

# Getting Over-the-Top Video Right

A Parks Associates Whitepaper



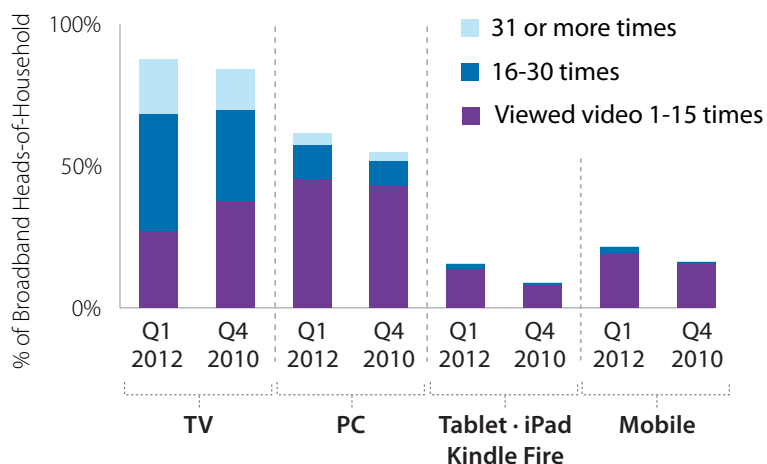
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## The Changing Market for Video

The market for home video entertainment is obviously changing. For starters, consumers are watching an increasing amount of video on an increasing number of platforms. Roughly one-quarter of all U.S. broadband households now watch video on a mobile phone each month; the number watching video on a tablet is quickly approaching the same level. In terms of volume, the average broadband user watched 18 minutes of video on a tablet each week in 2010, and the figure has since doubled to 36 minutes today. The average user likewise watched 42 minutes of video on a mobile phone each week in 2010 and 102 minutes today. Once PC video consumption is included (~350 minutes per week), over one-quarter of all video consumption now occurs on platforms besides the TV.

### Use of Device for Video

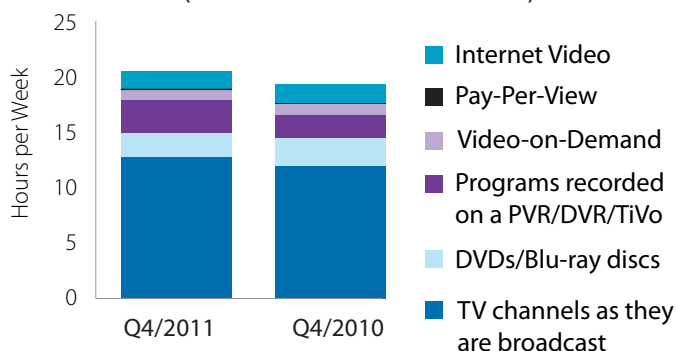
(U.S. Broadband Households)



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### Average Monthly Spending for Social/Facebook & Free-to-Play Games

(U.S. Broadband Households)



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### Video consumption on the TV is also changing.

The recent proliferation of “connected” devices, including digital video media receivers, connected set-top boxes, and Blu-ray players, is allowing consumers to access online content from their TV with minimal expense and technical requirements. Broadcast distribution still accounts for the largest portion of video on the TV set, but Internet sources have established a notable foothold.

FOR EXAMPLE

**IN THE U.S. THE AVERAGE  
BROADBAND USER**

**NOW WATCHES 1.6 HOURS  
OF INTERNET VIDEO PER WEEK**

ON THE TV SET



## Succeeding at Over-the-top

These changes are having a twofold impact on the market. On the one hand, consumer expectations have quickly risen. Companies aiming to offer a comprehensive home entertainment service must meet four requirements:

1. **Services must offer a subscription or advertising-supported model**—Consumers strongly prefer an unlimited service that does not require frequent purchase decisions. Parks Associates' recent consumer survey *Value of Video: Shifting Consumer Dollars* (1Q 2012) found a majority of all broadband households want unlimited-use VOD options included with their ideal pay-TV package.
2. **Services cannot require the purchase of an additional device**—Consumers are reluctant to purchase a device dedicated to delivering video services. The demise of MovieBeam, Akimbo, and similar ventures argues this point, and the proliferation of devices capable of accessing surviving services like VUDU and Netflix reinforces it. The bulk of consumers will not purchase a device with no purpose aside from delivering a service. Parks Associates' *Digital Video: Three Screens and Beyond* survey found the demand for an OTT video service is reduced roughly 50% if it requires the purchase of an additional set-top-box—services dependent on stand-alone devices are at a distinct disadvantage.
3. **Services must offer on-demand content and linear channels**—video-on-demand offers consumers many benefits, but they still want linear TV channels in addition to VOD. Parks Associates' *Value of Video* survey found only 12% would not have linear channels in their ideal video package even if including those channels require additional costs. Linear channels will continue to be a crucial part of any successful video service offering.
4. **Services must provide content to multiple devices**—The use of alternative platforms is naturally translating into consumer demand for multiscreen service. Many providers can survive today by simply offering content at a compelling price, but this will change. Service providers will need to not only offer content but an integrated, multiscreen entertainment "experience." This will help differentiate them from alternatives and will keep subscribers from initiating separate content provider relationships for each video-capable device they bring into their home.

## The second way the aforementioned changes are impacting the market is by dramatically lowering entry barriers.

Content providers, local broadcasters, hardware manufacturers, retailers, and others can now potentially enter the market and either offer a comprehensive video service that competes with traditional pay TV or a less ambitious supplementary service that complements the offerings of others. Indicative of this fact, companies as diverse as Apple, Microsoft, Amazon, Sony, Best Buy, Wal-Mart, and Blockbuster have all made a play for OTT home video. Yet all of these ventures have struggled, and none has met the requirements outlined in large part because of technical limitations. Many new technologies, however, are promising to make OTT more competitive vis-à-vis facilities-based networks and allow a wide variety of players to meet consumer expectations.



## New Solutions for OTT

Existing solutions allow consumers to access OTT content on their TV but with many limitations. Linear channels are generally not available. A lack of standardization restricts the number of providers. Even multiscreen capabilities are lackluster. The number of screens is growing thanks to rising tablet and smartphone adoption, but consumers cannot easily switch from one screen to the other.

There are also no integrated features that enable a two-screen viewing experience. >>>

New solutions, including the ones highlighted in the following sections, promise to address these limitations and deliver OTT capable of truly displacing traditional pay-TV service.





## APPLE AIRPLAY

**AirPlay allows consumers to wirelessly stream content between iPods, iPhones, and AppleTVs.** This capability provides for an integrated, multiscreen entertainment experience (requirement #4)—a crucial piece of the puzzle. Consumers must still purchase an AppleTV, but speculation abounds the company will soon offer flat-panel sets equipped with AirPlay. The inclusion of linear channels may also be in the works. Apple is reportedly bidding on English Premier League rights in the U.K.—a clear sign it has live, linear content on its mind. Should it enter the TV markets, its initially offering might clear all of the aforementioned hurdles.

## BIANOR IMEDIASHARE

**Bianor—a provider of mobile software solutions—has developed a technology that enables OTT players to deliver video to the TV by way of a mobile phone.** Consumers can access content using their mobile phone and then play it on their TV set. The solution works through any DLNA-enabled smart TV, Blu-ray player, or similar device using an Android/iPhone handset. This eliminates the need for the consumer to purchase an additional device and provides for a multiscreen experience. Content is drawn from the provider's servers and adapted (on the fly) to the consumer's TV set. This overcomes the lack of standardization for smart TV applications.

The solution was developed for OTT providers, but in an effort to prove its potential, Bianor quietly launched it as a free iPhone/Android application under the name iMediashare. It now has roughly 1.3 million users worldwide, and the app is downloaded approximately 7,000 times per day. The company focuses on providing short-form content and offers video from CBS, CNET, Dailymotion, and others. The company is planning trials with service providers.

## SIEMENS CMT OTT SWIPE

**Siemens CMT has developed a new solution that delivers OTT video to computers, mobile phones, tablets, and TVs using DLNA-enabled devices and Android/Apple apps for mobile phones and tablets.** The consumer downloads an app to a smartphone or tablet, uses it to select content, and then plays the content on a TV set. Notably, the Siemens solution allows consumers to “swipe” content onto the set—an innovative feature in the user interface. Stand-alone STBs are not necessary (see requirement #2), only the requisite smartphone or tablet and DLNA-enabled device for the TV (e.g., smart TV, Blu-ray player, etc.). Content is adapted to each TV set, eliminating the need for OTT providers to develop unique apps for each connected platform.

**The Siemens solution can deliver linear channels, VOD, music, and information, and it works with any revenue model** (see requirements #1 and #3). It is currently being commercially deployed by ZeeTV—a global provider of Indian video content. The ZeeTV offering, DittoTV, allows consumers to choose the channels and VOD content they want and pay for them through subscription or a-la-carte fees (by way of prepaid cards). Service recently began in the U.K., Australia, and New Zealand; rollouts in the U.S. and other markets are expected soon. In addition to providing its own content, ZeeTV will act as an aggregator and offer content from other providers.



## PACKETVIDEO TWONKY

PacketVideo—a provider of mobile entertainment software—offers a collection of Android and iOS apps that transfer content between devices. Video, photos, and music (both streamed and stored) can be “beamed” to a TV or stereo by way of DLNA/UPnP. The applications are squarely centered on the user and cast as a product rather than a service. The companion PC software packages allow users to aggregate their own content from personal and online sources and push it out to their devices. At the same time, the technology has the potential to be used by service providers for OTT content. Elements of the software suite are coming pre-installed on SHARP handsets made expressly for Twonky’s parent company, NTT DoCoMo.

## QUALCOMM Atheros SKIFTA

Qualcomm Atheros offers the Skifta app for Android smartphones that, similar to the Siemens and Bianor solutions, brings content to the TV by way of DLNA/UPnP-enabled devices. Unlike these solutions, however, it works only with content stored on the user’s devices. It can thus play downloaded video files but not linear channels or streamed content. At present, Qualcomm Atheros touts Skifta as a way to bring personal photo and music collections to TVs, stereos, and PCs.

## Conclusions

The bar is high for a broadly successful OTT service that can displace traditional pay-TV providers. It must offer multiple revenue models, multiple screens, and multiple channels and not require the purchase of a new, stand-alone device. To date, OTT services only cleared all these thresholds when regulatory unbundling provisions have given them access to the network. Elsewhere, OTT players are supplementary providers of content.

**Market conditions still favor the incumbent pay-TV providers, but a variety of new solutions promises to pave the way for complete and strategic OTT services and enable their providers to be true competitors to MSOs and telcos.**

*—Stay tuned.*



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#### ABOUT PARKS ASSOCIATES

Parks Associates 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 electronics, energy management, and home control systems and security. [www.parksassociates.com](http://www.parksassociates.com) | 972.490.1113 | [info@parksassociates.com](mailto:info@parksassociates.com)

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