



Global Trends of Over the Top (OTT)










Seminar on the OTT TV Service Regulation Framework, 3 May 2016











OTT service is any service delivered through the internet, which covers not only the media contents (e.g. movies, audio) but also communication and lifestyle applications.

What is OTT Service?

- The Over-the-Top (OTT) service is the delivery of services over the internet.
- It can be grouped into **3 main categories**: media contents, communication and applications.

Media Content	
Movies     	TV Shows <ul style="list-style-type: none"> • Live and catch-up episodes     
Music     	Sport     
Video    	

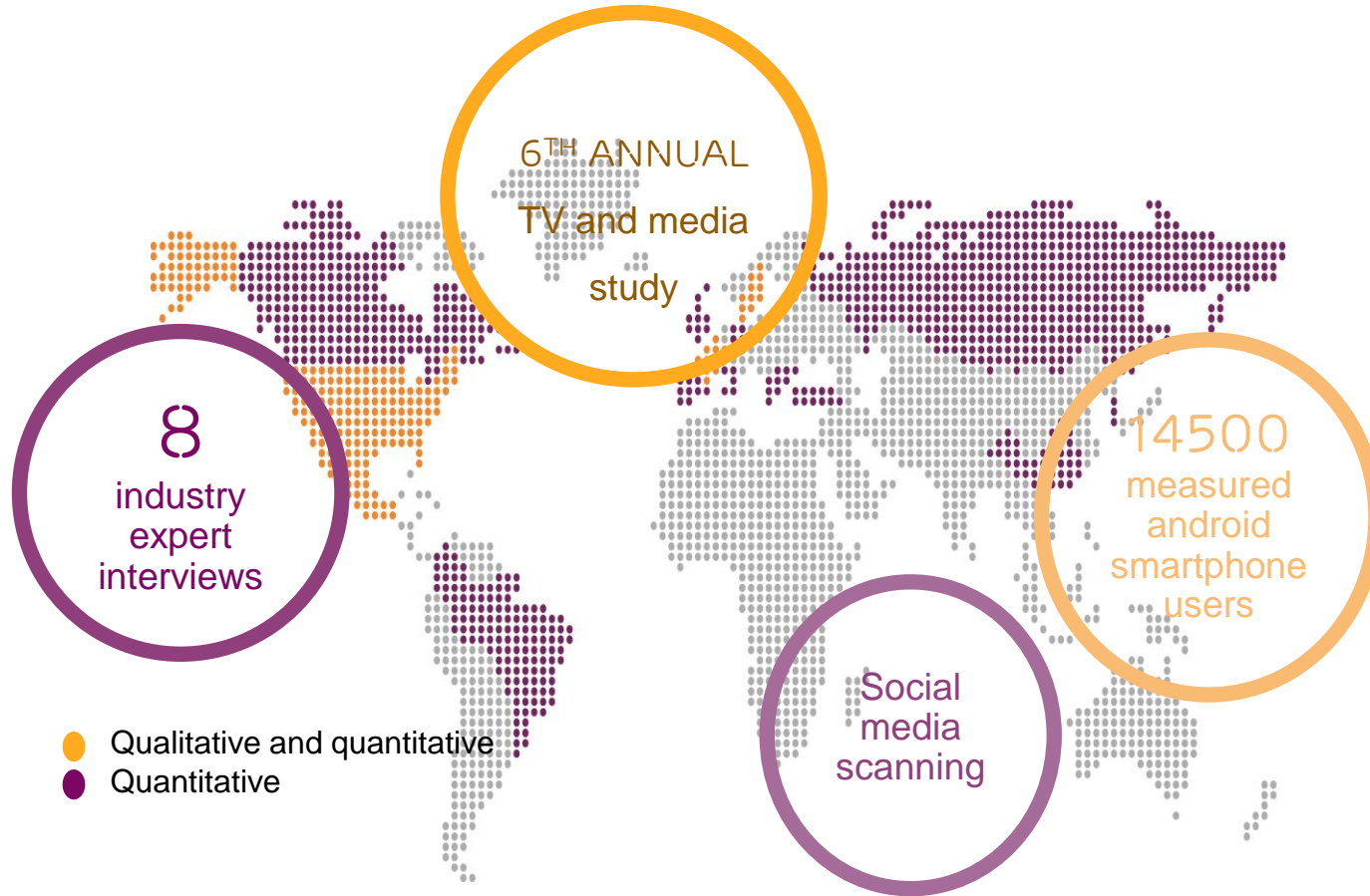
Communication
Social Media     
Instant Message    

Applications
         

ERICSSON CONSUMER LAB ANNUAL RESEARCH

LATEST RELEASED ON SEP 2015

REPRESENTING >680 MILLION CONSUMERS



KEY FINDINGS

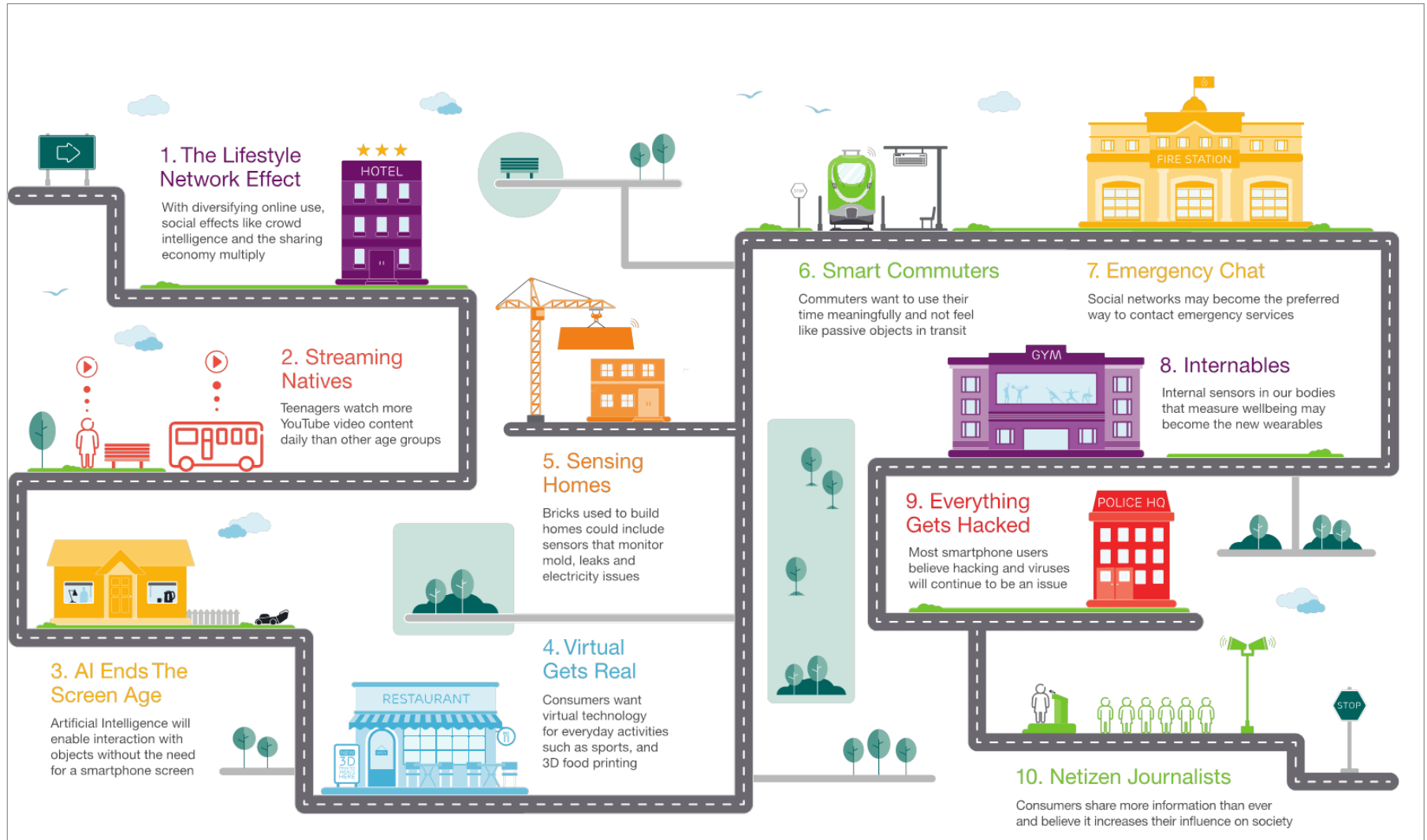
- ✓ Streamed on-demand content is soaring.
- ✓ Binge viewing changes the game.
- ✓ The changing role of recording
 - ✓ Preferred cloud DVR
- ✓ Network impact from video usage
- ✓ Millennials prefer the mobile screen. (Age 35-15)
- ✓ Seniors love their Live News on a TV screen.
- ✓ The difficulty of finding content
 - ✓ Challenges with current Recommendation features
- ✓ 43% of consumers prefer to watch personalized ads based on viewing habits and demographics

Qualitative: 30 in-depth interviews (San Francisco, Mexico City, Paris & Stockholm)

Quantitative: 20 000 online interviews (1000/country) age 16-59 + booster >2500 online interviews age 60-69

Base 20 Markets: Brazil, Canada, China, Colombia, France, Germany, Greece, Ireland, Italy, Mexico, Portugal, Russia, Spain, South Korea, Sweden, Taiwan, Turkey, UK, Ukraine, US

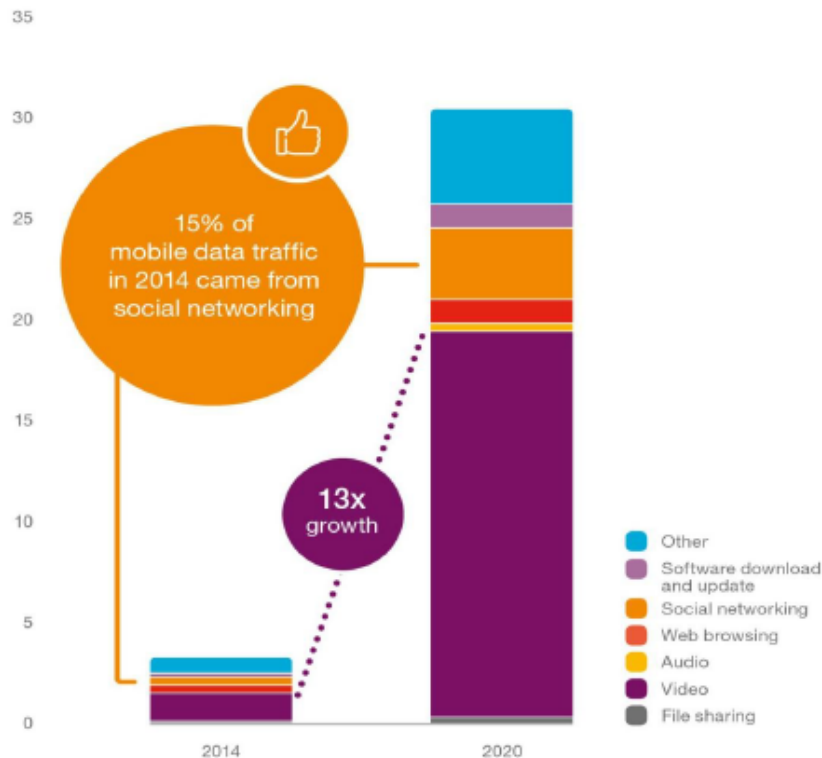
10 Hot Consumer Trends 2016



The video traffic is expected to grow exponentially. 60% of all mobile data traffic will be from video by 2020.

Video Traffic is in High Growth

Mobile data traffic by application type
(monthly ExaBytes)



In 2014, video accounted for around 45% of mobile data traffic

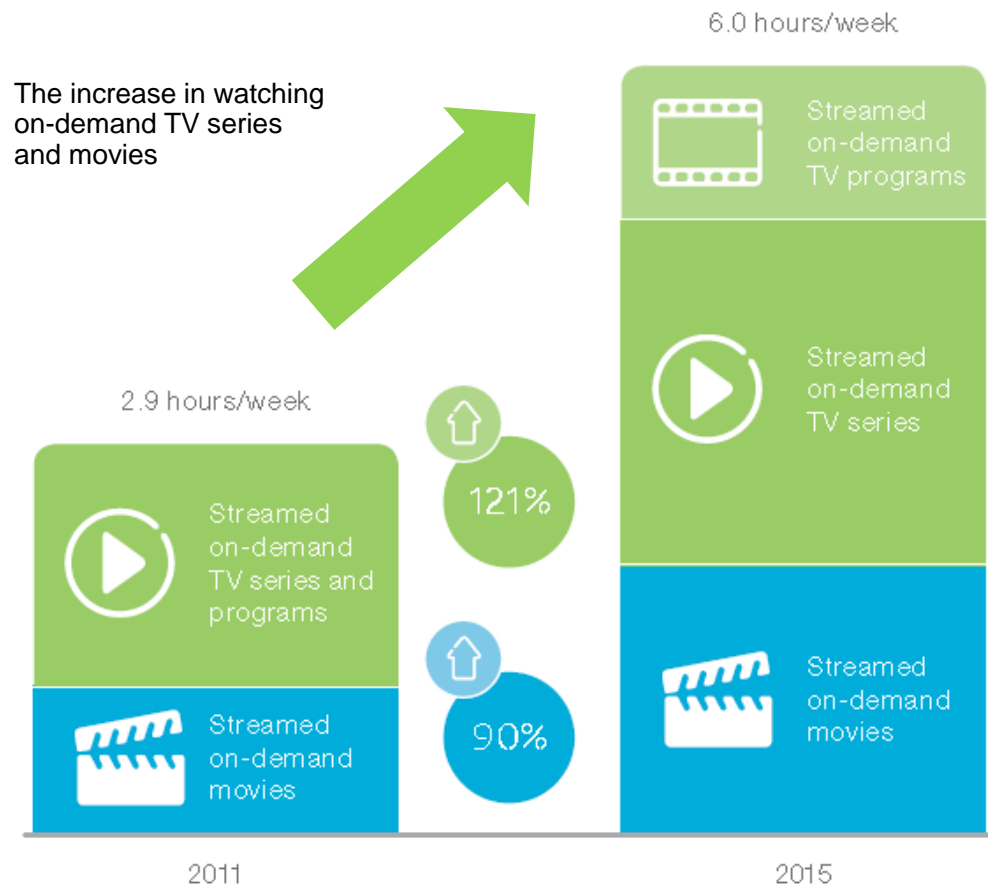
60% of all mobile data traffic will be from video by 2020. It will grow by 55% annually during this period

Share of total mobile traffic (percentage)	2014	2020
Online Video	45%	60%
Social Networking	15%	10%
Web browsing	10%	5%
Audio	2%	2%

Source: Ericsson Consumer Lab 2015

The viewing time of on-demand TV series and movies are double from 2011. It is expected to grow even more in the near future.

Viewing Time on OTT TV



Content viewing is migrating

- TV series and movies make up roughly half of consumers' total viewing time.
- In 2011, people estimated that they spent 2.9 hours per week watching streamed TV series, programs and movies. Now it is 6 hours per week – the viewing has more than doubled
- Emerging content categories are rapidly becoming mainstream. The average time spent watching

“Average time spent on watching streamed on demand long content has increased by 3.1 hours per week”

Source: Ericsson ConsumerLab, TV and Media 2011 and 2015

Due to the success of OTT incumbents Netflix and Hulu, the OTT TV is becoming more popular. As a result, the number of new entrants is rising rapidly in recent years.

The Rise of OTT TV

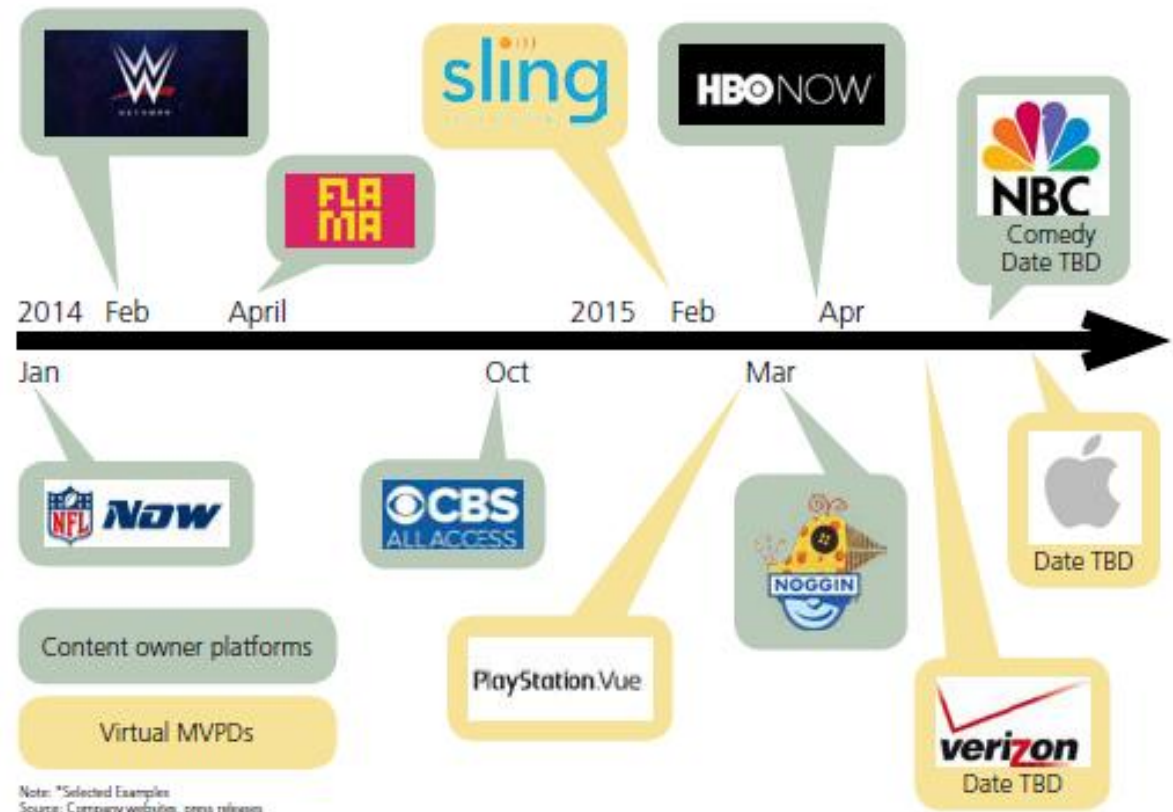
NETFLIX

Market cap grew from \$6.5B to \$27B (~60% CAGR) from January 2013 to 2015; ~54M paying global subscribers.

hulu™

\$1.5B in revenue in 2015; 9M subscribers as of April 2015

Both in terms of subscriber and revenue numbers are growing big very quickly. It attaches significant number of players.

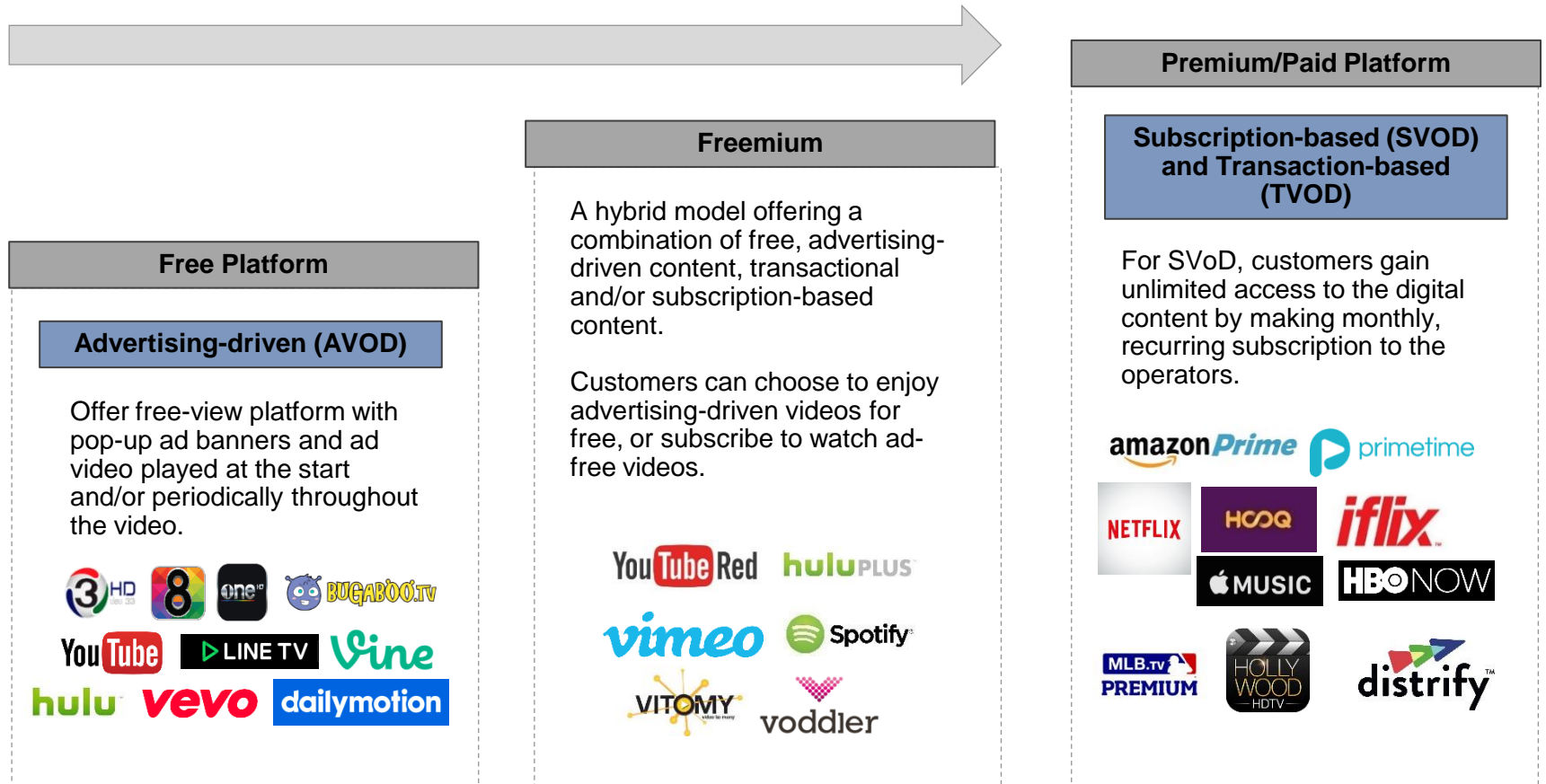


Source: L.E.K. Consulting, June 2015

OTT TV operators monetize in 3 main models advertising, freemium (e.g. in purchase, additional features) and subscription/transaction-based.










OTT TV Monetization Model Overview

More secure and stable revenue stream



Netflix has played an important role in stimulating growth in the US premium OTT. Other platform providers need to change their strategies in order to gain customers.

Video Service Monetization Model of Incumbents in USA
















		TV	Cable TV (TVE)	Satellite	IPTV
1	OTT as a feature				
2	Ad-based				
3	SVOD				
4	Pay per view				

- **OTT services in the US market can be divided in mass and niche service.**
 - **Mass service** targeting **mainstream audience** and competing with premium OTT aggregators- Netflix, Hulu and Amazon.
 - **Niche service** targeting **well-defined audience segment** or fan bases-often providing hard-to-find and unavailable on mass-market platforms
- **Pay-TV operators have turned to TV everywhere, (TVE)** which makes the content people have subscribed to available OTT for subscribers. They aim to defend their existing businesses and to capitalise on growing consumer demand.
- However, **Pay-TV operators mainly use OTT as a feature as their strategy-** it fails to monetize OTT delivery.

Each country has different monetization models which depend on the customer demand. Subscriptions and pay per view model has been mainly used.

Video Service Monetization Model in Other Countries

Platform Providers & Monetization Models

	Provider	Countries
① SVOD	   	 
② Pay per view	    	 
③ Freemium		

- **The UK**
 - **Most advanced market for premium OTT in Europe.**
 - **Willingness to pay** for entertainment content in the UK is high
- **The Netherland**
 - Highly converged market and quad-play is becoming a more important dynamic.
 - Most subscribers have basic pay TV plus OTT.
 - **Few providers will be able to sustain Subscription Video on Demand (SVOD)** due to small market and language barrier for viewer. **Transactional Video on Demand (TVOD)** and advertising-support OTT business models may be more successful → *Freemium model*
- **Japan**
 - Consumers **spend significantly** more time on **User Generated Content** videos.
 - **SVOD service provided by mobile operators have gained traction** and currently increasingly across a range of devices, including smart TVs.

Telecom operators, pay TV operators, cable and IPTV providers are increasingly looking to open up their platforms to OTT providers via partnerships.

OTT Partnership with Telco/IPTV



SoftBank

Netflix has partnered with SoftBank to **launch its video-streaming service** in Japan. SoftBank customers will be able to sign up for Netflix through SoftBank's **channels without having to fill out any payment information**. The **Netflix fee will be added to users' monthly bill** that they receive from SoftBank. (Aug, 2015)



Movistar and HBO have signed an agreement that will **allow Movistar to broadcast HBO's flagship TV series** such as *Game of Thrones*, *Boardwalk Empire* and *Girls* distributed via **Telefonica's online VoD service**. (Jan, 2015)



Bouygues Telecom has reached an agreement with Spotify to include the latter's music streaming service in its higher-end mobile plans. Bouygues customers will **benefit from the popular music service** and Spotify will be able to potentially **access the 10 million subscribers on the Bouygues network**. (Dec, 2014)



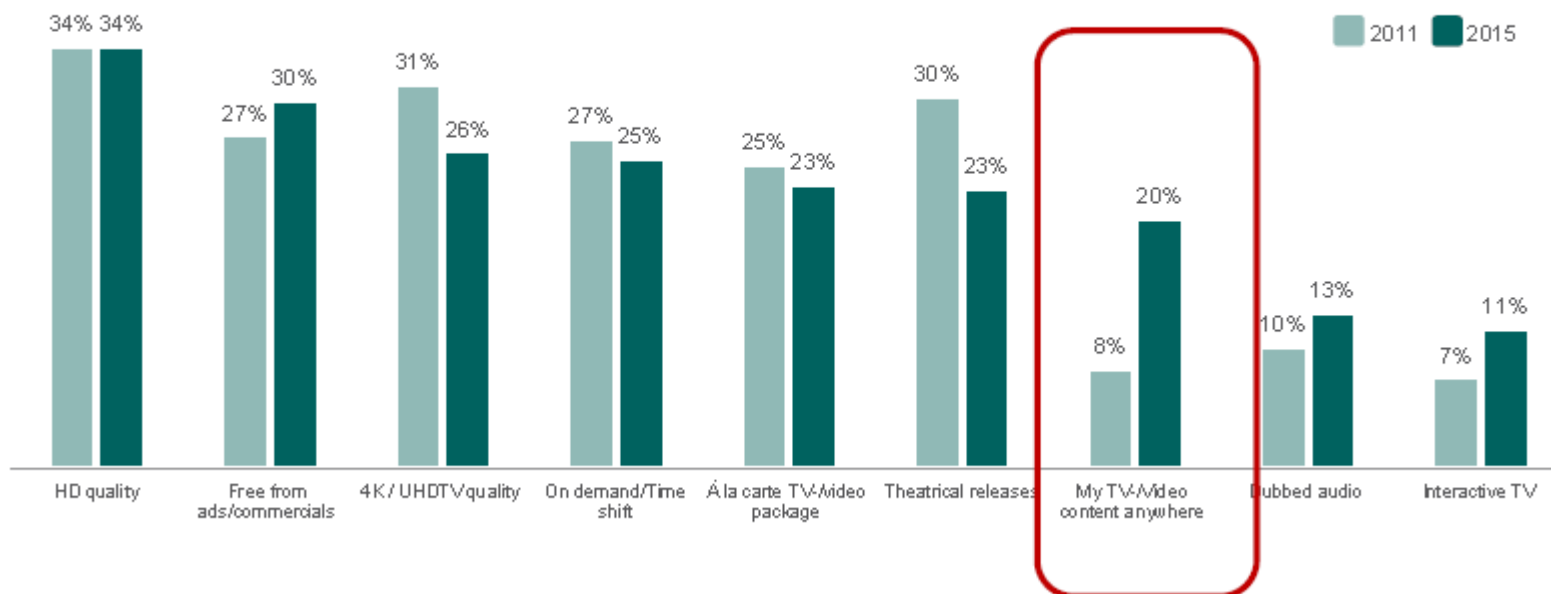
SFR's 4G LTE customers will be **able to access online music from Napster** after the operator signed an exclusive partnership with the US-based company. As a result of the deal, subscribers to the French company's next gen network with Apple and Android devices will have **access to over 20 million songs, both on and offline**. (Sep, 2013)

Source: CNBC (2015), Advanced Television (2015), Telecompaper (2014), European Communication (2013)

Consumers value features such as high video quality, free from advertising, 4K/UHD quality the most. TV Anywhere is catching up to becoming the main reason to pay.

Trend on OTT TV Features

Percentage of consumers that say each TV Media feature is worth paying extra for:

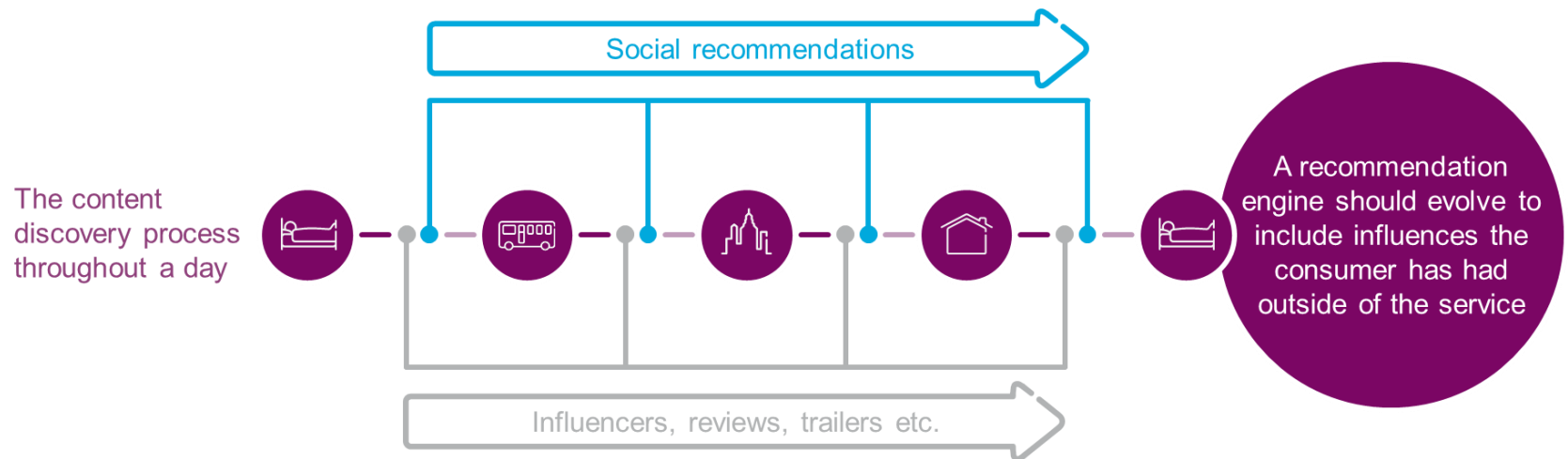


Source: Ericsson Consumer Lab 2015

Today, most consumers receive constant TV and video recommendations from friends, reviews, etc. This means that the challenge is not necessarily just discovering content, but remembering what to look for at the moment of viewing.

DISCOVERING AND REMEMBERING CONTENT

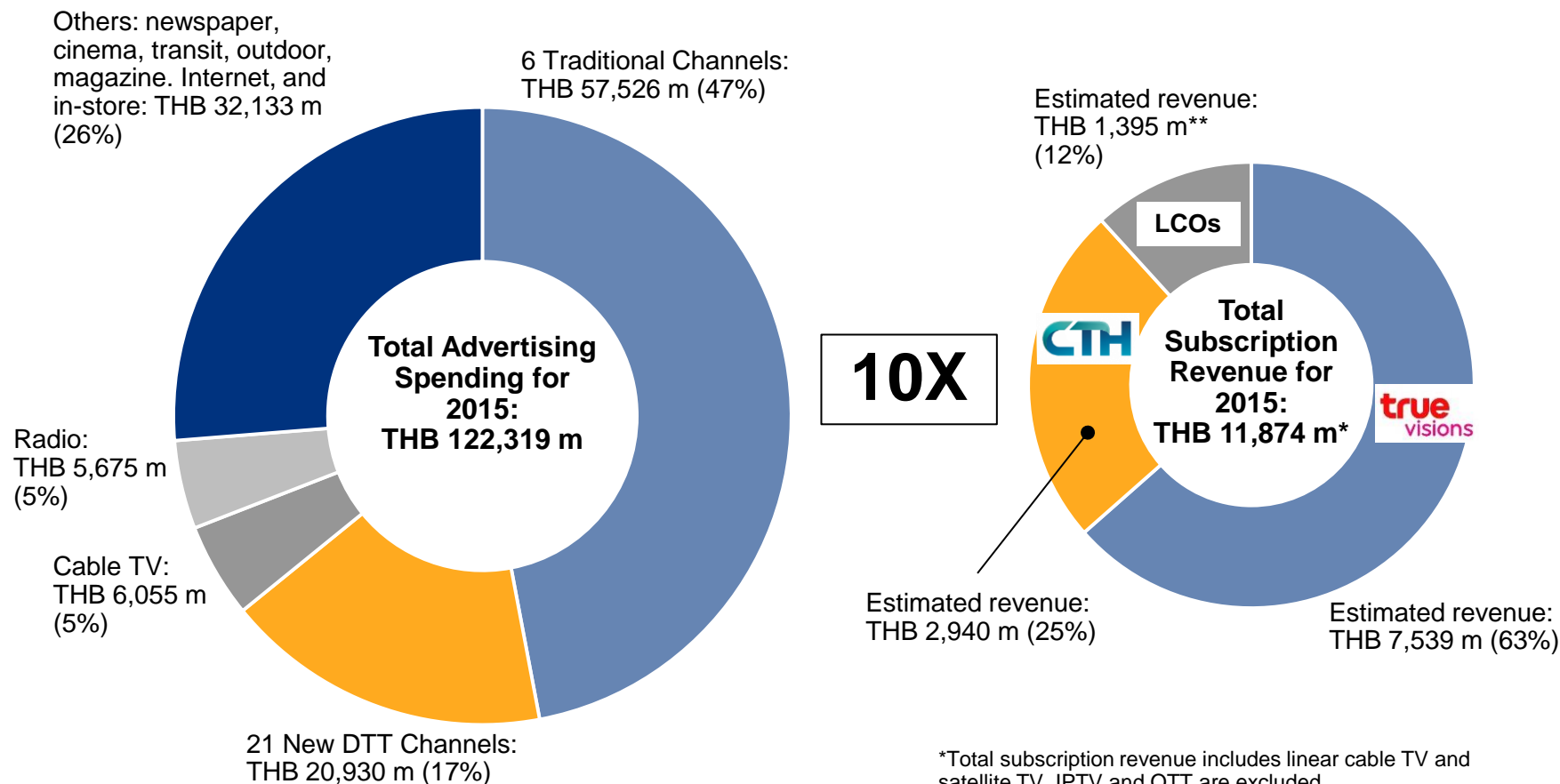
- › Recommendation engines are **not perceived as smart enough** when recommended titles have already been watched, are seemingly relevant, that are too obvious or appear completely weird and un-related
- › Personal recommendations are **not perceived as personal** but rather relatively general
- › **Similar recommendations** keep recurring over and over again
- › The recommendations **fail to surprise and inspire**
- › **Social recommendations** are perceived as more useful and reliable



Source: Ericsson Consumer Lab 2015

Thai TVM market is driven by advertising revenue. In 2015, the total advertising revenue is about 10 times higher than subscription revenue.

Market Characteristic: Advertising vs. Subscription Revenue



Source: Nielsen, DAAT, TIME Analysis (2016)

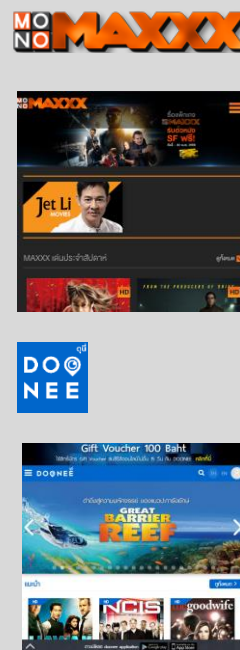
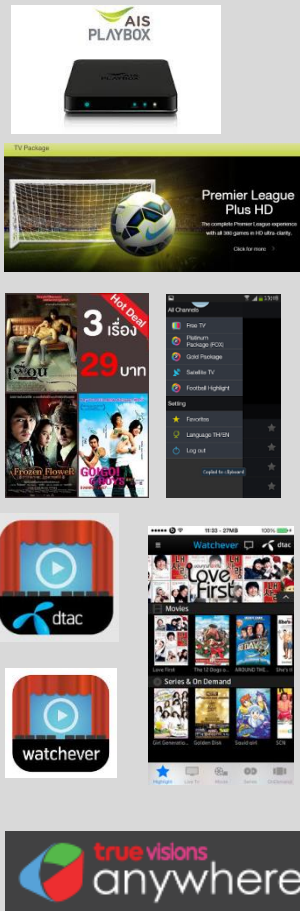
*Total subscription revenue includes linear cable TV and satellite TV. IPTV and OTT are excluded

**LCO Revenue according to the NBTC

In Thailand, OTT TV is still in an early stage. However, there are high growth potentials in SVoD and free-based video services.

Non-Linear Video Service Provider Landscape in Thailand

Local Players



Regional Players



Global Player



On-line Video Platform



Rev in 2015 = 1,599m THB (Thailand only)



Able to sync with 33 m LINE users



EXPERIENCE DRIVEN CONSUMPTION TECHNOLOGY CENTRIC TO EXPERIENCE CENTRIC

UNBOUND
CONTENT
ACCESS

MARRY
MANAGED
TV & OTT

CONVERGED
MEDIA
EXPERIENCE

ANALYTICS &
BIG DATA

AGILITY &
FLEXIBILITY

VIDEO
CENTRIC
NETWORKS

The issue on competition regulation in the light of new OTT TV has been debating worldwide. Clear regulatory objectives and policies have to be set for Thailand.

Key Issues for OTT Regulation

Regulatory Environment:

- Network operator's **business model** is determined by **regulatory requirements**
- **OTT Players** are usually **free** of such **limitations**
- Current market setups have **not yet adapted** to the new competitive situation
- Regulators **punish** network operators that invest in local **infrastructure**, are an important source for local **employment** and are local **tax payers**

In light of OTT take up, It's recommended clear that regulatory objectives and policies have to be set for Thailand.

Licensing

Interconnection

Consumer
Protection

Universal Service

Quality of Service

Legal Interception

Taxation

Source: Detecon (2015)

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