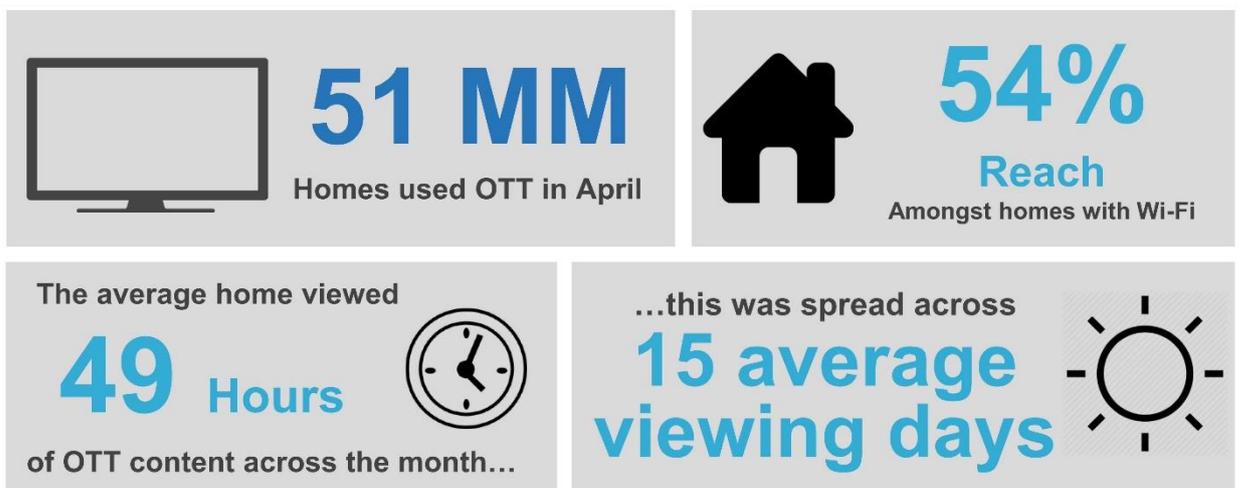(((TELEBREEZE

Conceptual Things to Consider when Planning Business in OTT

In this day and age, there are all kinds of businesses that you can go into. However, one of the very best options for making money and having a long and successful career is the OTT industry. Of course, this isn't the kind of industry that you can (or should) go into without some knowledge, experience, and training. However, if you are familiar with the digital television services industry and are interested in a new way to appeal to clients or a way to take your business into the future, then IPTV services could be just what you are looking for.

Statistics for the US show that OTT has become a significant part of entertainment with 54% reach among homes with Wi-Fi, and spend of 49 hours watching OTT content across the month.

51 MM Homes used OTT in April

54% Reach Amongst homes with Wi-Fi

The average home viewed **49 Hours** of OTT content across the month…

…this was spread across **15 average viewing days**

Source: comScore Connected Home, US, April 2017

So if you do not want to lose the market, dive into OTT business, but make sure you have a fair plan for your future business.

Business planning is the first and most important action you should do before you drop everything and start up an IPTV business or revamp your current business into one that offers IPTV. Doing this will ensure a much more positive experience and will greatly increase your chances of overall success, both immediately and in the long run.

What to begin planning with? We won't go deep in particular complex business planning which includes creation of the detailed financial and operational plan. First of all, we allocate the main conceptual questions to which you should pay attention.

1. Choose Your Audience

First, you should know your audience that will buy your services. For choosing your customers, you need to consider several factors:

Customers' paying capacity

Will your customers share their budget to pay for your service? For the assessment of customers' paying capacity, it is possible to use regional statistics that include the average income and the amount of money your target audience pays for online video services or cable TV. Also, don't forget that your paying client and your direct viewer are not necessary the same people. For example, children can be your viewers, and their parents will be your paying clients.

Your capability of getting to your clients and the level of costs.

Estimate the costs, which is required for accessing your potential clients. Your advertising and your communication should reach your audience. Do you have the resources? We'll talk about marketing channels in more detail further.

Preferred OTT playback devices of your clients

Which devices are most common and widespread among your target users? Such information will save you much money and efforts for the development and will let you prioritize playback platforms. The image below illustrates statistics of OTT device penetration in the US households in 2017. You may plan your OTT platform strategy proceeding from this information, keeping in mind that in other regions such statistic data may vary. We'll talk about playback platforms in more detail further.

Connected home device penetration among US Wi-Fi households
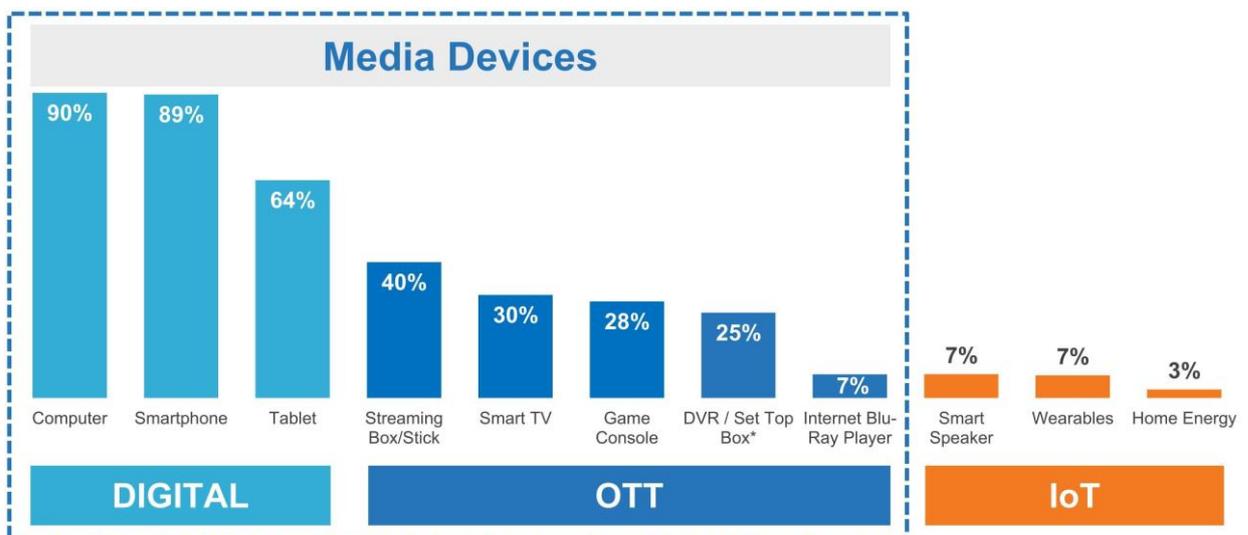
Source: comScore Connected Home, US, April 2017

Selection of alternative TV services at the market

It is very possible that the audience chosen by you is also popular among your competitors. Your competitors could be strong telecom companies with strong financial resources. Do you have an opportunity to compete with them?

2. Choose Content Genres

You can choose different strategies of working with content genres.

General profile

Your first strategy should be not to stick with just one subject in your service. Adding all genres to your OTT service: news, sport, movies, music. This will give you maximum audience coverage. However, be aware that the competition (and, therefore, costs) in this segment is big. You should compete with local and international TV operators, who possess the extensive list of content and huge resources on purchase of media rights. In some cases, they may possess exclusive rights for popular content in your region, and you will have to choose the alternative.

Niche strategy

Your Second strategy is choosing one or several content niches in which you specialize. For example, you stream sports content or music videos only. Undoubtedly, at the early stage of your business, your service will have less coverage than normal services. However, there are certain benefits of this kind of strategy that you should know.

These are some of the following benefits:

- Reducing content purchase costs considerably.

- Earning audience loyalty. For example, if you position yourself as a streamer of sports content, you will win more interest and loyalty of sports fans.

- Offering unique content. Such content, which isn't offered by operators of a general profile.

- Offering special extra features for certain content fans. Such features which are not offered by operators of a general profile. For example, a betting service for sports content or audio online store for musical content.

What niches can you choose for OTT service? There can be several types:

- By content genres: sport, music, movies.

- By age or gender: content for children, content for women/men.

- National content: TV for ethnic groups, including immigrants (e.g. TV for Russians in Europe, TV for Chinese in the USA).

3. Choose The Model Of Content Monetization

There are several major content monetization models:

Live TV subscription

Live streaming of TV channels. As a rule, a list of channels is added into packages, which are provided on a paid subscription. Such model is used by the majority of traditional TV providers (from cable television to IPTV).

The organization of live broadcasting certainly requires high-quality network connection for clients. Perhaps, you will need to invest in CDN (Content Delivery Network) for high-quality delivery of your content.

VOD

VOD stands for "Video on Demand" and is a significantly new model comparing to traditional live TV. With the VOD model, a viewer chooses himself when to watch video content and what to watch.

VoD model could be monetized in several ways:

SVOD – Subscription VOD. This model of monetization assumes payment for a monthly subscription of viewing VOD content.

Example: Netflix

AVOD – Advertising VOD. In this model, you offer free content, however the user should watch the advertising before watching the video (pre-roll), or during it.

Example: Youtube

TVOD – Transaction VOD. The model assumes purchase of each movie separately.

Example: Itunes, Apple Store

Each region has own peculiarities in VOD consuming models. DigitalTV Reseach forecasts the SVOD penetration difference in Western Countries in 2012:

Pay per View

The model is used for payable live broadcasts of single events: sports events, concerts, festivals. Such model is popular for broadcasting of combat sports: MMA, boxing, wrestling.

The diagram below shows the distribution between OTT operator revenues by monetization models:
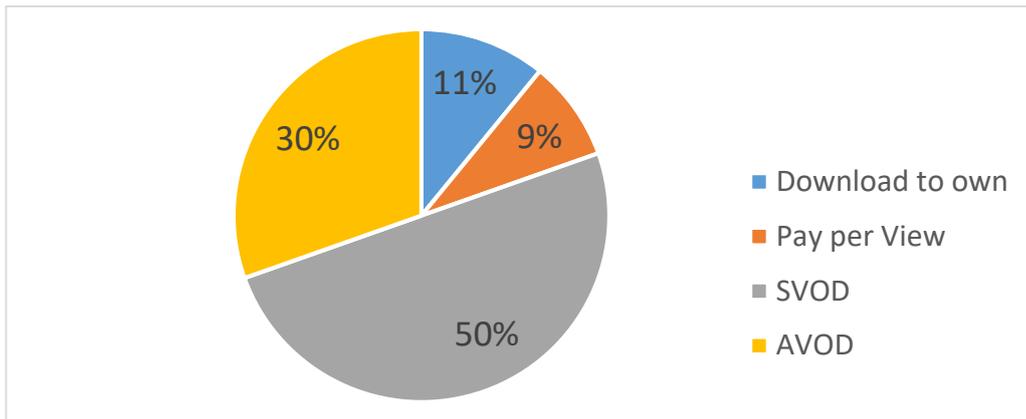
Source: DigitalTV Research, Global Pay TV & OTT Trends

As you can see, now major revenues come from the operators with AVOD and SVOD models. However, it is not obligatory to use only one model of monetization. Most often operators combine several models, analyzing profitability of each model.

4. Choose Client OTT Devices

The choice of end-user devices, on which your content is played, will influence directly to your income. Definitively, the wider range of devices means access to the larger audience. This means larger costs for technical support as well.

Here is the list of the main OTT platforms:

Set-top boxes

Set-top box (STB) is a device that enables a TV set to become a user interface to the Internet and also enables a TV set to receive and decode digital television broadcasts. Using STB is close to the traditional TV watching format. This platform already became a habit for viewers: according to a "Research and Markets" report, the global STB market has already reached 280 million units in 2017, and the agency forecasts that it will grow at a CAGR of 2.84% during the period of 2017-2021.

However, it will require significant initial costs for the purchase of Set-Top Boxes for future subscribers. Usually the price of STBs starts from $40. Such devices as Amazon Fire stick and Google Chromecast also belong in this category.

Smart TV

Smart TVs have already [became popular](#) among current TV viewers. Smart TVs allow watching Internet based TV without using additional devices, therefore you shouldn't buy Set-top boxes for your customers. However, you will need to create the OTT application optimized for Smart TV operating systems. For example, for Samsung TVs it is the Tizen OS application, for LG – the webOS application. Thus, a smart TVs will also allow your audience to enjoy content on the big screen.

Mobile devices

However it's been already several years since the television went beyond one TV-screen. In addition to a classic TV-set, your subscribers can watch your content on the mobile devices: smartphones and tablets. Thus, your service becomes available at any time, in any place. The one thing you will need for that is launching your client application under a certain operating system. The most popular systems are Android and iOS.

Web

You can begin web streaming of your content, making it available on the Internet. It will let subscribers receive content from any devices on which the Internet is available. The variety of platforms can become your main advantage in front of traditional TV providers, as most of them still use only 1-2 platforms. Although your costs for technical support can grow, benefits from accessing larger audience can exceed these costs considerably.

5. Plan Service Functionality

The functionality of your service determines the quality of how users interact with it (user experience). There is a basic set of features, which almost each OTT service has:

Electronic Program Guide

The Electronic Program Guide (EPG) represents a screen menu displaying the schedule of TV programs with a possibility of interactive navigation of content by time, names, channels, genres, etc. with the help of a remote control. Each point of TV program may have a short summary.

Catch up

The technology allows watching telecasts over the Internet after the television program airs. As a rule, TV programs remain available for watching during some time. Thus, a viewer has an opportunity to watch missed programs or review the program he likes.

Time shift

The function allows users watching programs to use "Pause" and "Rewind" features. The possibility of "pausing" live TV programs is provided with a recording of the program on a storage device (the hard drive, the video server, external flash drives in receivers) and subsequent playback with a media player.

Adaptive streaming

Adaptive streaming works by detecting a user's bandwidth and CPU capacity in real time and adjusting the quality of a video stream accordingly. It requires the use of an encoder, which can encode a single source video at multiple bit rates. The client application switches between streaming the different encodings depending on Internet speed. As a result, users get smooth video with no buffering even when the Internet connection is rather slow.

Audio on Demand

Audio on Demand is similar to Video on Demand, and offers audio tracks for listening and downloading.

Multi-Language

Ability to support different languages for user interfaces.

Parental control

Parental control is a feature that allow parents to restrict the access of content to their children.

Favorite channels

Users may choose favorite content by setting bookmarks. The chosen content will become available in the list of favorites.
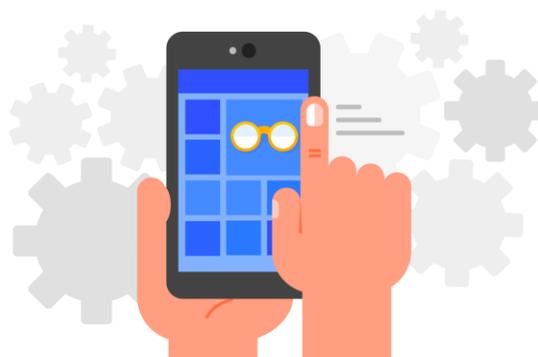
PVR

A function that allows the recording of the video signal and sound in digital format for further playback.

Social networks integration

Users may like, share, comment content in player applications.

6. Consider Your OTT App And Its In-App Conversions

Your OTT application is some kind of book, in which a user opens new pages constantly. In case of the correct elaboration of the user experience (UX), use of the application turns into a mini travel, which brings pleasure to its user. What is really important for you in this travel is maximization of in-app conversion.

In-app conversion allows maximize sales return of your content. In-app conversion is important even when you are using subscription model when the user had already paid for access to the account and doesn't perform any surcharges. In this case, conversion will show popularity of content types and menu items, time spent in the application – all these factors show the level of user engagement and loyalty.

Using analytics to provide engagement and conversion data and tracking progress against clearly-defined conversion goals informs almost everything in your app development cycle:

- Redesigns
- UX changes
- Marketing campaign content

7. Marketing Channels

Social networks

Use promotion in Facebook, Instagram, YouTube, Twitter to reach your potential users.

Partner programs

Sign partner agreements with other services, equipment vendors (STBs, SmartTVs). If you negotiate about putting your application in basic software of TV box, or a TV Smart (at least in one specific region), consider that you have already received the multiple growth of the views of your content.

PPC advertising

In case of right setup of PPC advertising, it may become one of the most effective online promotion channels. At the same time this channel has the detailed analytics that allowing tracking efficiency of your advertising and making necessary changes in your ad campaign.

Your OTT platform

Your OTT service is one of the main instruments of advertising. Development of In-App of conversion is especially important when you use the model other than model of subscriptions. Learn more in "flow" section.

Mailing

Collect email base and send newsletters. It is a good tool that lets you remind regularly about your service, informing about special offers,and updates in you content base. Some popular tools that can

make Email Marketing easier are Mailchimp, Constant Contact, Campaigner, GetResponse, AWeber, Pinpointe, VerticalResponse, etc.

Your OTT platform

Your OTT service is your key instruments of keeping existing and engaging new users. The elaboration of In-app conversions is especially important when you use the model other than subscription model.

Exhibitions

You shouldn't forget about an opportunity of presenting OTT service to consumers at your own stand. There are exhibitions such as CES, CeBIT, IFA, made for presentations of media products and consumer electronics . E.g. services like Netflix regularly make large announcements on such events. You can demonstrate the interface for visitors, give them demo accounts, grant gifts – making everything that you were remembered. Besides, communication with your employees may increase loyalty of your audience.

Print media

In spite of the fact that you may be an online project, you can and should use not only online, but offline marketing channels as well. Though the share of traditional print media steadily decreases, still there is a big mass of the people getting information from newspapers and magazines. Thus you need to analyze each source separately. For example, if you do OTT service for auto enthusiasts, it is quite probable that your target audience reads automobile magazines. This kind of advertising in such magazines will be efficient.

Outdoor advertising: posters, billboards

Outdoor advertising is still efficient, and it is used by many OTT services. You can advertise your service in places that gather lots of people, e.g. on highways or in residential quarters.

TV

The number of households with a TV [grows annually](#), and the television remains the important channel of communication with your audience. However you shouldn't forget about the high cost of such advertising therefore it is important to count its efficiency.

Sponsorship

Sponsorship increases brand recognition and helps to attract new audience. Sponsorship of event which belong to scope of your service is especially effective. You can become a sponsor of extreme sport, combat sports, music festivals.

Referral program

The referral program works – it is an effective instrument of marketing which allows increasing the amount of your audience quickly. The sense of referral program is the provision of bonuses to the current subscribers for attraction of new. Free subscription periods, discounts, or cash bonuses can serve as bonuses.

Do not forget about analytics

When choosing communication channels with clients do not forget about the main thing – analytics and ROI.