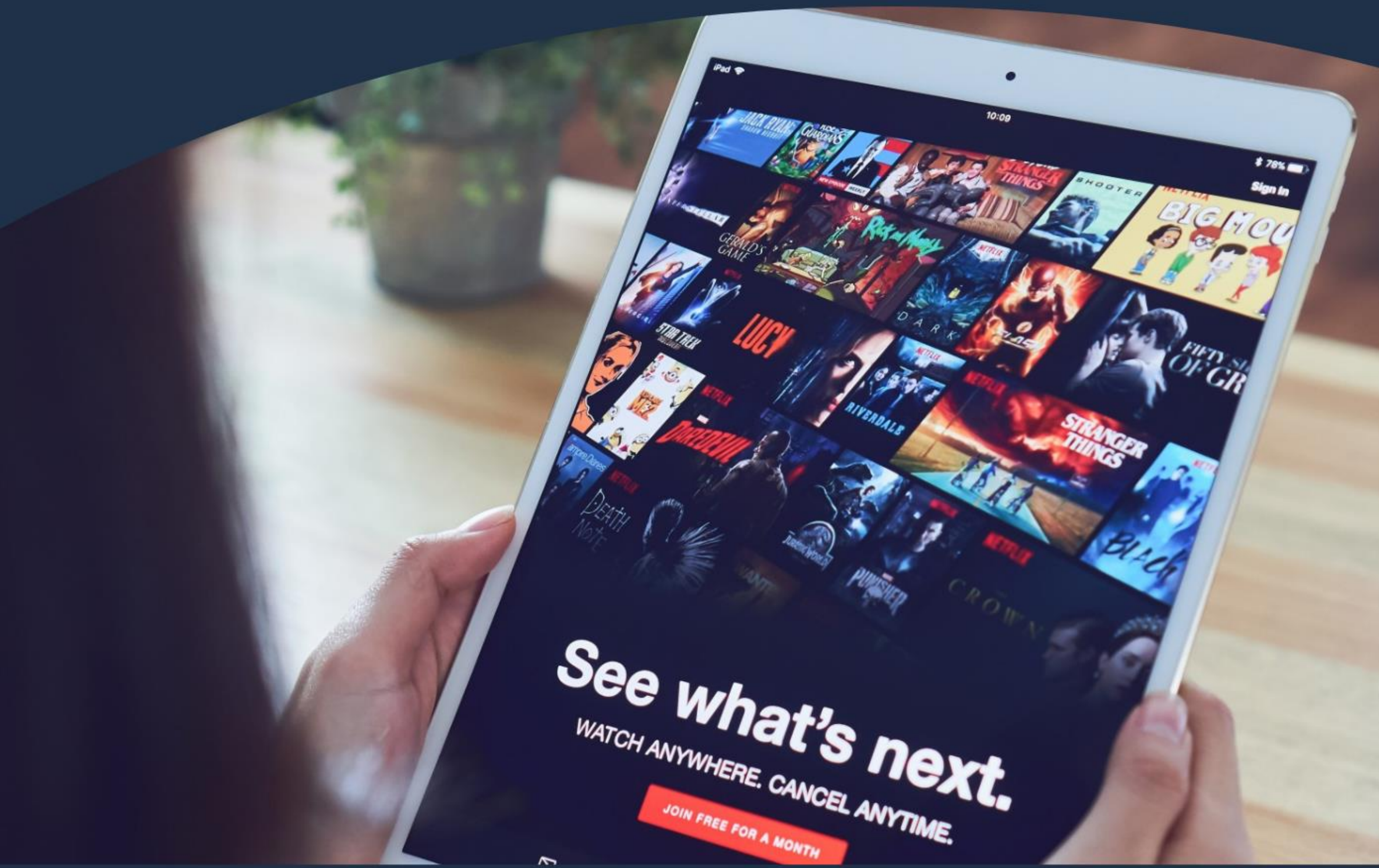
DISRUPTION OF THE MEDIA INDUSTRY

PART 3



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In today's Anywhere, Anytime, Anyplace environment and technological advances in bandwidth, encoding, and delivery OTT transforms the consumer experience and becomes the first stop for all content, including Live.

Disruption of the Media Industry: Part 3

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Part 3: The future of OTT

As the barriers that are holding back consumers from moving from traditional pay-tv to OTT fall, companies now try to minimize churn down on their OTT platform subscriptions.

Numerous distractions vie for the consumers' attention. Revenue is directly proportional to the content provider's ability to hold consumer attention, with churn inversely proportional to consumer attention. Ease of sign up is a double-edged sword. While it allows rapid customer acquisition, it also for easy cancellation. While great for the consumer, it makes it more difficult for OTT providers to control churn. Traditional pay-tv made churn time consuming and difficult. Equipment involved that had to be disconnected and returned, and were often accompanied by long telephone queues, confusing bills, and the familiar high-pressure salesperson on the other end of the line who would do everything they could to convince you not to cancel.

Now, as the price of multiple OTT subscriptions begins to rival their old pay-TV bills, OTT platform providers must prove their value every month to a more cost-conscious subscriber base.

Consolidation / Bundling
With more than 300 OTT providers in the market, bundling is a critical strategy. What can't be achieved through bundling will be addressed through sector consolidation. Though cable bundles diminished customer choice, it did simplify the selection process. The current model is unsustainable for both consumers and providers. Searching among 300 content sources is too burdensome to viewers.

Consolidation has tremendous benefits to the consumer. Content is in one place, discoverability is more accessible, and costs of keeping so many different subscription services become more financially manageable.

Many early OTT pioneers, such as WWE Network, and PGA Live have joined with larger OTT providers in recent months.

- WWE Network debuted in 2014. In January 2021it announced its inclusion in the Peacock bundle. Leveraging the Comcast's reach of 33 million Peacock subscribers, WWE increased its reach considerably.
- PGA Live, an OTT offering that launched in 2015 announced in March 2020 that ESPN+ would be its new home. Their migration, in early 2022 increased its capabilities from a single live feed to four concurrent live presentations. Expanding golf fans' ability to craft their own viewing experience.

> *“The relationship with Disney and ESPN+ allows the Tour to expand and diversify audiences, and the Tour and ESPN will work together to bring new and unique content to our fans.”*
>
> ***– Rick Anderson, PGA Tour Chief Media Officer***

Struum, a service founded by former Disney and Discovery executives, uses a ClassPass- style model to aggregate the largely untapped content from niche and specialty streaming services. Struum charges customers a single monthly subscription that provides entitles the consumer to a set number of credits they can use to stream content. Instead of the standard all you can eat content buffet, Struum sells its customers the option to pay for a customized diet.

Creative bundling, mergers, and marketing will continue for the foreseeable future. Additional innovation includes the following.

Aggregation of Entertainment Types

As competition intensifies, content providers must look beyond bundling multiple like offerings. Paramount+ added value to their platform by bundling, live sports, 24/7 news, television series, and movies in a single destination. The customer benefits of aggregating content on fewer streaming platforms extend to customization, personalization, recommendations they will not have available if they purchase content a la carte.

In the future, aggregation may include fitness services, financial services, and transportation services with streaming service offerings. The rise of audiobooks and podcasting may enable Spotify or Audible to partner with video streaming services to expand their reach.

Simultaneous releases of feature films to cinemas and streaming platforms as *WarnerMedia* will increase as more studios acquire or partner with streaming services. Beyond simul-releases, discounted movie tickets may be offered to subscribers from partner OTT platforms –much like how an Amazon Prime members receive discounts when shopping at Whole Foods stores. Such perks may translate into discounts and VIP exclusives at sporting events, concerts, and merchandise purchases. It may unlock exclusive content from a favorite athlete or celebrity. With advances in multi-access edge computing (MEC), additional content can be made available to those attending live events.

As the pendulum has swung towards unbundling over the past few years, it will swing the back as customers tire of the cost and complexity of multiple streaming accounts.

"Shoppable" Video

Combining digital wallet technology with the versatility of OTT platforms, shoppable video will become an e-commerce platform for purchasing everything from Lakers tickets to that sweater a favorite soap star is wearing. *X-Ray* is an exclusive feature of *Amazon Prime Video* utilizing such functionality. Users can access cast bios, filmographies, trivia, bonus content, or identify the music track playing in the scene – all available without pausing the content. Real-time shopping isn't far away.

Discovery

The complex web of content providers and programming available on the different platforms makes content discovery more difficult, time-consuming, and frustrating than it need be. A portion of the viewing experience is spent flipping from platform to platform to find a specific move or television program. Content discovery and recommendation tools like the TV Time app from *Whip Media* will continue to emerge and play a larger role in the exco-system.

Brand Integration

Content providers and brands are consistently looking for new ways to monetize and reach new audiences. Technology startups like *Ryff*, a cloud-based brand integration system, seamlessly integrate brands into video content, whether its current programming or library content. When one brand's contract ends, the streaming platform simply integrates another brand, expanding monetization opportunities into the indefinite future.

As consumers are choosing to pay greater subscription fees to avoid ads, Ryff's technology can replace the traditional advertising sponsor, placing the brand that funds the program to be dynamically placed *within* the program.

Blockchain for digital rights management and to decrease piracy

Stay-at-home orders worldwide equated to a surge in new torrent sites and higher piracy rates. Estimates of lost revenue due to piracy to the TV and movie industry in 2022 are greater than $51.6 billion (USD)[1]. Those figures do not include the estimated job loss of 230,000 to 560,000 due to piracy[2]. Blockchain technology could replace technologies like watermarking and fingerprinting, which can be distorted, tricked, and erased.

[1] Statista, Online TV and movie revenue lost through piracy worldwide 2010-2022, Julie Stoll, January 13, 2021
[2] Global Innovation Policy Center. Impacts of Digital Video Piracy on the U.S. Economy, Blackburn, Eisenach, Harrison, June 2019

Utilizing the ability to imprint the rights into the blockchain ledger for the content transaction would be the digital equivalent of a content tracking device that limits consumption to licensee of record.

5G and MEC for increased engagement

Providing a content experience in-venue for a live event attendee has been limited to date by limited processing power of devices and bandwidth bottlenecks within the venue. The introduction of 5G and mobile edge computing (MEC) removes these constraints. Content providers will be able to drive fan engagement in-stadium by allowing access to close-ups, multiple camera angles, and replay on demand to get different perspectives on the play that they may not have from their seats. The same technology can provide real-time game stats to mobile devices. All of which rely on the need for very low latency and greater edge processing power.

This technology also enables innovation in gamification and betting that engages fans differently in-venue from and at-home.

5G also allows for the transmission and viewing of 4K video at home on connected devices (CTV) for live sports and the home theater experience. TVs are getting bigger, and CTV is becoming more popular. It's estimated 75% of all viewing time in Q4 2020 was accounted for by CTV devices, such as:

- Smart TV's
- Devices that connect via HDMI to your TV
- Gaming Consoles
- Dongles (e.g. Amazon Fire)

Deltatre's research found 40% of sports fans in the US noted Smart TVs as their preferred device for watching live games.

Personalization

Recommendation engines already perform at a very high level, determined primarily by what the consumer watches and algorithms that compare user data with other consumers with similar viewing patterns. In the future, this data could come augmented by influencers, celebrities, or athletes the user follows. By choosing to follow an influencer recommendation could be augmented in a rail to scan, with comments and reviews attached.

Community

Leveraging the community around content offerings is an additional way content providers can monetize the subscriber base. For example, Netflix launched the Netflix store in 2021, giving fans of their programming access to merchandise. OTT platforms may also begin to offer discounted tickets to the live events streamed on their platforms.

VR

VR has had a slow start due to the considerable expense of the headsets needed to utilize the technology. As the price of VR headsets drops below $300 makes the technology accessible to a larger consumer base, expanded use across the media content creation industry. VR and AR enable people not physically next to each other to interact, expanding the watch party habit popular during Covid. Well executed VR can be immersive enough to allow someone to feel they are on a safari rather than just watching a National Geographic documentary.

Cryptocurrency as an alternative payment choice

With payment security, fraud, and identity theft top of mind, cryptocurrencies, a decentralized currency, may remove further friction from the on-demand process. Adherents tout cryptocurrencies' potential advantages, including lower transaction fees, higher security, and additional autonomy. However, there are several barriers such as the volatility of the currency, possible government regulations, and the massive energy costs of blockchain processing.

NFT's

Non-fungible tokens (NFTs) entered the vernacular with NBA's *Top Shot* offering. Like cryptocurrencies, NFTs rely on blockchain technology. For NFTs to enjoy mainstream adoption in the media and entertainment space, the cost of blockchain must come down. Based on digital technologies' recent record, it's reasonable to expect blockchain's cost and environmental challenges will be solved. In the past, Disney sold cel animation artwork from movies like *Winnie the Pooh*, *Sleeping Beauty,* and *Steamboat Willie*. With the digitization of animation and the advent of NFTs, the original digital representation can be sold as an original or as part of a limited edition, and a provenance can be established as it is with physical artwork. Such NFTs could be used to create exclusive, limited-release digital artwork when a movie download or stream is licensed, or a ticket is purchased.

Conclusion

OTT continues to evolve at a breakneck pace, giving the consumer the flexibility, convenience, and a personalized user experience that has overtaken traditional pay-tv in revenue and as the popular destination for all content viewing, including live content. OTT providers that can stay ahead of the curve, react rapidly to continuous technical advancements, personalize, and create digital destinations for their customers while continuing to provide the high-quality programming consumers are looking for will dominate. We are early in evolution of OTT.