 2022.

Content continues to be a key driver for subscriptions, with 48% of consumers referencing content availability as the primary reason for subscribing to an additional service. Flexible contract options allow consumers to "build-a-bundle," adding or removing services as needed with little to no friction and creating customized options that suit their needs.

OTT services, networks, and studios will continue to make huge investments in developing and acquiring content to engage and retain viewers, as well as expose consumers to new programming.

SVOD Service	Content Budget Announced
Disney	$33 billion on programming and content in 2022; $8 billion on streaming
Warner Bros Discovery Inc.	$18 billion on content in 2022
Netflix	$17.5 billion on content in 2022
Amazon Prime Video	$13+ billion on content in 2021
Apple TV+	$6.5 billion on content in 2022
Paramount	$6 billion on content in 2024
NBCUniversal/Peacock	$3 billion streaming content budget in 2022

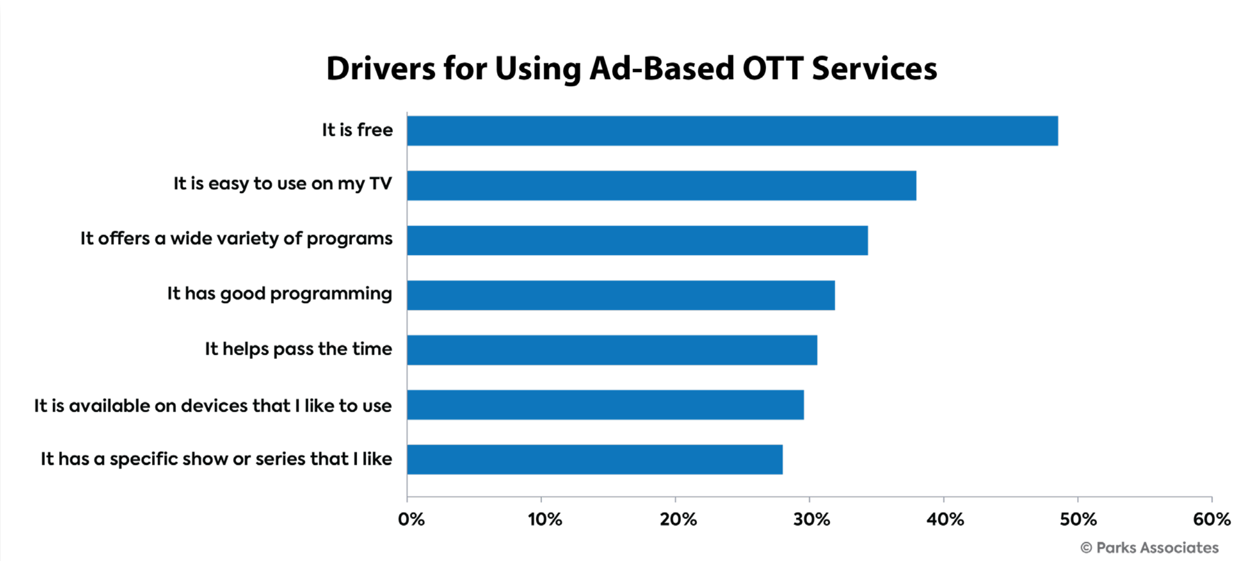
Rise of FAST Services and Impact of Churn

Ad-supported streaming services are the future of video consumption. As consumers continue to move away from traditional Pay TV services, they will first seek out options to watch the content they want in ways they are accustomed to—a relaxed, lean back experience. While most would say that they would prefer not to see ads, many are willing to accept them in exchange for free or lower-priced options. Newer content solutions can help provide a better experience than the living room TV of the past could ever offer.

As consumers experiment with new services, content sellers and streaming services must ensure that relevant, engaging content is presented to subscribers frequently. **In Q1 2022, OTT churn rose slightly to 48%, up from 47% in Q3 2021**. While churn is showing signs of stabilizing, this ratio is incredibly destructive to long-term success.

> Outside of Netflix, which carries an average subscription length of 48 months, nearly half of OTT subscribers are hopping from one service to the next multiple times over a 12-month period.

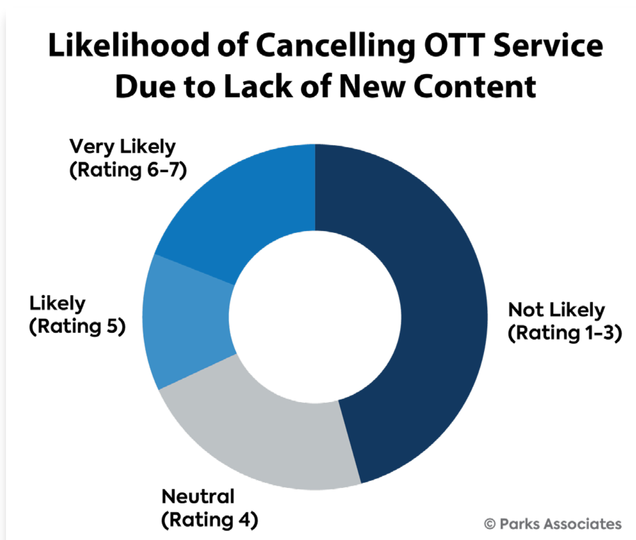
The lack of new original content in an OTT service's pipeline has implications for an offering's bottom line. In addition to being a free service, content variety plays a key role in driving usage of ad-based OTT services.



One-third of US households cite "a wide variety of programs" or "good programming" as a major driver of ad-based service uptake, with 28% of usage driven by a specific show or series.

Innovative content engagement strategies are essential for maintaining a competitive edge. Subscriber engagement data is an increasingly valuable asset as media organizations must continuously assess, demonstrate, and predict the value of a service's catalog within the licensing ecosystem. The ability to validate content performance enables content sellers and streaming services to buy and sell a greater variety of licensed content, optimize pricing, and satisfy audience demand.

Data-driven solutions that can measure and predict the profit generated by a specific asset, series, or even partnership enable media organizations to optimize pricing terms for both direct-to-consumer and licensed distribution, align offerings with specific audience interests, and optimize revenue models.

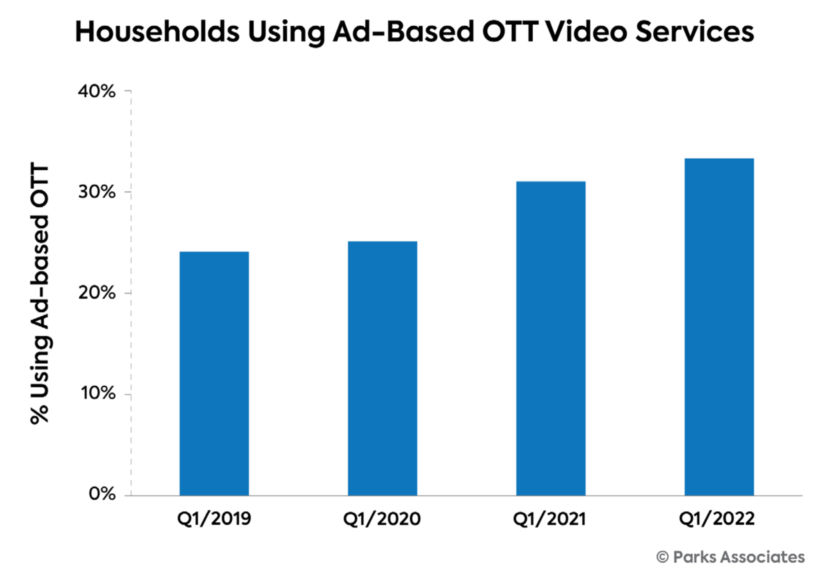


Ad-supported (AVOD/FAST) Streaming Service Adoption

AVOD services offer a library of on-demand content users can access at any time, with advertisements interwoven at periodic intervals throughout the video stream in exchange for reduced or no-cost viewing. Popular AVOD services such as Tubi and Crackle Plus have built robust catalogs offering titles across a wide range of genres that appeal to a broader audience than more niche services. AVOD services offering quality content choices for consumers should see continued growth, especially during difficult economic times.

With OTT video advertising expected to reach $119 billion in 2023 , much is at stake, with most of it riding on a service's ability to understand and predict viewer behavior and content engagement.

OTT and traditional linear TV are merging with the rise of FAST services. FAST services are giving consumers a similar linear TV experience to their Pay TV counterparts but with more niche content options that are free to watch. These services are rising in popularity, with brands like Pluto TV showing the highest adoption rate. In 2022, Pluto TV exceeded 70 million monthly active users and approximately 50,000 titles.



Consolidated ad-based household growth slowed to two percentage points from 2021 to 2022, when 33% of US internet households were using at least one ad-based OTT video service, representing just over 37 million US internet households.

Pluto TV, Tubi, Peacock, and The Roku Channel comprised the top tier of ad-supported streaming services in 2022. Each is watched in 9-11% of US internet households. Amazon Freevee (previously known as IMDb TV) led the group of next-most popular services, with 6% penetration.

FAST has also seen the rise of new licensing partnerships, such as an agreement between Allen Media Group and Hearst Television announced in September 2022 under which Allen's FAST service Local Now will carry a portion of Hearst's Very Local news channels; AMC Networks also entered a multi-year, global agreement with Roku to expand AVOD content such as its WE tv channel.

The Challenges of Streaming

Role of Content: Driving Both Cost and Benefit

Content variety and relevancy are the primary triggers for signing up for and canceling services.

> 48% of subscribers cited content or a specific program as the primary motivation to subscribe to a new service.

Except for Netflix and Prime Video, consumers are likely to churn if the content library isn't engaging or relevant and prefer services that offer content across a wide range of genres. In 2022, Parks Associates data showed consumers becoming less sensitive to price if they can find the perfect blend of content and service options. However, price will be a much more significant factor in downward economic times.

In addition, most consumers feel comfortable "service stacking" until they find the right combination of content. As more subscription and ad-based services enter the marketplace, competitive pressure increases.

Streaming services obtain content in different ways. Content can be purchased or licensed from its owner. Of course, services operated by a studio or television network already have access to a wide selection of their own content, along with a steady source of new material as it is produced. With both AVOD and FAST services, viewers are offered a library of content from which to choose. That library is curated and organized by a broad range of categories such as genre, theme, holidays, or TV shows. The assortment is relatively stable, but may change from time to time. As new content becomes available, less popular titles are culled, and licensing and distribution agreements expire.

Many licensing and distribution agreements are non-exclusive, which can result in the same content appearing on more than one streaming platform in FAST "virtual linear" or ad-supported on-demand format—or both. Sometimes, subscription-based services offer a subset of their programming in a FAST channel that is available on one or more streaming services. This helps drive exposure and awareness of their brand among a wider audience and drives additional interest in the paid service.

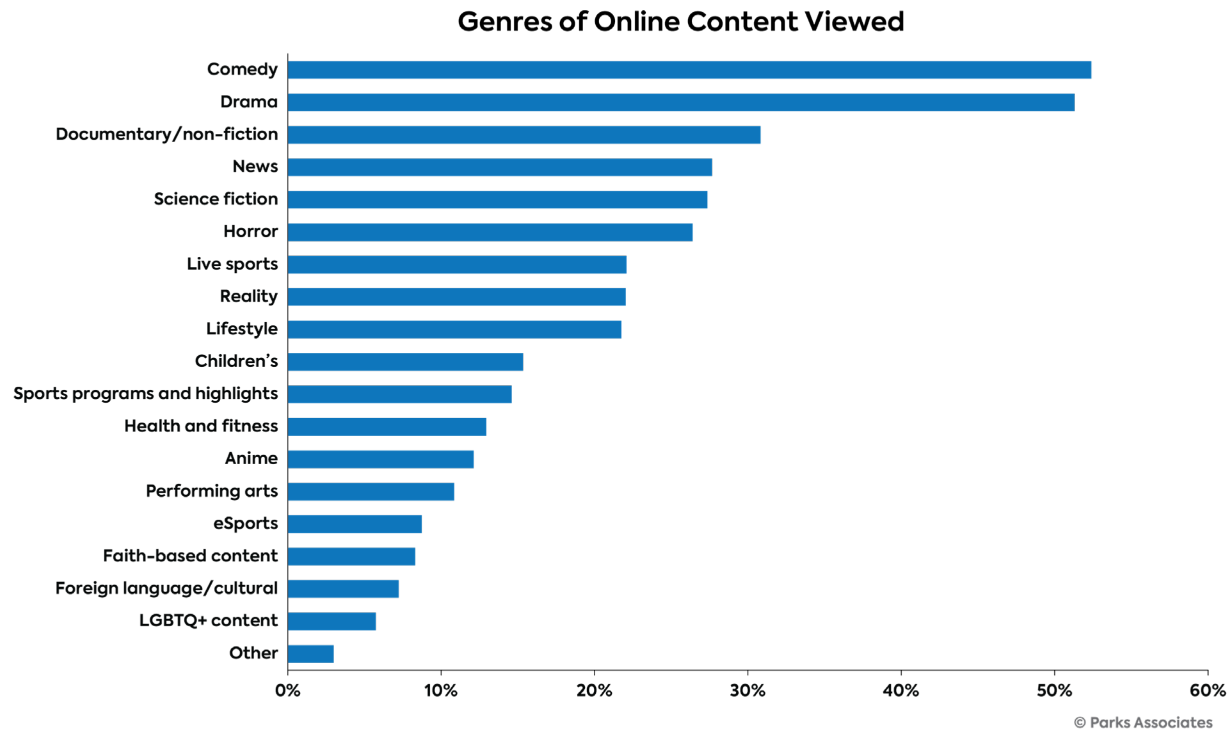
Fubo Sports Network , for example, is a FAST channel owned by FuboTV (a vMVPD service) and syndicated to other OTT platforms. It was launched in June 2019 as an ad-supported channel, available first on XUMO (and FuboTV), and also on The Roku Channel, Tubi, Samsung TV Plus, and VIZIO, with "more coming soon." The Fubo Sports Network offers limited content, including sports-related stories and content that really is not sports itself, along with a selected library of pre-recorded sports content, and limited live sports content.

Organizations seeking to diversify revenue streams must develop and maintain differentiated offerings that attract consumer interest, advertiser investment, and strategically advantageous licensing partnerships.

Growth of Niche Services – New Market Opportunities

The widespread adoption of OTT services has given niche content providers with a smaller footprint a platform to reach millions of consumers. Generally speaking, "niche" refers to content based on affinity such as genre, identity, and language. Unlike mainstream OTT services, the value of a niche service is driven by its appeal to highly specific audience segments.

Niche services, such as Shudder, PokerGO, and Curiosity Stream, are seeing a significant opportunity to compete as consumers become less loyal to media brands when adding and removing services to accommodate their viewing habits.



In Q1 2022, 61% of US consumers added other subscriptions, from niche to rival widescale services, on top of the traditional "Big 3," with almost no one having an exclusive subscription to a single service. Comedy and drama documentaries were the most popular genres of content in the US, with a long tail of other genres being watched as well.

Unique content is the most significant driver for ad-based services.

Niche services are seeking to capture market share by filling the gap for viewers with difficulty finding content relevant to their specific interests on larger streaming platforms. More recently, mainstream media organizations have launched niche offerings. TelevisaUnivision's ViX Spanish-language service launched in 2021 and is currently distributed through a variety of partners such as Amazon Prime Video, Roku, LG, DISH TV, and SLING TV.

Unique Content	65%	Specific, exclusive content available via many devices with program recommendations
Free	56%	A free service with no subscription fee where registration is not required
Easy to Use	46%	An easy to use service that offers a wide variety of quality programs
Time Killer	31%	A service that passes the time and is easily accesible on a smartphone
Continuous Content	26%	A live video service that offers continuous content from a familiar provider
Somebody Else	15%	Others in the household are driving the usage of these services

Note: Percentages are based on net respondents to responses assigned to each segment

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Ad-supported streaming, particularly FAST linear channels, can be used to distribute content that has relatively limited audience appeal, and could never justify its own channel on traditional broadcast or Pay TV. Such content may be dedicated to an obscure hobby, topic, or musical artist. Examples:

- Dogs 24/7 and Cats 24/7 on Pluto TV
- NHRA (National Hot Rod Association) TV on Tubi and The Roku Channel
- The Pet Collective on XUMO and The Roku Channel

Advertising rates for these niche channels are likely lower due to smaller audience size, but these niche channels can allow content owners to generate some revenue rather than no revenue for content that might otherwise languish in a vault somewhere.

Role of Tech Driving Efficiencies

The evolution and rapid adoption of streaming TV services are forcing media businesses to embrace technology in bold new ways. With the right solution, data collected and analyzed throughout the digital supply chain give content sellers and service providers clarity around the value of the content they seek to monetize.

These insights are essential and yet present one of the more difficult challenges media organizations face today. Data comes from various devices, platforms, and partners, each with unique formats and requirements. A better data solution would dramatically improve workflow efficiency while increasing insight into revenue generated by owned and licensed assets across FAST, AVOD, SVOD, TVOD, and other models.

Several categories of data need to be collected and analyzed to provide a full end-to-end picture of performance. Some examples of data categories are:

- **Content data** – genre, series, season, episode, asset ID
- **Distributor data** – terms, avails, distributor ID, distributor type
- **Revenue data** – subscribers, transactions, units sold, forecast
- **Advertising data** – impressions, CPM, fill rate, minutes streamed

The challenge for organizations that monetize OTT content is finding innovative ways to capture, normalize, and transform data into actionable business intelligence. Traditional methods for collecting and disseminating large amounts of data, such as loading information into Excel files, are unwieldy and impractical.

Yet, the urgency for content sellers and streaming services to have a line of sight of how their content is performing has never been greater. With the right solution, media organizations gain insight into content performance that optimizes content investment and distribution strategy decisions, ultimately driving greater ROI.

New Business Models Offer More Choice and Reach

Since its inception, OTT has represented independence from the traditional MVPD bundle. However, without the bundle, consumers are left to fend for themselves, with some getting overwhelmed by the number of available options. As it turns out, some level of bundling is helping consumers by offering flexibility and convenient packaging and pricing.

In addition, OTT aggregation services, such as Amazon Channels and The Roku Channel, are now offering consumers a bundle of their own, making it even easier for consumers to find and subscribe to their favorite OTT services.

Rise of Hybrid Business Models

Increased OTT adoption and competition force service providers to get creative by leaning into hybrid business models that blend advertising, subscription, and transactional monetization strategies. These newer business models are effective in converting viewers who are on the fence and want to "try before they buy," or simply want to consume content *a la carte*.

This new approach benefits consumers and has the potential to offset slowdowns in SVOD revenue growth but complicates an already tedious reporting process since data must be captured and analyzed across multiple distribution channels, each with proprietary data formats and requirements.

Services Must Remain Agile

Service providers must remain flexible regarding their monetization and distribution strategies to stay competitive. For example, an OTT service might execute various windowing strategies regarding select titles made available on an aggregation service, such as Amazon Prime Channels, or The Roku Channel as an AVOD offering, with more premium content behind a paywall as an SVOD offering on the owned and operated app.

These strategies require out-of-the-box thinking to create the necessary strategic partnerships with distributors for select titles. Having multiple content monetization strategies per title drives the need to manage and analyze a greater amount of data.

New Partnership Structures Require New Measurements

Content partnerships are evolving as services are experimenting with new partnerships and distribution strategies. To make a more compelling offer to consumers, some device manufacturers are striking partnerships with content providers and creating bundles that are part of the connected television (CTV) operating system.

Licensing and distribution deals are evolving from multi-year contracts with subscription services based on fixed, predictable revenue shares to more diverse, shorter-term, experimental arrangements–evaluating a licensing deal based on both parties' changing businesses as the industry shifts from more predictable SVOD engagement to fast-moving markets where consumers engage based on changing variables.

All of this reduces friction for the consumer: one device, one place to find their content.

VIZIO + TikTok

VIZIO recently announced a partnership with TikTok to integrate the social media powerhouse into their media carousel, which is part of the VIZIO Smartcast OS. This is not TikTok's first smart TV integration, but the unique carousel on the VIZIO home screen is an industry first for TikTok on television sets. Once viewers interact with social TikTok content, VIZIO may leverage the resulting data to enhance program content experiences across its smart TV platform.

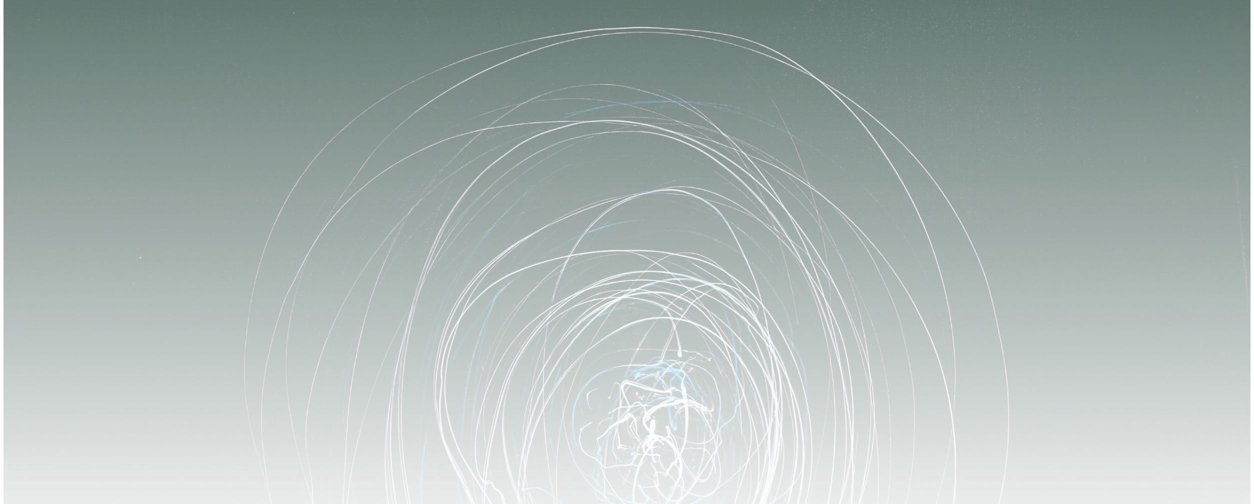
VIZIO believes the custom integration of deep links into all the trending social genres of content has positioned it to be the first TV manufacturer with a rich social content TV experience. Those with a VIZIO smart TV and an existing TikTok account may connect their accounts to see "For You" and "Following" video feeds on the TV screen.

Startup and niche OTT services are taking advantage of partnerships with larger service providers, aggregators, and FAST channels to accelerate growth. Major movie studios are releasing new movies simultaneously in theaters and on streaming services. Sports leagues are striking deals directly with OTT services for exclusive streaming rights.

Some specific services, such as Disney+, Discovery+, and Curiosity Stream, have capitalized on these bundling strategies, and even as of Q1 2022, over 10% of their user bases reported originally subscribing through a mobile service provider.

With these new and experimental partnerships and business models, the accurate and timely measurement of financial performance is critical. While aggregator partnerships offer many benefits to participating services, there is also a downside. Aggregators control app placement and user data, receive a substantial portion of subscription revenue, and maintain the primary relationship with the end customer.

> New bundles are being offered too. Roughly 5% of all US OTT video subscriptions in 2021 were originally driven through bundled offerings by mobile service providers.



Measuring Content Performance

Content Analytics

Regular, relevant, and engaging content is critical to OTT monetization. Content sellers and service providers must have better insights as to how consumers are engaging with their content.

For this reason, measuring content performance has become a critical component of any business monetizing content through licensing partnerships or direct-to-consumer services. Data analysis can reveal new ways to attract and retain viewers, optimize revenue, and better understand what keeps viewers engaged. Having this information assists in making more accurate content decisions.

Data analysis can help service providers predict what content to add or remove from their offering, understand the financial performance of specific titles, and provide real-time, accurate recommendations to viewers.

Revenue Optimization

Companies in the ad-supported streaming video business rely on technology partners to deliver programming and advertising to their viewers. Tasks include curating and managing content libraries, marking ad breaks, retrieving and inserting advertisements into those ad breaks, programming FAST channel schedules, and providing insights on content performance.

These solutions can also identify new opportunities for monetization while optimizing potential contract terms and revenue-sharing models. In addition, they can aggregate and analyze data from various sources to assess the potential for new opportunities, such as monitoring upward trends within distributor reports for specific content, demographics, and regions. The ability for services to accurately measure and track these sources is essential.

More Insightful Analytics: Increased Performance

Thanks to advances in data analytics, media organizations can make smarter, faster content investment and distribution strategy decisions to maximize revenue. AI-based analytics solutions require accuracy in data capture throughout the digital supply chain, which means media businesses must embrace new technological requirements and evolve into technology-based organizations.

Content analytics requires collecting large amounts of data (big data) to maximize effectiveness. But the previous, and in some cases current, workflows to collect and analyze the required data are laborious, prone to error, and simply cannot scale. Automated solutions reduce workflow complexity while increasing the efficiency and accuracy of insights, including predicting future content performance.

Without automated measurement and analysis, the manual workflows alone would create significant challenges preventing services from implementing content analytics properly and most effectively—especially considering the disparate data sources and formats involved in licensing content to distribution partners, a key component of today's hybrid business models.

Top Uses of Data for OTT Content Monetization

1. Understanding the performance of content, agreements, and platforms

Accurate reporting and insights into content ROI are essential to help guide future investments and strategies. Content data analytics systems can help content sellers and OTT service providers understand how content performs across various distributors, pricing models, and release windows.

2. Managing revenue workflows in fragmented ecosystem

Automated data analysis can normalize and rapidly validate that revenue is accurately recognized, monitor for discrepancies between paid and agreed pricing, and reconcile financials for content sellers. Programmatic data analysis minimizes the risk level and resource constraints inherent in more manual processes.

3. Forecasting by region, distributor, genre, audience segment, business model, etc.

The dynamic nature of the OTT marketplace and the rate at which consumers make decisions are forcing service providers to analyze patterns that require greater levels of accuracy and speed. AI-based solutions can detect these patterns quickly and uncover new opportunities that may have gone unnoticed.

4. Pricing strategies for consumers, advertisers, and distribution partners

It's increasingly difficult to accurately predict the value of a content investment. Predictive content analytics are crucial to understanding what to charge or pay. Systems can more deeply correlate data across the customer lifecycle, which enable organizations to adjust pricing and engagement strategies based on real-time conditions.

5. Maximizing ROI by analyzing content portfolio

Content sellers and streaming services alike are under enormous pressure to make accurate decisions around licensing that deliver sufficient ROI. As revenue sources proliferate across subscription, ad-supported, and even transactional models, content analytics enable organizations to understand and optimize the impact of business decisions on various financial metrics.

Strong Growth in the Future

Subscription revenue for OTT services in the US is forecasted to increase from more than $34 billion in 2021 to more than $46 billion in 2026. Consumers can watch whatever they want, whenever they want, and on any device.

Every facet of the digital media supply chain, from content delivery networks (CDNs) and cloud-based video encoders to improved TV user experiences, is advancing in capabilities. With so many independent data silos of content owners, platforms, and streaming services, content analytics are proving invaluable to content sellers and streaming service providers alike and are becoming a mission-critical asset.

Content analytics solutions are only as good as the data provided for analysis. Media organizations would benefit from standardizing data ingest and analysis processes and normalizing diverse data structures.

Performance will always be limited when there is imperfect sharing of data between platform owners, content sellers, and video services. In the end, it is in the interest of all parties to solve the issue of data sharing, as better data sharing benefits all parties. Data standardization will become more critical as AI capabilities and adoption grow in the media and entertainment industry.

The rise of hybrid revenue models alongside economic conditions drives pressure. Services must compete to develop or license content that viewers find valuable among proliferating options, while content sellers must precisely measure and predict the ROI of their licensing partnerships across every revenue model.

Considering the dynamic nature of the media and entertainment industry, content analytics solutions are essential for content sellers and streaming services to optimally monetize content in a complex revenue ecosystem.

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About Parks Associates

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Parks Associates, a woman-founded and certified business, is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. Founded in 1986, Parks Associates creates research capital for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

The company's expertise includes new media, digital entertainment and gaming, home networks, internet and television services, digital health, mobile applications and services, consumer apps, advanced advertising, consumer electronics, energy management, and home control systems and security.

About SymphonyAI Media

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SymphonyAI Media is the leading provider of solutions that deliver actionable insights to global media and entertainment organizations. Its Revedia platform provides a single source of truth to manage, optimize, and predict revenue across all distribution models. Automated data ingest and normalization, real-time analysis, and AI-based insights empower smarter, faster content investment and distribution strategy decisions to maximize revenue.

SymphonyAI Media has successfully enabled financial integrity and strategic revenue management across linear and digital distribution channels for over 30 years and has established itself as a trusted partner to more than 90% of the industry.

About the Author

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Thomas Schaeffer is the founder and former CEO of Float Left Interactive, a software agency that built the first generation of TV apps. iMedia Brands, Inc. acquired Float Left in 2019, where Tom served as President of the Float Left business unit and VP of OTT Products until January 2022.

Since exiting the company, Tom has joined Parks Associates as a Contributing Sr. Analyst.

Early in 2022, Tom founded Thomas Schaeffer & Co., an agency that helps busy executives build authority online through copywriting and audience development.

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