



It's About Time You Launched Your Over-the- Top Service.

Executive Summary

Today's viewers are demanding more online content to consume on their mobile devices. They expect content to follow them instead of having to find the content themselves. With the power of one video-streaming solution from Verizon Digital Media Services, emerging content providers can quickly launch their over-the-top service and focus on differentiating themselves from the competitors.

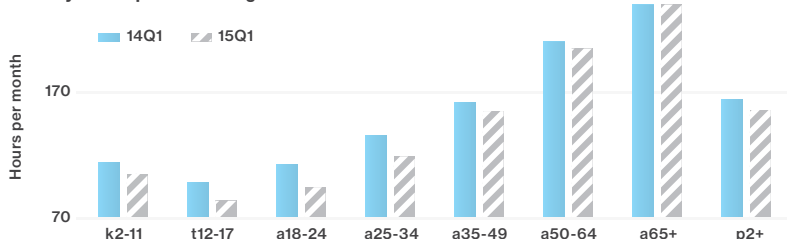
Content

Consumers Want More OTT Service Choices.	3
Setting Your OTT Service Up for Success	4
Content	4
User Experience	5
Consumer Proposition	6
Verizon: The Path to Your OTT Service's Success	7
From DVD to Streaming in 60 Days	7
Watch Apps Take Disney to Where the Kids Are.	8
Reference	9

Consumers Want More OTT Service Choices

The headlines are full of stories about how ratings are falling for TV shows and channels. For example, the “big four” 24-hour news channels lost 5 percent of their daily viewers and 4 percent of their primetime viewers in 2014.¹ At the same time, there are reports of some shows and channels receiving their highest audiences ever. AMC’s “The Walking Dead” shattered viewing records for the winter 2014 finale, attracting 14.8 million viewers.² If viewership for your show or channel is lower, is it just you or is it part of a broader industry trend?

Monthly Time Spent Watching Traditional TV



Source: Nielsen Reports, nScreenMedia calculation

If your audience skews to a younger generation, then losing viewers may not be your fault at all. According to Nielsen, the amount of time spent watching traditional TV is down in every age group except for those over the age of 65. Young millennials are particularly shifting away from TV viewing. These 18 to 24 year olds watched 19 percent less traditional TV in the first quarter of 2015 than a year earlier, and teens watched 17 percent less.³

A good proportion of this viewing is migrating online to subscription video on-demand (SVOD) services.

Over 65 million Netflix subscribers are watching content on the service for an average of **2 hours a day.**⁴

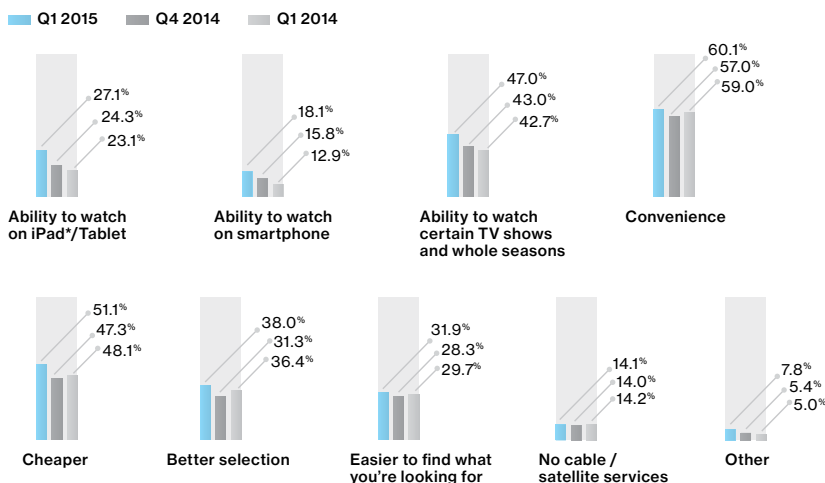
Hulu’s 8 million subscribers watch for **4 hours a week.**⁵

Amazon’s subscribers for slightly less at **3.5 hours a week.**⁵

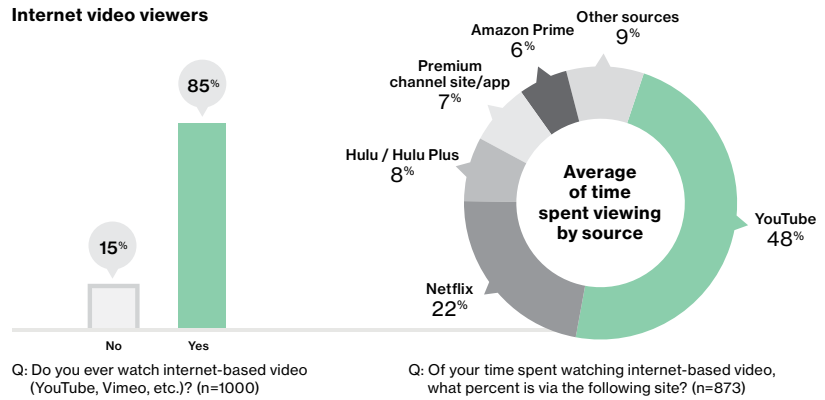
Are these young millennials moving away from linear to on-demand viewing via a DVR? Unfortunately, that does not appear to be the case. Nielsen reports that time-shifted viewing actually fell in Q1 2015 versus the same quarter in 2014 for viewers between 12 and 34 years old. And in the age groups where time-shifted viewing increased, it didn’t come close to compensating for the overall drop in TV watching.

Why Use OTT Services

Why do you use these 3rd party rental and/or monthly subscription services such as Amazon Prime Instant Video, iTunes, Netflix, Vudu, CinemaNow, Blockbuster, Redbox, YouTube? (choose all that apply)



What is it about SVOD services that fascinates viewers? Surprisingly, it isn't lower cost that is the overriding factor, it's about time. 60 percent of online video viewers cite convenience as a primary reason they watch online, while 51 percent cite cost.⁶ Viewers appreciate that SVOD services conveniently fit around their busy lifestyles.



Source: nScreenMedia, 2014

The vast majority of online video consumption, however, is accruing to just a few video services. 74 percent of the average online video viewer's time is occupied by YouTube, Netflix, Hulu and Amazon Prime. These sites only cover a very narrow set of content types. Under-represented in the online TV diet is some of the most popular premium cable content, including: news, home improvement, cooking, science and nature.

This means there is still plenty of opportunity for your content to find a ready audience online. And if you already have a strong presence on TV, your audience will expect you to be available online too. It's about time that you took your share of the OTT market!

Setting Your OTT Service Up for Success

Traditionally, linear TV channels were the only way that everyone could watch their entertainment. But OTT doesn't follow the same rules as traditional TV. In fact, many younger generations have never even watched linear TV. Their entire experience of video is on-demand through an iPad or iPhone. Among millennials, the ubiquitous smartphone often does double duty as the TV. 55 percent of millennials say they use it to watch video, while 43 percent of 35-49 year olds say this.⁷

One thing is clear: OTT video doesn't play by the same rules as TV. In the following sections, we will highlight the primary differences between the traditional TV approach, and how OTT has disrupted overall TV trends.

Content

Traditional TV Service	OTT Service
Linear first	On-demand first
22-/44-minute TV episodes, 120-minute movie	Content length to match screen and content needs
Limited content usage data	Data-rich analytics

Linear channels have anchored the TV experience for decades, but online services are anchored by on-demand access. This means shows no longer have to fit neatly into a broadcast schedule and can be sized to fit the story or the needs of a particular device. For example, targeting short-form videos to consumers on smartphones could be a smart move. 51 percent of smartphone owners say they stream short news and weather videos on their device, while 26 percent say they stream movies and TV.⁸

Your OTT video service will also have to support new viewing behaviors. Nearly three quarters of TiVo users say they binge view entire seasons of a show, and that they do this mostly alone.⁹ This illustrates another profound change in viewing behavior: the move away from communal viewing.

That's not to say everything will be on-demand online. If your content includes sports and live events like the Oscars, you still need to provide those events live online. However, unlike a traditional broadcast, the live event will be streamed uniquely to each individual watching it. This is an opportunity for personalization of the experience with targeted ads and bonus content.

While Nielsen viewing data has powered the television industry with its panel-based reporting, online delivery provides specific information about every aspect of the content-consumption process. Successful online video services are using this data to inform every aspect of their business, from capturing customers to content creation.



Tablets and smartphones

have reset consumer expectations of the user interface. Clunky set-top box grid guides have been replaced by apps sporting graphics, data-rich swipe-and-search experiences and heavy personalization.

These apps sit at the forefront of innovation for online media services.

User Experience

Traditional TV Service	OTT Service
Consumer comes to the content	Content comes to the consumer
Grid guide	Immersive, media rich, live apps
Slow set-top box updates	Fast multi-device updates

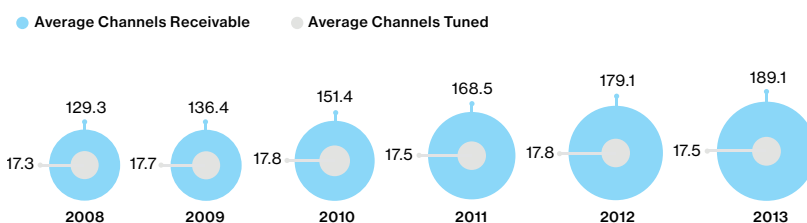
The old model of viewers watching something only when it aired is most assuredly over. Viewers expect the content to follow them to the device of their choice so that it can be consumed at the time of their choice.

Unlike the familiar set-top box guide, which often required months and years to acquire a new feature, apps can be updated on a daily, even hourly basis. And since the apps are running on smartphones and tablets, which are primarily used by one person, the experience can be uniquely personalized to that user.

Consumer Proposition

Traditional TV Service	OTT Service
Big bundles of channels	Genre-based bundles of videos
Pay for what you get	Pay for what you want
Subscriptions with long contracts	Monthly subscriptions, no lock-in

The pay-TV model of aggregating a large number of TV channels and offering them in big bundles has been an effective distribution mechanism for content providers. As the available number of channels grew, pay TV represented a simple proposition for consumers: more channels equaled more value. Over the years, however, pay-TV costs have consistently risen faster than inflation while the number of channels consumed remains stuck at just 17. That means the consumer value proposition has been declining for some time.



Source: Nielsen

With almost as many broadband as pay-TV homes in the U.S., the internet and broadband offer a better way for you to deliver your content direct to consumer.

And with 77 percent of U.S. adults eager to assemble their own content bundles, your audience is ready to meet you there.¹⁰

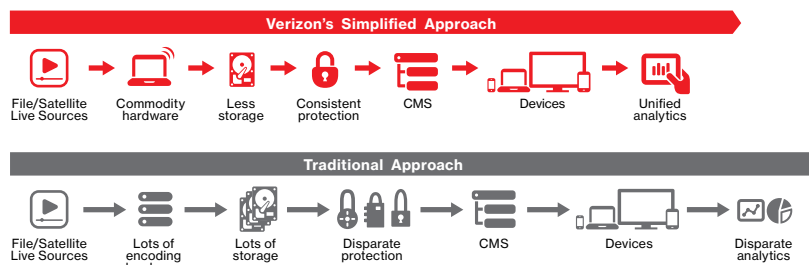
The formula for success with OTT delivery is very different from traditional pay TV. To pay for the home set-top box and installation necessary to deliver TV service, pay-TV operators have to lock consumers into long contracts. Online, however, the customer brings their own device, and there is no installation charge, so long contracts are not needed. Your OTT video service can be very successful with just a month commitment, as evidenced by Netflix with its 66 million subscribers.

There are also opportunities to leverage other monetization models in your content offering. For example, Hulu's 10 million subscribers illustrate how the traditional dual revenue model, combining advertising with subscriptions, can be successful online. Consumers are also adopting online rentals and purchases of content. U.S. consumers spent \$431 million to buy and \$443 million to rent digital movies and TV shows in the second quarter of 2015.¹¹

Getting your movies, clips and shows to realize their full potential online involves you addressing all of the issues of content, user experience and consumer proposition highlighted here. It's about time you had an online video platform flexible enough to handle it all.

Verizon: The Path to Your OTT Service's Success

Verizon Digital Media Services' next-generation Video Lifecycle Solution transforms your content into exceptional online experiences. The power of one solution gives you the flexibility to address the content types, business models and connected devices you need without the usual complexities of a multi-vendor solution.



The Video Lifecycle Solution gives you the Power of ONE:

- **One format** to encode high-quality live, linear or on-demand video to every device
- **One place** to secure and store all your digital video files
- **One framework** to quickly develop multi-platform apps on mobile, tablet, game consoles and browsers
- **One robust engine** for monetization through advertising, subscriptions and pay per view
- **One set of analytics** that helps you track and improve video performance
- **One digital rights management** offering to protect content on any device
- **One worldwide content delivery network** to stream high-quality video to viewers everywhere



The Power of ONE simplifies and streamlines

the process of launching an OTT or TV Everywhere experience. You can sign one agreement with one SLA and one phone number to call for support. Gone are the days of finger pointing between vendors when a problem arises.

Whether you need to deliver a live video channel to hundreds of thousands of simultaneous viewers, or a few clips and shows to a targeted niche, Verizon is the one partner you will need to deliver an excellent viewer experience.

Complex API integrations and lengthy pre-launch development projects are also a thing of the past. The hard work of assembling an end-to-end solution has already been done. With Verizon, our onboarding team quickly determines your business and creative requirements, and then works quickly to implement them.

From DVD to Streaming in 60 Days

Stepping into the new world of online video can be a scary proposition, particularly if your business is built on the traditional media approach. Beachbody knows this only too well. Its very successful P90X® home fitness system was built on videos delivered by DVD in the mail. However, customers wanted to use their smartphones and tablets to watch the workout videos. The best way to satisfy that need was by streaming over the internet.

Beachbody turned to the Verizon Video Lifecycle Solution to get the video workout library online and available through the P90X website. Verizon encoded the many years-worth of workout videos and integrated the streaming service with the P90X website. Now customers can subscribe online and immediately get access to this rich library of videos. If you need your video service to be available quickly, the power of one can deliver. The P90X project, from initiation to launch, was completed in just 60 days.

Watch Apps Take Disney to Where the Kids Are

Between 2013 and 2014, children between the ages of 2 and 11 cut the amount of traditional TV they watched by 10 percent.¹² This has been a big problem for companies that target young viewers. Viacom, for example, has seen viewership of its channels like Nickelodeon plummet, resulting in a 9 percent decline in revenue in Q2 2015.¹³ Conversely, those companies that anticipated the shift in young viewer behavior have been able to engage with the audience in a new way.

In 2013, Disney realized its audience was increasingly using mobile devices to watch video and turned to Verizon to help reach wireless devices. Disney launched the very popular Watch Apps targeting iPads and iPod Touches, by far the most popular devices with those under age 11. These apps, including Watch Disney and Watch Disney XD, provided a mix of live broadcast channels, games and on-demand assets and were an immediate hit with the intended audience. Using the intuitive touch and swipe interface, children quickly learned to find their favorite characters.

Today, Disney is able to leverage Verizon's Video Lifecycle Solution to instantly update the Watch experience with new features and content to keep users coming back every day. This has helped make the Watch Disney apps among the most popular, with millions of children throughout the U.S. using them every day. Verizon's Video Lifecycle Solution ensures that they receive the exceptional experience they have come to expect from Disney each time they watch.

Verizon's Video Lifecycle Solution helped both companies quickly build a successful online video business. Isn't it about time you let the power of one work for you?



Disney and Beachbody both realized that their audiences were evolving, which meant it was about time for them to expand too.

Reference

- ¹ Rick Kissell, **Fox News Dominates Cable News Ratings in 2014; MSNBC Tumbles**, Huffington Post, Dec 30 2014, http://www.huffingtonpost.com/2014/12/30/fox-news-cable-news-ratings_n_6398220.html (accessed on 7/31/15)
- ² Dominic Patten, **'Walking Dead' Shatters Winter Finales Ratings Record, Thrashes 'Sunday Night Football' Again**, deadline.com, Dec 1 2014, <http://deadline.com/2014/12/the-walking-dead-ratings-season-5-finale-sunday-night-football-1201304308/> (accessed on 5/31/15)
- ³ Colin Dixon, **TV watching falls while streaming media player usage grows 200%**, nScreenMedia, June 23 2015, <http://www.nscreenmedia.com/tv-watching-falls-while-streaming-media-player-usage-grows-200/> (accessed on 7/31/15)
- ⁴ Lara O'Reilly, **Netflix is eating TV's dinner: If it were a TV network it would be at least the fourth biggest in the US**, Business Insider, April 16 2015, <http://www.businessinsider.com/average-daily-netflix-usage-according-to-btfg-research-2015-4> (accessed on 7/31/15)
- ⁵ William Fanelli, **Unsurprising: People Watch Way More Netflix Than Other Streaming Services**, CinemaBlend, January 2015, <http://www.cinemablend.com/television/Unsurprising-People-Watch-Way-More-Netflix-Than-Other-Streaming-Services-69501.html> (accessed on 7/31/15)
- ⁶ Digitalsmiths, **Q1 2015 Video Trends Report**, Q1 2015, p18
- ⁷ Teradata, **Millennials Roundup**, eMarketer, December 2014, p7
- ⁸ VisionCritical, **The Changing TV Experience: Attitudes and Usage Across Multiple Streams**, iab, April 2015, p30
- ⁹ <TiVo reference for bingeing from June 30 2015>
- ¹⁰ Colin Dixon, **Consumers want a la carte TV, but big online bundles likely**, nScreenMedia, May 12 2015, <http://www.nscreenmedia.com/consumers-want-a-la-carte-tv-but-big-online-bundles-likely/> (accessed on 8/8/2015)
- ¹¹ DEG, **U.S. Consumer Spending by Format Q2 2015**, DEG, July 30 2015
- ¹² From various Nielsen Cross-Screen reports, with calculations by Verizon.
- ¹³ Colin Dixon, **Viacom a leading indicator of trouble to come?**, nScreenMedia, Aug 9 2015, <http://www.nscreenmedia.com/viacom-live-tv-viewing-a-leading-indicator-of-trouble-to-come/> (accessed on 8/14/15)

Verizon Digital Media Services' next-generation platform brings together world-class technologies to prepare, deliver and display digital content so viewers can watch and enjoy on their terms. Built on one of the world's largest networks, Verizon Digital Media Services empowers content providers to deliver great viewer experiences for any content on every screen. For more information on Verizon Digital Media Services, please visit VerizonDigitalMedia.com.

©2015 Verizon Digital Media Services

verizon digital media services