INTRODUCTION
Consumer demand for over-the-top (OTT) video is at a fever pitch. How can content owners, broadcasters and service providers capitalize on the seemingly insatiable desire for video content – anytime, anywhere, on any device? And which model should they follow to drive the best return on their investment?

TV service providers, broadcasters and content owners have a prime opportunity: Translate over-the-top (OTT) video consumption into revenue. While the potential is huge, so are the challenges. To achieve success, companies must understand their audiences, partnerships and technology options like never before.

This paper outlines four critical success factors to tackle – starting now – that will help companies move from OTT adoption to OTT monetization.

THE OTT VIDEO LANDSCAPE: TRENDS AND ENVIRONMENTAL FACTORS
OTT video is rapidly becoming a mainstream method for viewing video content. In fact, according to research conducted by ABI Research, the OTT market was $8 billion in 2012, growing at a near 60% clip over the previous year, while continued rapid growth will push the market past $20 billion by 2015 (ABI Research, 2013).

What's driving the explosive rate of OTT video adoption? Why are we moving away from gathering in front of a television set, in the living room, at a predetermined time and toward watching content whenever, wherever, on whichever device we prefer?

Let's look at the confluence of forces that are taking OTT video mainstream:

TECHNOLOGY EVOLUTION
Technology changes are fueling changes in video consumption. When OTT delivery first came on the scene, it drove a paradigm shift from watching TV at an appointed time to viewing video anytime. Today, we have a critical mass of consumers with Internet-connected devices and affordable high-speed broadband connections (wired and wireless). As a result, consumers are watching video content on an ever-growing collection of devices, including Internet-connected TVs, gaming consoles (e.g. Xbox), Internet streaming boxes (e.g. Roku®), mobile handsets, tablets and smartphones.

Mobile use in particular is a tremendous driver for the rising adoption of OTT video consumption. In fact, mobile video traffic exceeded 50% of traffic for the first time in 2012 and is expected to grow at a CAGR of 75 percent between 2012 and 2017, and, by 2017, two-thirds of the world’s mobile data traffic will be video (Cisco Visual Networking Index, 2013).

CONTENT AVAILABILITY
Consumers want more access to video content because there is a massive amount of content to be had – from current-season primetime TV shows, sports, news, live events and recently released movies to a large back catalog of older movies and past-season programming.

CONSUMER BEHAVIOR
Consumers are intoxicated by freedom of choice, and OTT video gives them plenty from which to choose. With OTT, consumers can break away from the constraints of scheduled viewing and enjoy the benefits of accessing video content regardless of time, place, device or network.

POWERFUL DEVICES AND NETWORKS
Devices are more powerful than ever, screens are larger and deliver a better viewing experience, and 3G and 4G network investment and growth have boosted video quality and reach.

MONETIZING IN AN OTT VIDEO WORLD: FOUR CRITICAL SUCCESS FACTORS
Against this backdrop, content owners, TV broadcasters and service providers are plotting their OTT monetization strategies. Content owners and broadcasters recognize that OTT represents new distribution opportunities; service providers recognize that OTT enables them to expand TV-quality content to devices beyond the home TV; all see the revenue potential. But to turn opportunity into dollars, content owners, TV broadcasters and service providers must address four critical success factors:

1. EMBRACE OTT
Clearly, TV service providers, broadcasters and content owners face trade-offs as they consider their OTT strategies. Yet, it is equally clear that OTT video delivery is here to stay. Given that time-to-market is critical in this space, content and service providers need to wrap their arms around the OTT opportunity – and they need to move quickly.

TV service providers have made multiple-screen TV Everywhere initiatives a top priority.

Content owners have been eagerly embracing OTT, although they have been treading more cautiously. That's because although content providers come to the market in a position of power (they have the content everyone wants and the option to share that content directly with...
evaluate their technology solutions against the following criteria:

**Content protection on all screens**
- Can we deliver real-time content access and authorization with the ability to dynamically enforce rights and entitlements based on device, quality of content, content licensing rules, location and network-based entitlement?
- Can we provide digital rights management (DRM) protection with root of trust at all times?

**Quality under any network condition**
- Are we delivering the highest-quality end-user experience on all devices and platforms under any network conditions?
- Do we have quality assurance mechanisms so we can measure effectiveness, including statistics for video views, ad views, time-shifted content playback and events (such as fast-forward, rewind, skip, network conditions and bitrate connectivity change)?
- Are we meeting consumer expectations for quality and user experience (e.g. does the OTT viewing experience match that of the traditional set-top box TV in the living room)?

**Dynamic workflow**
- Can we automatically ingest live and VOD content with associated metadata, social connections, entitlements and rights information?
- Have we accounted for a unified workflow for transcoding, segmentation and content protection across all devices to reduce our infrastructure operating expenses and capital expenses?
- Can we enable one-time content preparation for multiple platforms and networks?
- Can we personalize the user experience with no changes to the video stream?

**Monetization of premium content**
- Can we provide dynamic and targeted multi-screen ad insertions and replacements?
- Can we leverage video markers to fully customize ad insertion on a per-client or per-device basis for linear live and VOD?
- Are we equipped to capture and collect real-time multi-screen content and advertising consumption-based metrics based on user, device and location?
- Can we support various monetization options beyond...
advertising, such as subscription, authentication, rental and pay-per-view?

The answers to these questions must be “yes.” Half-measures that compromise security, quality or functionality are bound to alienate consumers; those that are expensive, hard to implement or have an unclear monetization model will not pass muster with company stakeholders.

4. FIGURE OUT THE MIX

Once service providers and content owners have embraced OTT, expanded to all devices and worked out the technology challenges, they must figure out which monetization model – or combination of models – to pursue. Multiple options are emerging, including:

Subscription

The subscription model is good for consumers because they get fixed costs and unlimited access to content, and good for service providers because they get a predictable revenue stream. This is the model Netflix uses, to great success.

Rental

The rental model is primarily being used by cable companies (through their VOD systems) and other services such as iTunes. VOD plays well to the anytime, anywhere aspect of OTT – which means consumers love it. It is an especially attractive way to monetize newer movie and TV releases and other titles for which consumers are willing to pay on an incremental basis. The downside? It is a less predictable source of revenue for service providers and content owners.

AZUKI MEDIA PLATFORM™

Designed to help service providers deliver next-generation TV Everywhere experiences and services, the Azuki Media Platform is a dynamic, managed and optimized multi-screen video delivery solution, with intelligent client architecture, that enables:

- Live and VOD content ingestion, both dynamically as well as automatically associated with appropriate metadata, social connections, entitlements and rights information.
- One-time content preparation for multiple platforms/networks.
- Dynamic control and switch of programs and services on the fly.
- Personalization of user experience with no changes to the video stream.
- Dynamic and targeted multi-screen ad insertion and replacement.
- “Follow-me” (i.e., bookmarking) content for live and VOD across multiple devices.
- Time-shifted TV (Start-Over TV, Catch-Up TV and network DVR) for all channels across all screens.
- Flexibility to customize and personalize user interface and experience.
- Social interactivity and third-party integrations.
- Advanced search, discovery and recommendation for any content to be discovered, watched or sent to any device for viewing at any time, online and offline.
- Multi-screen real-time content, consumption-based metrics.
- Full digital rights management (DRM) protection with root of trust at all times.
- On-the-fly robust policy enforcement on any device over any network.
- Flexible multi-screen monetization options.
Purchase
Popularized by physical media (e.g. DVDs and Blu-ray Discs™), this is the model content owners employ for the most recent hit movies and TV shows, charging consumers a premium while demand is still hot.

This concept of “windowing,” which content owners have been using for decades to maximize monetization, applies to online as well as traditional media. Over time, as titles age, monetization through rental or in a subscription library becomes more appropriate than purchase. In the online world, content owners are seeking to extend the ownership model through initiatives such as Disney’s Keychest and UltraViolet™, which is backed by a consortium of players including Sony®. With UltraViolet, movie lovers create accounts in the Internet “cloud” where versions of movies they buy in DVD or digital formats are stored in online “lockers.” This enables consumers to buy lifetime rights to watch movies on whichever devices suit them.

Freemium-to-Premium Conversion
With this model, service providers and content owners bait the hook by giving a portion of their shows for free, and then give consumers the option to upgrade. The option works well as a feed to increased subscription revenue.

Advertising
Although the subscription model is currently the strongest model for service providers and content owners, advertising will become increasingly critical to OTT monetization strategies. Mobile advertising is especially intriguing to advertisers, as it enables extraordinary context and targeting (because mobile devices are tied to personal users vs. households that own TVs). Accordingly, advertising on mobile devices is already well on its way to a budget increase within the walls of many organizations, but the success of targeted marketing will further this spending, according to a recent report from Juniper Research. The company expects smartphone and tablet advertising and marketing to grow from $13.1 billion this year to $39.3 billion in 2018 with an annual growth rate of 24.6 percent for this period (YuME http://www.yume.com/blog/category/video-ad-network/)

However, before advertisers will make big ad investments, TV broadcasters, service providers and content owners will have to provide consistent analytics and reporting on who is viewing and what they are watching. Leaders in the OTT delivery market have cracked the code. In fact, technology from Azuki Systems is now available that is capable of reporting device and usage details, periodically or per-event.

With these statistics, reports can be generated that include content and usage metrics, and can be used to create Nielsen-like statistics for ad-revenue recovery purposes. As these technologies gain traction, monetizing OTT video will follow the arc of traditional TV and movie monetization – and advertising will take center stage.

When considering the right monetization mix in an OTT environment, understanding the age of the target audience (and how they consume video content) has become more critical than ever. According to Nielsen, young viewers still watch a lot of TV. Adults 18 to 24 watched 23 hours and 24 minutes of traditional TV. Time spent viewing traditional TV grew as viewers got older. The group watching the most time-shifted TV was adults 35-49, who spent 3:42 per week on delayed programming. Those viewers also watched 34:18 in traditional TV (Nielsen, 2013).

What’s more, viewing on mobile devices is also emerging as a significant trend. The group doing the most watching of video on mobile phones was younger viewers. Adults 18-24 watch 27 minutes of video on mobile phones per week. Teens 12-17 watched video for 25 minutes on their phones. Among adults 25-35, the total was 23 minutes per week. Video viewing on phones dropped to almost half that among adults 25-49, and fell even more sharply among old viewers (Nielsen, 2013).

Determining the right monetization model is also about striking the right balance of user-paid and advertiser-paid for the audience. Once that is determined, companies need to balance recurring subscriptions with enough options for those users who want to pay for more, or higher-quality, content on a usage basis. Taking all these factors into account means that monetization models will vary significantly by company and audience. The model for the South Park Network, for example, will look vastly different than that of the Food Network.

CONCLUSION
With OTT video consumption showing no signs of slowing down, content owners and service providers have a huge opportunity in front of them. To take advantage of this opportunity and monetize on multi-screen OTT delivery, companies must begin to determine their optimal strategy, work through the technical challenges and fine-tune their business models. As technology use, consumer behavior, and measurement and personalization techniques continue to evolve, these companies will be well-positioned to reap the rewards: greater customer satisfaction, protection of their subscriber base and increased average revenue per user.
Azuki Systems is leading the video delivery revolution to any screen over any network. Azuki’s solutions deliver rich, protected content to any device over any network, allowing service providers to take the complexity out of TV Everywhere (TVE) delivery. The Azuki Media Platform™ enables service providers, mobile operators and brand-name media to combine the power of over-the-top delivery with the highest quality of user experience, content protection, back-office integration and reliability. Azuki is led by an executive team renowned for repeated success in launching disruptive technologies and solving difficult technology challenges to provide customers with a competitive edge. Visit www.azukisystems.com for more information.

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