

OTT – An Acronym That You Should Remember

LJUBLJANA, 5 September 2017

In the last three months, venture capital funds have warmed up to the new television and video platforms also known as the OTT. Samba TV, Conviva, FuboTV, TubiTV and Mux have brought together as much as \$150 million of fresh capital, proving the arrival of the next wave of innovation in the field of digital media and video consumption.

Igor Mali, COO, iPROM

OTT (Over-the-top) concept is actually nothing new. The term is most often used to describe the transfer of content, predominantly television content provided over the internet, where the user does not have to pay for traditional (IP, cable or satellite) subscriptions as these can be replaced by subscriptions to online video streaming services.

There are a number of factors that have created a favourable ecosystem for OTT services to flourish. On one hand, of course, there is the technology – without broadband there would be no streaming video services. The habits of younger generations of consumers who do not want to follow the linear television program but want to choose what and when to watch also helped. You might say that Video on Demand (VOD) has been present for a long time now. True, but OTT goes far beyond VOD as it builds an ecosystem in which all parties (content providers, advertisers and, of course, users) win. Each side has its own goals, plans and desires that overlap in several points, so the ecosystem also works great in practice. It comes as no surprise that several technology and web giants such as Google (Alphabet), Amazon, Apple, Facebook, Netflix and others are getting on board with OTT.

So, are traditional TV and content providers at risk? Probably not, at least not in the short or medium term. Today, both in Slovenia and the rest of the world, television and television programs are provided to households by the same companies that deliver

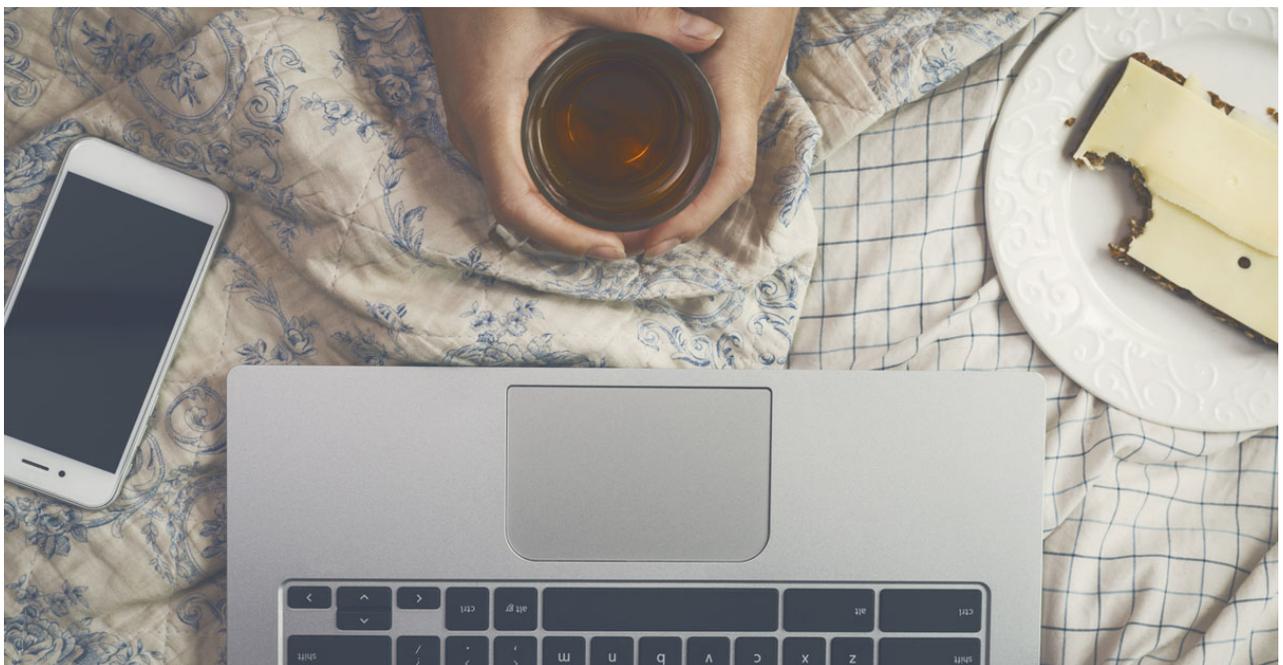
their web connectivity. OTT is, in its essence, an evolution of traditional television broadcasting, with the key difference being its goal oriented approach where it uses the logic and elements of the internet to cater advertising needs.



»Bestseller« for generations X, Y and Z

In a survey conducted last year by iPROM and Valicon we learned that television actively promotes the use of the internet; especially among youngsters. While watching television, 71 percent of all users use the internet too: 36 percent use social networks, a quarter of them surf the web and do their email correspondence. For people under the age of 40 OTT is a big thing as it is more important for them to enjoy television content immediately and practically anywhere. Therefore, they do not limit themselves to the television set in the living room, but also watch their favourite series, TV shows and movies on laptops, tablets and phones – without any hesitation. Wherever and whenever they feel like it. And this is precisely the power of the OTT, which is slowly starting to take over the role of linear television and not just with streaming video services. Some OTT service providers are serious about competing with live events, which until recently were the domain of traditional television stations.

It got picked up too, there's no doubt about it. OTT is on the rise worldwide; at the end of last year 70% of US households have regularly used at least one OTT service. The transition to OTT is happening almost everywhere, including in Slovenia, and in a similar way: it starts with people who do not want to wait for a specific hour of the day to enjoy their favourite series or TV show but watch it when the time allows. Then video on demand and the function of delayed play shine – and are used by about half of Slovenian households already.



This year is a great indicator of trends in OTT. But what awaits us in the future?

Cutting traditional TV subscriptions

Cord cutting (as the Americans call it) is certainly a thing and will continue to grow in the coming year as well. More so in developed markets where experts expect the linear television to simply »crash« in the future. A quarter of households in the US, for example, have already given up traditional TV subscriptions. The Statista estimates that in 2019 only 96.4 million households will still use traditional television subscriptions. Users move quickly to OTT platforms as they enable them more flexible access to their favourite content.

Live streaming

Since the »bug guys« of the streaming video services, including Netflix, Hulu, Amazon, CBS and HBO, started live streaming events such as the Olympic Games and important league games in the US and invested in their own production of content traditional TV has nothing to look forward to. Concerts, competitions of all sorts, TV shows, and various live broadcasts are the types of content that delivers fast growing numbers among OTT users. Besides users' created content (live streams via YouTube, Facebook, etc.), of course.

New dimensions videos

OTT has also the most modern and upcoming video content to look forward to, such as augmented reality (AR), virtual reality (VR) and 360-degree video clips. Their distribution will surely be based on the OTT platforms. Given the genuine experience that these contents and technologies offer, where the consumer literally lives in the surroundings or the virtual world, I believe that they will stay around and thrive. Especially in the form of games and shorter video content.



Original content is important

Streaming platforms compete with each other which will give viewers more genuine and in part local content. Competition in originality of the content is important – the one that delivers the most desired TV shows, movies and series has a clear advantage. Netflix, thanks to its own original production, picked up several Emmys and convinced millions of subscribers; its quarterly revenue exceeds \$2 billion. Last year the company created about 600 hours of its own content and this year intends to surpass it with over thousands hours of original series and movies. Surely, the originality of the content is not to be underestimated.

Hybrid Platforms

I will use Netflix for the next example as well as it has an exemplary connection between digital video content and product sales. The company still owns a DVD store and is making well from it. An even bigger master of sales is Amazon who can sell its viewers through the television program virtually whatever it desires... In terms of promoting sales OTT is currently at the point where online shops were a decade ago. The recipe for success is obvious. As soon as advertisers find out how good a medium OTT actually is, a new wave will be triggered. These new platforms will also prevail in the mobile and virtual (VR) worlds and will allow advertisers to easily and efficiently target well-defined groups or even individual consumers across various channels. Netflix and its competitors are already making great money and the profit from advertising via OTT platforms is expected to double in 2020.

Why will OTT succeed for sure? Because it delivers what users want – ease of use and choice combined with a large amount of smart user data that is needed by service providers and content creators for advanced monetization. But more about this some other time. Long live OTT!

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About iPROM

iPROM specializes in planning and running advertising campaigns in digital media. The tools we create are used across the industry by advertisers, direct marketers and web publishers and help them plan, execute and analyze their digital marketing activities. They are designed to increase the effectiveness of these activities as well as to make the complex world of web advertising a little simpler for our customers, justifying their investments with outstanding returns.

In a data-driven world, ad-serving efficiency is very important. Using media properties, data analytics, in-depth research and the smartest technology available, we enable marketers to deliver the right message to the right person at the right time, every time. With our tools for ultra-precise targeted audience segmentation, effective planning and proficient execution, companies are equipped to build better brands, more successful operations and stronger customer relationships.