From IPTV to OTT:

Shaping Multiscreen Strategies

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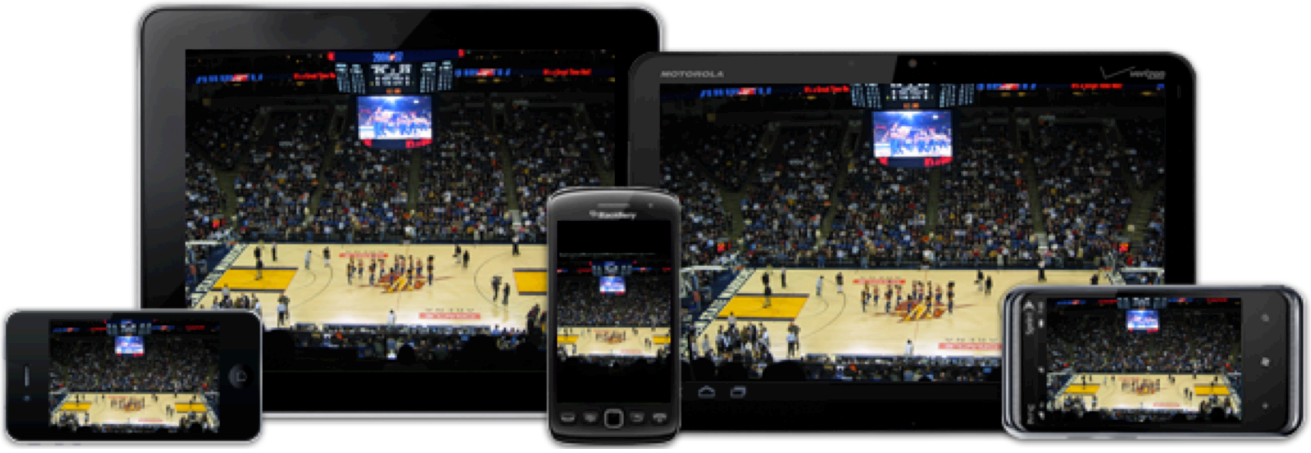
Delivering content to multiple devices is the next step for IPTV providers as they move beyond walled gardens & begin to embrace open Internet standards.

The proliferation of Internet connected devices and new, Internet-delivered premium video services such as Netflix, Hulu and Apple iTunes, are challenging service providers to meet the demands of "anywhere, anytime" subscribers.

The necessity of delivering video content to multiple devices is driving service providers to re-evaluate their approach to IPTV, adopting new models that leverage cloud-based video asset management systems and "over-the-top" (OTT) open internet-based content delivery. Consumers want access to content on all of their Internet-connected, video-capable devices, forcing service providers to quickly deliver solutions or risk seeing their subscribers go elsewhere.

In reaction to this, service providers are developing multiscreen strategies as a way to offer competitive content services that help to retain customers and grow their subscriber base. The move toward multiscreen content delivery is an industry-wide trend and the next phase in the continuing evolution of broadcast delivery models, preceded by the move from terrestrial, cable and satellite systems to IPTV, and now to hybrid IPTV/OTT systems, eventually leading to pure open Internet based broadband TV models.



IPTV in its original incarnation existed in a closed network environment with a straightforward business model, but didn't prepare for the multi-device future that is rapidly changing consumer behaviour and redefining media consumption habits. These trends are driving the transition from single-screen delivery models to a diverse and dynamic ecosystem that has the flexibility to meet the needs of a range of consumer devices.

Consumer Demands

Revenue from global OTT services are estimated at $1.9 billion in 2010, according to IMS Research, with an expected average compounded annual growth rate of 32% through 2016, eventually reaching $16.4 billion. IMS Research projects that retailers will grow their share of the OTT market, accounting for 13% of world OTT service revenues in 2016. The market landscape for video content is diversifying rapidly and will only become more complex in the future.

Service providers are watching the emergence of online video, once relegated to the web browser and personal computer, slowly make its way to the world they once dominated, the living room, via smartphones, tablets, gaming consoles, and connected TVs and set-top-boxes. The fear of subscriber loss and "cord cutting" has spurred IPTV providers to examine how they can reduce churn and appeal to young subscribers with multiscreen "TV Everywhere" initiatives.

While consumers are demanding anytime/anywhere content, the challenge for service providers is to match this hunger with competitive content offerings while ensuring profitability. This is no small task.

The dynamics of a multiscreen strategy have shown that it can be a way of reducing churn in its first three to four years of deployment, and then transition into a driver for growth through connecting devices like tablet PCs or game consoles, which help to win new customers from a younger demographic. In this way multiscreen strategies can initially be defensive, but then become an aggressive way of gaining new customers and realising market opportunity.

Content and Complexity

When IPTV services were initially deployed, Internet-connected devices capable of delivering high- quality video had not yet emerged or been factored into planning. Adaptive display, streaming and multi-device DRM were not part of initial IPTV requirements. Further, managed IPTV networks have traditionally provided a higher level of quality and service over unmanaged broadband TV services. However, the emergence of adaptive streaming technologies and the build out of CDN capabilities across existing broadband networks has increased the ability of service providers to deliver an IPTV-like quality of service over open broadband networks. Today's challenge is to integrate the functionality and flexibility of multiscreen OTT with existing IPTV infrastructure and a high quality of service, creating a hybrid solution that meets the needs of both the service provider and the consumer.

Different approaches to this challenge are emerging as service providers decide how best to offer a multiscreen strategy. Some service providers with existing IPTV platforms have opted to build entirely new implementations for OTT, while others are working to augment their IPTV platforms with expanded multiscreen functionality. In some ways the industry is moving from a one-to-one, or closed network to closed device model, to a many-to-many, or closed and open network to a closed and open device model.

This is where video asset management becomes critical to a service provider's strategy. Delivering a high quality video experience to multiple screens introduces a range of technical and quality of service issues that pose significant challenges for service providers to overcome, including adaptive bitrate delivery and multiple codecs, digital rights management and multi-device authentication, and workflow orchestration and automation. Video asset management platforms endeavour to address this complexity and help service providers to overcome these new challenges and successfully transition to multiscreen broadband TV.

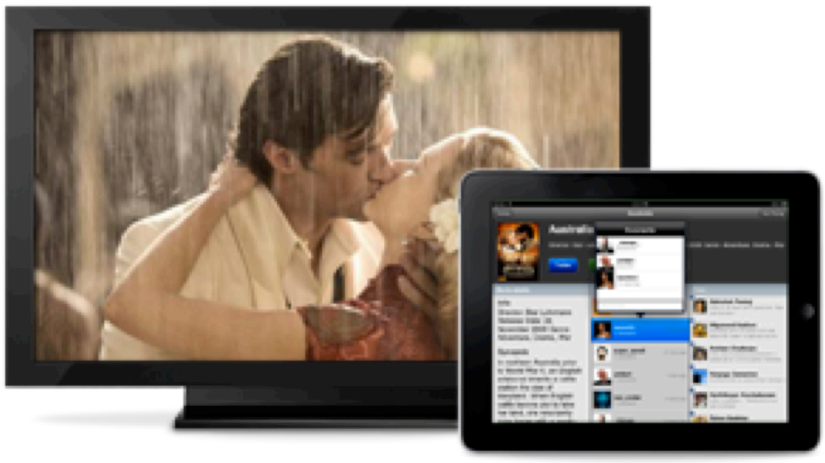
Video asset management companies are also seeing OTT deployments moving in the other direction by incorporating a level of OTT support for set-top box offerings. This further blurs the lines between OTT and IPTV. Telcos, ISPs and other operators are looking for flexibility in their content technology and want the option to deliver both closed set-top box offerings as well as multiscreen OTT. In addition, quality of service becomes less of an issue as it doesn't take much to guarantee bandwidth for a particular service on a set-top box the provider controls. Without calling it IPTV, a service provider can deliver a set-top box Internet video solution.

Competitive Future

Multiscreen and OTT strategies inevitably mean increased competition for service providers. All providers will eventually make the move to multiscreen; the only question is when and with what degree of investment. As mentioned, IPTV was a managed walled garden with large barriers to entry while OTT offerings are coming from a range of industry sectors. Content owners, online retailers, software service providers, and consumer electronics manufacturers are all competing alongside traditional network-based operators in an effort to own the media consumer. This means massive competition with the strongest differentiators being ease-of-use, content, and most importantly, quality of service (QoS).

Once you reach all of these devices, the quality of the experience must be comparable across them. Consumers want TV, PCs, smartphones and tablets to function in the same way when they consume content. They want high resolution, minimal buffering, and the ability to pick up from where they left off on any device. The winners with multiscreen strategies will be the players that can deliver quality on par with traditional TV.

The next frontier in multiscreen broadband video will be "social TV." After delivering multiscreen content with the quality of traditional TV, the next big challenge for service providers will be captivating consumers through social experiences that go well beyond passive viewing. During this phase the decade old promise of interactive TV will finally become a reality as service providers move past the experimental phase and successfully adopt user engagement strategies pioneered by social networks like Facebook and Twitter to the ten-foot TV experience. Cracking the code of "dual screen" interactivity will be key to this success. As multi-device households proliferate, new opportunity exists to create interactive "lean back" experiences that transform the "second device," such as a tablet or smart phone, into an interactive super-remote synchronized with the TV viewing experience.



About KIT digital

KIT digital is a premium provider of end-to-end video management software and related services. The KIT Video Platform, our cloud-based video asset management system, enables over 2,200 media & entertainment, network operator and non-media enterprise clients to produce, manage and deliver socially-enabled video experiences to audiences wherever they are. With experience that runs the gamut from traditional broadcast systems engineering to "over-the-top" broadband TV applications, we are uniquely positioned to deliver complete video solutions, from the lens of the camera to the eye of the audience ("lens to lens"), and guide our clients into the future of broadband-delivered TV. Applications of our KIT Platform include end-consumer focused live and on-demand multi-screen video experiences, as well as internal enterprise deployments, including corporate communications, human resources, training, security and surveillance.

For additional information, visit www.kit-digital.com.