

What's New?

5G-powered features, interactive viewing,
and the first wave of Covid-19 ramifications

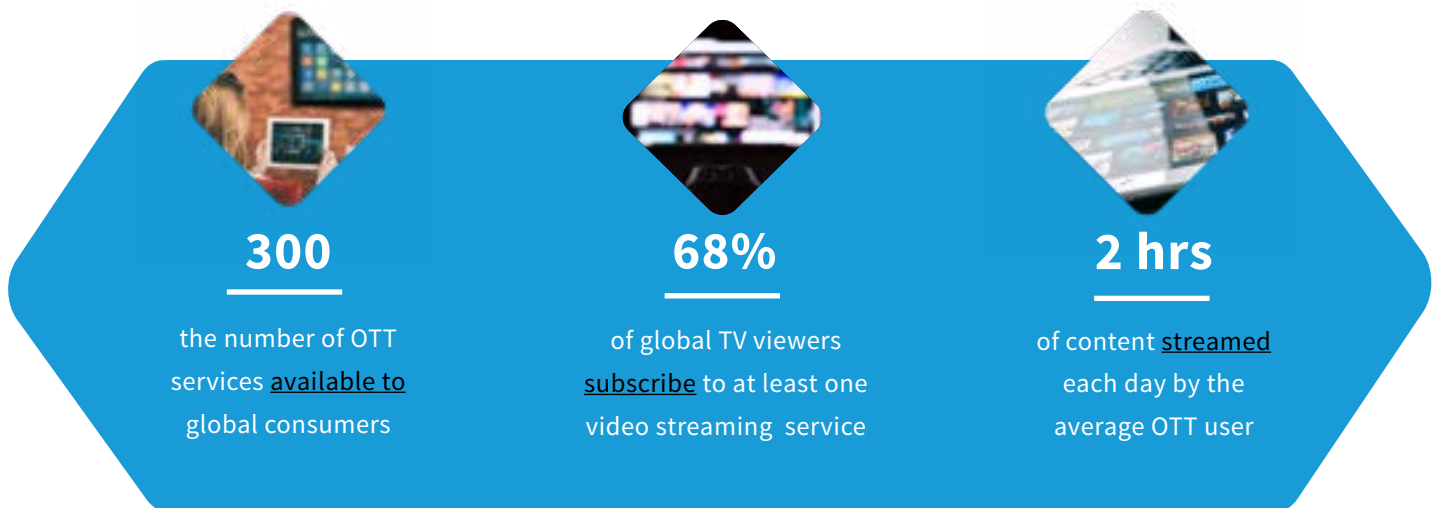


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The TV and video entertainment market is evolving at a tremendous pace. Users have access to an abundance of services and video content, as more networks and studios are starting to launch their own direct-to-consumer offerings. Overall, OTT viewership is rising but competition is fierce and consumer confusion is mounting. What service (or combination of services) best suits my needs? How can I access the content I want to watch? What is the difference between the ever-growing number of different video streaming offerings?

In this increasingly crowded landscape, the onus is on OTT providers to continuously evolve their services, always keeping the end-user experience in mind. Staying relevant and compelling often requires significant and continued investments in both new technology and business processes. And in order for these to be successful, you ought to pay close attention to current trends and developments in the market.



State of the OTT market

According to [recent reports](#), the global OTT streaming industry is forecast to grow by an annual growth rate (CAGR) of 55% in 2020, amassing a total of \$161.37 billion in revenue by the end of this year. The upward trajectory is primarily driven by the Covid-19 pandemic, as periods of extensive lock-down have led to an increase in subscriptions to OTT streaming services. At the same time, other research points towards a growing frustration among consumers who are no longer as willing to pay for and manage multiple subscriptions in order to access the content they are after. Figures show that users subscribe to an average of three video streaming services but at the same time, [64% of customers](#) would consider downgrading or terminating a current offering in place for something new.

As the video streaming industry continues to evolve, a steady stream of trends and market developments are impacting its future course. Let us take a look at some of the key market drivers that are currently shaping where we're heading.

Trend #1 The Uptake of 5G-Powered Features

The excitement around 5G has been building for quite some time. It is clear that the technology will have a significant impact on the video streaming industry, as improved bandwidth and lower latency can help streamline on-the-go viewing experiences. With this in mind, it is possible that the issue of poor connectivity has prevented (or delayed) the uptake of interactive features and technologies in the past. For example, the use of augmented reality has been relatively limited within broadcasting, as extensive buffering times have made it difficult to consume on-the-go. The roll-out of 5G will definitely solve these challenges and open up a wealth of opportunities to present customers with added-value content and interactive user experiences.



What does this mean for video service providers?

At the same time, it is important to remember that consumers will only enjoy (and reuse) features that truly enhance the viewing experience. If it fails at adding value, a feature can quickly become a gimmick – and gimmicks can be expensive if a company has invested heavily in the technology. Video service providers should, therefore, start by evaluating what content and features they are hoping to offer – then move on to identify where interactive technologies fit in that equation.

The most obvious contenders for 5G-powered features are virtual reality (VR) and augmented reality (AR). In fact, the majority of AR functionalities were originally developed for on-the-go consumption but up until now, their uptake among a wider audience has been limited by poor connectivity (in combination with the lack of fashionable wearable devices). Augmented reality allows video providers to supplement the viewing experience with value-added data and content through a second device. It is a great way of giving the viewer control over what they see and create a more immersive, lean-in environment.

Trend #2 Challenges (and Opportunities) for AVOD models



According to [Digital TV Research](#), global Advertising Video On Demand (AVOD) revenue will reach \$56 billion by 2024. The rise of ad-funded video services is closely connected to the emergence of sophisticated technology that enables providers to better personalize and monetize their advertising. It's now possible to deliver ads that are specifically targeted to individual viewers, ultimately improving the user experience and hence also users' willingness to subscribe to AVOD services.

At the same time, the COVID-19 pandemic has put a strain on the AVOD market. While periods of extensive lockdowns have led to an increase in viewership overall, some AVOD providers have experienced a decline in advertising revenue, especially from badly affected sectors such as travel and hospitality. The situation is not unique to OTT services; [according to reports](#), global ad spend is forecasted to decline by 8.1% this year, as economic uncertainty has led to budget cuts across a range of usually high-spending sectors. For AVOD services, the effect might be somewhat softened by the fact that more customers gravitate towards "free" ad-funded content as their financial security decreases.

What does this mean for video service providers?

Providing a good AVOD experience is all about investing in the right set of technology. It's now possible to deliver advertising which is much more targeted to the individual viewer, their needs, and preferences. This does not only result in a better user experience but also increases the value from an advertiser perspective, given that the conversion rate of targeted ads is likely to be higher than previous, mass-audience alternatives. The trick is to provide viewers with an ad experience that is as seamless as the rest of the service's interface, bearing in mind that a lot of users have grown up in a world where VOD services have enabled them to watch TV without the interference of commercial breaks.

In order to ensure an ad experience that feels native and seamless to the environment, AVOD providers need to host a library of dynamic ad assets that work seamlessly across different platforms and devices. This means minimal to no buffering, ads that are frame-accurate, and an experience that feels consistent across all different touchpoints. AVOD providers need to provide the framework necessary to set their advertisers up for maximum success while also providing a user experience that is smooth enough to minimize the risk of churn.



Trend #3 The Rise of Interactive Viewing

Covid-19 has led to surges in OTT consumption but it has also increased the demand for interactive and social viewing experiences. Extensive periods of lockdowns and social isolation mean that customers are searching for alternative ways to spend quality time with peers. Netflix launched its 'Netflix Party' extension early on during the pandemic, allowing users to sync the playback of videos across accounts in order to watch series and films with friends. The extension also incorporates a text chat function so that viewers can interact with one another in a virtual, real-time environment.

An increasing number of users are keen to interact with not only each other, but also the video services themselves. This is particularly true for sports broadcasters, where value-added content has become more important than ever since the Covid-19 outbreak. In times when many large sporting events and leagues have been either postponed or canceled, content owners have had to find alternative routes to keeping viewers engaged. One way of doing this is to provide an experience that allows users to actively interact with the content.

What does this mean for video service providers?

The potential of providing users with an interactive experience requires an investment in both technology and business innovation. New technologies like VR, AR, and AI all offer a wealth of opportunities to create an interactive environment for customers but they need to be seamlessly integrated into the video experience in order to add real value. [The rise](#) in second-screen viewing means that many users have access to additional devices, such as tablets, phones, and laptops, while watching either digital video or TV. This opens up opportunities to supplement the viewing experience with various forms of interactive content, such as on-screen graphics, trivia, live commentary, and statistics.

Developments in conversational AI have also unlocked the ability to directly communicate with users, either through chatbots or integrations with voice-based interfaces. Last year, the [BBC launched](#) an interactive sci-fi/comedy series called The Inspection Chamber, allowing audiences to directly influence the story using voice commands through integrations with Google Assistant or Amazon Alexa. As these kinds of technologies continue to evolve, customers will increasingly come to expect video services to provide some form of interactivity as part of their offer.



Trend #4 Content Aggregation Continues to be King

As the number of video streaming services rises, customers have grown increasingly frustrated with having to search through multiple offerings in the hunt for the content they'd like to watch. [Studies show](#) that 36% of users think that it's getting too expensive to subscribe to multiple video services, and another 28% are annoyed with needing many subscriptions to access the content they want. At the same time, customers are often not that loyal to the services they have; while [the majority](#) (76%) are happy with their current selection of video services, many would consider downgrading or terminating a current offering in place for something new.

This puts pressure on video service providers to deliver a wide range of content that caters to different customer types, moods, and needs. In a recent study conducted by Accedo, 52% of global OTT businesses think that their content catalog is what primarily sets them apart from competitors. This goes to show that content remains king and offering the right mix of it is crucial in delivering an attractive service.

What does this mean for video service providers?

An increasing number of OTT providers have opted to become content aggregators, often through strategic partnerships with other players from across the video service ecosystem. We are also seeing large SVOD players, like Amazon Prime, offering live streaming and other premium content through pay-per-transaction models. Customers can either pay to rent (or buy) individual films or series, alternatively subscribe to entire third-party premium networks or streaming entertainment channels. The result is a broad content catalog (which tends to attract a large number of users) but also an extra income stream through a partially transaction-based set-up.

At the same time, it is important to remember that while content might be king, user experience is a significant piece of the puzzle. It doesn't matter how great your content catalog is if users are having a difficult time finding what they are after. For content aggregators, creating a seamless UX that is easy to understand and navigate is more important than ever. It is crucial that users can easily find what they're searching but also that there's a clear distinction between content included in the base subscription versus that for purchase on a pay-per-view basis.



What's Next for the Video Service Industry?

In this rapidly changing and increasingly crowded market, it is easy to believe that OTT penetration is about to reach an ultimate peak. However, this is far from true and a lot of industry growth currently comes from emerging markets. In more mature regions, the revenue growth from OTT services does not yet outweigh the decline in traditional TV revenues so the onus is on streaming providers to keep improving their offerings. The Covid-19 pandemic has created some challenges for the industry but it has also augmented the focus on business innovation.

The outlook for OTT has never looked more interesting, and the changing dynamics on both a global and local level will create interesting market conditions in the months (and years) to come.

2004

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About Accedo

Accedo helps the world's leading video service providers deliver and grow engaging video experiences. Over the past 15+ years, we have developed a deep understanding of the video service ecosystem that helps us deliver scalable solutions for clients of all shapes and sizes.

We provide a combination of the products and services needed to support our customers at every stage of the video business journey, from strategy and conception through to delivery and post-launch optimization. We help clients stay at the forefront of innovation by leveraging new technologies and business insights to gain and maintain a competitive edge. Accedo was founded in 2004 and today has over 450 employees in 16 offices across the world. Clients include global organizations such as NBC Universal, Deutsche Telekom, Telefónica, Showtime, CNN, Tata Sky, and TVNZ.