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OTT: What the Living Room Revolution Means to Brands

You down with OTT?

Well, you should be. The rising popularity of “Over The Top” (OTT) video - that is, video carried along (or “on top of”) existing telecommunication lines and delivered to TV sets via the Internet, rather than cable or satellite - signals a major shift in US home entertainment and promises to destabilize the television ecosystem. Disruptive though these changes may be, by finally opening up TV to choice, interactivity and engagement that fans and brands alike crave, they offer media owners unique opportunities to create custom experiences and drive actions.

In this report, we survey the OTT video space - a confusing media landscape cluttered with different, and frequently incompatible, hardware and services. While the majority of television being viewed today still takes the form of ad-supported linear programming, in the foreseeable future we think the content and hardware landscape will change dramatically. For instance, studies show multichannel cable/ satellite subscriptions flatlining at the same moment that the Smart TV footprint in the US is expected to expand substantially.¹

Already, we have seen brands attempting to hybridize the viewing experience of linear TV with the clickability and shoppability characteristic of online ads. But the truly interesting innovation will occur as mass-audience usage of OTT grows. Tent-pole media owners in particular will respond to powerful incentives to release apps that cut out the middleman - an impulse that World Wrestling Entertainment (WWE) acted on earlier this year. In the interim, unique opportunities to experiment will abound for brands and media owners, who can repurpose (and monetize) existing content to reach brand advocates even while they tinker with the user interface. As the capabilities of the space become apparent, brands will morph across platforms; user behavior will drive where and when content is shown.

Ultimately, as millions of hours of content migrates online, a new equality between screens will emerge, and what is possible on any one screen will become possible on any other.

Part 1: Background

TV Killed the Radio Star

A history of innovation (or lack thereof) in television structure

Many of the features we associate with television are holdovers from the earliest days of broadcasting. Like radio, TV channels have numbers because different stations originally needed to be broadcast on different frequencies: turning the dial mechanically tuned the TV. ² Today, the numbered-slot convention persists across all sorts of modern content-delivery platforms, including every cable system and satellite provider, even though it's not technically necessary.

Similarly, advertising has followed the same old models. At its inception, American television typically featured one sponsor per show: Philip Morris presented “I Love Lucy” with bumpers at the beginning and end of the show featuring its stars, in addition to periodic product placement within the show itself. ³ The interruptive commercial break model emerged soon after, followed by informercials.

Second-screen experiences, “advertorials” and “podbusters” (designed to thwart DVR-powered ad-skipping) have debuted in recent years. But these are ultimately just refinements of existing tools, built to accommodate the underlying infrastructure we've had for decades. In short, the essential structure of television entertainment has remained the same due to inertia.

And now for something completely different

The transformation from channels to content

When the VCR came along in the 1970's, people were suddenly able to time-shift their watching: they could record programming and watch it later. DVR/TiVo made this process simpler, moving content to the front while the delivery mechanism inched a step into the background.

As the Internet made its way into the home during the 1990's and 2000's, people became accustomed to controlling when they accessed content, a process which accelerated with the birth of YouTube (2005). The Internet has out-innovated broadcast television in two key areas:

1. Content

Massive amounts of stored content, both professionally produced and user-generated, are available any time from virtually anywhere. This is often referred to as the “long tail.”⁴ The amount of instant on-demand video content online has exploded into the hundreds of millions of hours.^{5,6}

2. Convenience

The Internet is self-directed, with no need for numbers. Frequently, people just type what they want into the search bar.

Subscription services like Netflix, HuluPlus and Amazon Instant Video allow users to stream movies and TV shows for a monthly fee (Hulu has a free ad-supported mode as well). And consumers today are not just time-shifting, but also device-shifting, as these services are easily accessible on any device with a web browser. As for over-the-air broadcast TV, while the demise of Aereo's model at the hands of the US Supreme Court is a setback for viewers, devices such as Simple.TV can act as an antenna-connected multiple-tuner DVR, and stream free programming to the living room screen or even a mobile device for on-the-go viewing.⁷ All of these developments suggest that the separation of content from delivery channel is well underway.

Part 2: An Overview of the Over-The-Top Landscape

Platforms & services

To best survey the current landscape of OTT, it's easiest to separate platforms from services.

Platforms

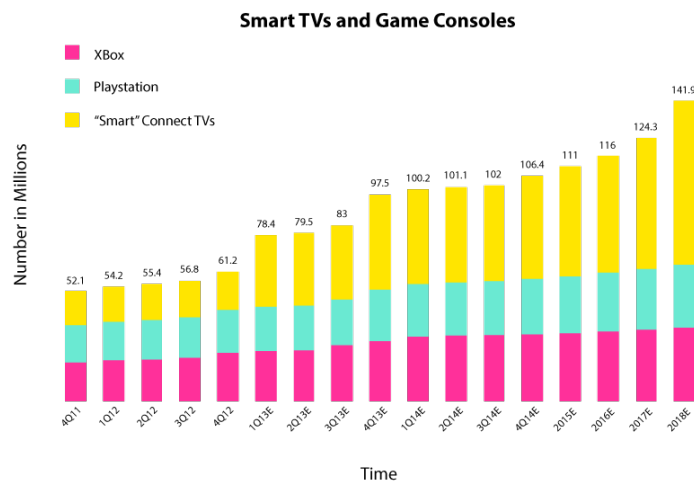
OTT services are frequently accessed via third-party hardware that plugs into a television's HDMI port. This hardware, which generally retails for \$100 or less (with the exception of gaming consoles), is connected to the Internet through a standard network cable or wirelessly.

Newer televisions come with the capability to connect built-in. In the marketplace, these are referred to as "Smart TVs." Partnerships between television manufacturers and platforms are becoming increasingly common: at CES 2014, for instance, Roku announced that its software would come built into Hisense and TCL televisions⁸, and at Google I/O 2014, Google announced that Sony, Sharp, and other manufacturers would soon offer Android TV with Chromecast support.⁹ As these and similar interfaces become common as "home screens" on smart TVs, people will grow accustomed to new ways of navigating content.

Examples:

- Apple TV
- Roku
- Amazon Fire TV
- Android TV
- Xbox and Playstation

For a more in-depth look at these and other platforms, see Appendix A.



Source: Magna US Media Access Quarterly, Q2 2014

Services

Movies and TV shows have been the primary attraction on OTT platforms thus far, and the apps that provide these services come in a wide variety of forms (Netflix and Hulu are among the best-known examples). Some are monthly subscription based, some are ad-supported, and some are both. Some let you “rent” or “buy” programming in lieu of paying monthly for all-you-can-stream access. Some are available on just about every OTT platform in the market, others on only a few. At the same time, the variety of content available as OTT services is rapidly expanding. Gaming, shopping, and socializing are emerging as featured attractions alongside video content.

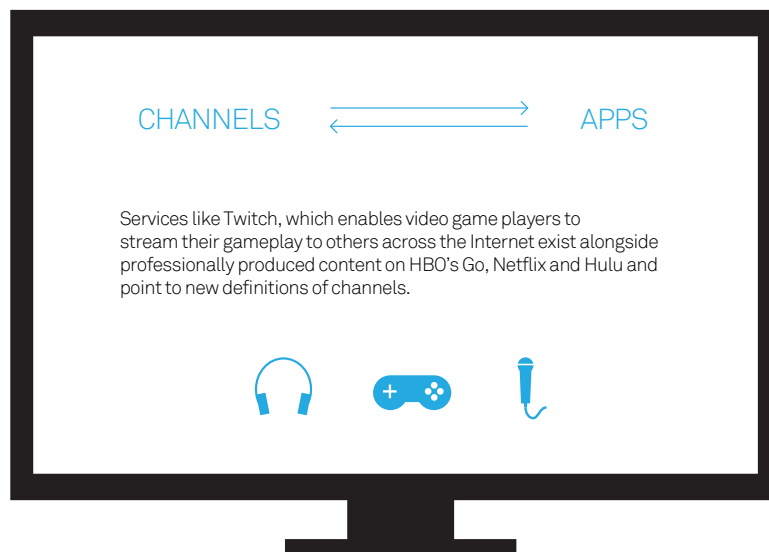
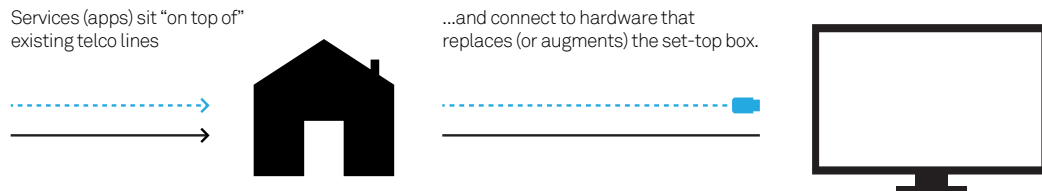
Examples:

- Netflix
- Hulu
- Twitch
- WWE

For a more in-depth look at these and other services, see Appendix B.

The OTT Ecosystem

Separating content from delivery



PLATFORMS



ROKU



amazon fireTV



Platform and service compatibility

Not all OTT services and platforms are compatible. While consumers appear impartial to where content comes from, it is clearly in the interest of platform manufacturers to steer audiences toward services in which they have a financial stake (e.g., Apple TV and the iTunes store, or Android TV and Google Play). The chart below shows a sampling of each; availability may change as the ecosystem continues to evolve.

COMPATABILITY	Apple TV	Roku	Amazon Fire TV	Android TV	XBox & Playstation	Samsung SmartHub
NETFLIX	•	•	•	•	•	•
HBO GO	•	•		•	•	•
iTUNES STORE	•					
GOOGLE PLAY				•		
AMAZON PRIME		•	•		•	•
HULU	•	•	•	•	•	•
A&E	•	•	•	•	•	•
RED BULL TV	•	•	•	•	•	•
TWITCH		•	•	•	•	•
WWE NETWORK	•		•	•	•	•

Part 3: Brands & OTT: Case Studies

Marketing and OTT

Findings from category pioneers

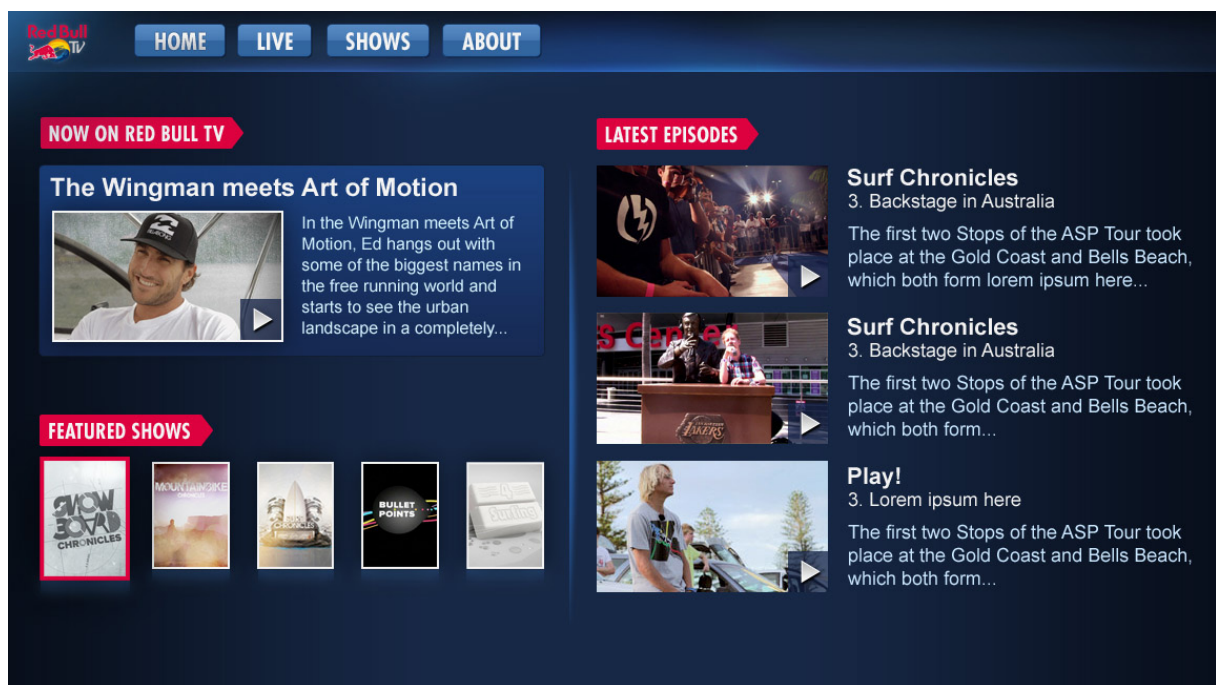
The increasing popularity of OTT video has already produced all sorts of collaboration and experimentation—brands, media owners, and publishers seeking to position themselves most favorably before equilibrium sets in. While brands in this emerging space are charged, as ever, with creating compelling content that is relevant to their audience, publishers have rolled out exciting new platforms and tools, such as interactive overlay elements, that suggest dynamic possibilities going forward. In this section, we analyze how brands and publishers are experimenting with OTT.

Red Bull TV

Relevant & compelling

Red Bull's, RedBull.tv, houses an enormous volume of on-demand video content geared around sports, video games, and music. In addition to their YouTube channel, which has over three million followers, they have released native apps for the leading mobile operating systems, as well as several OTT platforms. Most recently, RedBull.tv attracted attention for Felix Baumgartner's space balloon jump.

Indeed, Red Bull has produced so much content that the Red Bull TV app includes its own recommendation engine. The app represents a bold step forward in how brands can play in a post-linear future. The key trick, which Red Bull pulls off so well, is to make the content *relevant* to the audience and *compelling* to watch.



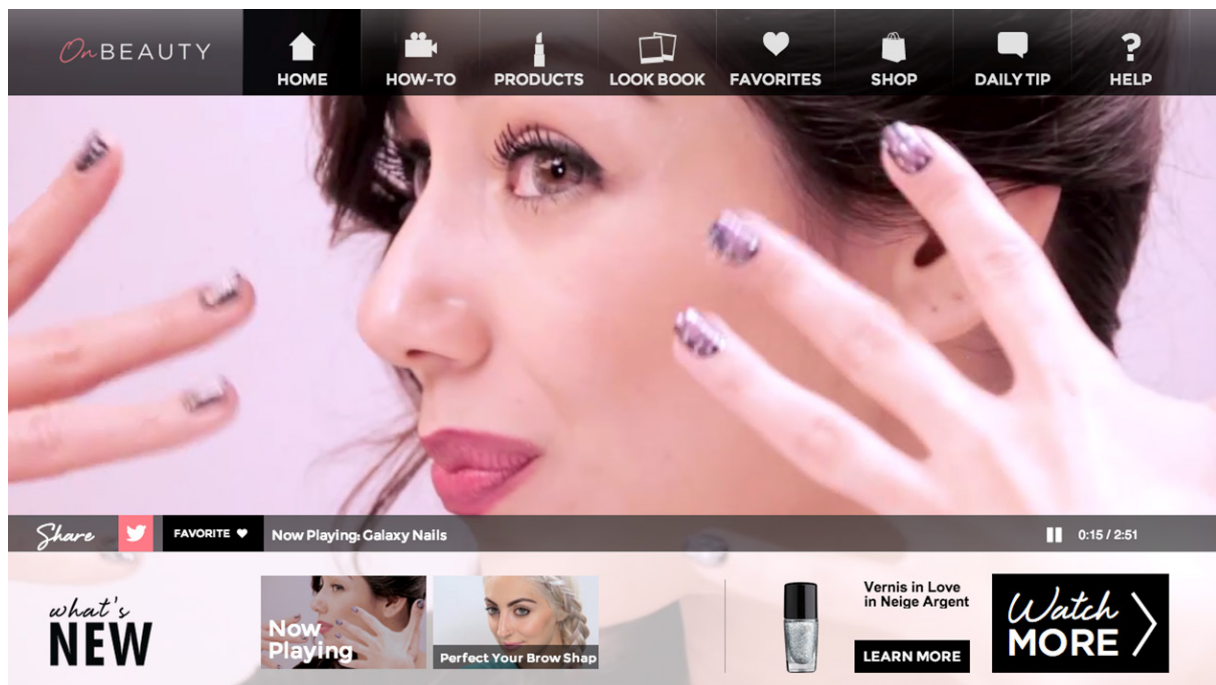
Source: Samsung

L'Oreal on Beauty

A Roku-branded channel

L'Oreal's "On Beauty" app on was created by L'Oreal in partnership with BrightLine. The branding is intentionally subtle so L'Oreal Paris could incorporate their other brands and seem more editorial than advertising.

The video content consists of beauty-related how-to videos as well as lifestyle content. The app pulls in the Pinterest feed of makeup.com, another L'Oreal property. This social element is accompanied by ubiquitous Twitter icons, enabling users to tweet videos and products to their followers from within the app, right on their TVs.



Source: Brightline

HSN reinvented

Synchronizing shopping experiences

The Home Shopping Network (HSN) app on the Samsung SmartHub platform includes a live feed of the linear Home Shopping Network, as well as information about each product as it appears on screen. If you are logged-in to your HSN account, you can order the item with your remote. One tap of a button replaces calling a toll-free number and giving your credit card information to a live operator. The app also lets you browse the last 15 items featured on the network—perfect for viewers feeling buyer's regret for not snapping something up.

HSN's exploration of TV-based commerce is an interesting demonstration of what sorts of shopping can become possible on the living room TV screen. Synchronizing the clickable shopping experience with video programming is an intriguing area which merits further experimentation. Moreover, HSN captures key metrics, such as how users navigate and explore inventory, back from the app, which further optimize the e-commerce experience.

Games go direct to fans

Leagues exploring alternatives to networks

Because sports are best watched live and fans are willing to pay to do so, cable companies increasingly regard sports as a major lure for subscribers. Nonetheless, most of the major leagues have already begun experimenting with ways to connect directly with consumers:

MLB: Through MLB.tv, a paid subscription service, Major League Baseball has led other sports leagues in bringing content to OTT platforms. Although live local games (as determined by IP address) are blacked out, fans with a subscription to the service can watch live games in HD from across the league. In addition, archived games from earlier in the season can be watched, and multiple live games can be watched simultaneously in “Mosaic” mode.

NFL: The National Football League is launching NFL Now, a personalized video network, in Fall 2014. Fans will be able to watch game highlights and content from their favorite teams and fantasy players, as well as access historical footage. It will be available for free (supported by advertising), to start, along with a premium service.¹⁰

NHL: Fans of the National Hockey League can access NHL GameCenter Live on mobile, Apple TV, Roku, tablets, game systems, and smart TVs. This subscription-based service features live and archived games, highlights, and more. Fans can personalize the experiences by following their favorite teams as well.¹¹

WWE: World Wrestling Entertainment broke new ground in 2014 by offering their premium video subscription service online only, bypassing cable and satellite companies completely. This service includes all of their pay-per-view specials, original programming to augment their cable shows, and archival footage of classic matches available on-demand. In deciding on this approach, they had noted through research that their audience over-indexed on online video consumption and Netflix subscriptions.¹²

Accelerated Media

A turnkey solution for ad-supported local news

Colorado's Accelerated Media identified ad-supported local news as a technologically fragmented emerging space which presented significant barriers to entry for all but the content owners with the deepest pockets.

They proceeded to create the Connected Ad Network (CAN), an ad platform optimized to deliver local and national advertising to compatible applications that they build. These applications start from a templated framework that works across many popular OTT platforms in a turnkey fashion. Thus small- and medium-sized content producers can launch an app with their content at scale across many platforms for relatively modest outlays of time and money.

So far, the leading customer for this service has been local news affiliates of the major broadcast networks. All that stations need do is drop the day's video segments and weather data into a simple CMS; the apps on the various platforms then pick up this content via RSS feed and populate it for viewers to enjoy. Advertising is delivered in the form of banner ads that launch video as well as pre-rolls. Revenue-sharing agreements are reached between the station and Accelerated Media.

With minimal effort, in other words, a local TV station like WRAL in Raleigh can earn additional revenue from video they've already produced, affordably gaining a foothold in the OTT world.

Interacting with TV

Cognitive Networks syncs with shows

San Francisco's Cognitive Networks' Automatic Content Recognition (ACR) technology identifies TV programming and pulls in interactive overlay elements as needed. In a partnership with Showtime, Cognitive Networks deployed this technology on hit shows such as *Homeland*. As part of the "Sho-Sync" experience, users can answer trivia questions, vote in polls, and more.

A compatible TV that is connected to the Internet constantly scans the programming on the screen, collecting pixel samples and sending them back to Cognitive Networks' servers. The servers use this pixel data to look up whether an interactive experience is to be delivered, and, if so, integrate with a third-party to deliver it.

These interactive elements are HTML5-based, so they work across all compatible TVs. In this way, an ad can trigger a buying opportunity, a live reality show can conduct a snap poll, or a movie viewer can pull up (sponsored) director notes while watching the movie.



Source: Showtime

“ The emergence of first-screen ACR (Automatic Content Recognition) can provide major benefits to second-screen applications; we can use the push option on the TV to drive much higher engagement rates (10-100x). Meanwhile, application designers can seamlessly enable consumers to complete a transaction (e.g., buy a movie ticket, or order a pizza) on the second screen.”

Michael Collette
Cognitive Networks

Part 4:

The Future of Television

OTT in the future

Compared to the last seventy years of television, the next twenty will be incredibly tumultuous. Even though the current model looks pretty safe for several years to come, history is littered with fossils of industries that refused to adapt until crisis was upon them. In this section, we'll look at the future of the space and how brands can get involved.

“How did you go bankrupt?” Bill asked.

“Two ways,” Mike said.

“Gradually and then suddenly.”

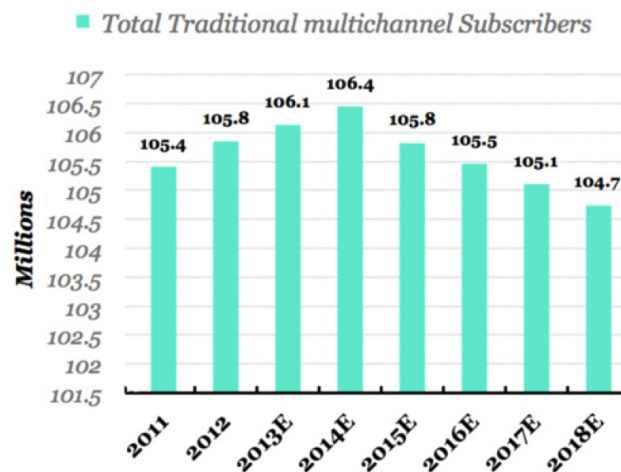
Ernest Hemingway
The Sun Also Rises

Here comes the future

Tune in or get screened out

Strategic global media unit MAGNA GLOBAL's "US Media Access Quarterly" from Q2 2014, in concert with the findings of other studies, makes it clear that anyone with a stake in ad-supported linear television should start paying attention to the OTT space immediately:

- Multichannel TV subscriptions (cable/satellite) are expected to plateau this year at 104 million.
- Over-the-top platforms are expected to grow as Millennials use these services without subscribing to cable/satellite TV, similar to the drop in landline use.
- Smart TV footprint in the US is expected to rise from 45 million today to 78 million by 2018.
- Vizio, an entry-level low-cost consumer electronics brand, estimates 60% of their TV sets shipped today are Smart TVs.
- By the end of this year, the footprint of connected game consoles (e.g., PS3/4, Xbox 360/ONE) is expected to be 88 million homes. It's important to note these consoles all support apps and streaming content; they don't just play game discs.
- The 2014 footprint of OTT devices in the US expected to be 47 million, up 100% over last year.



Source: Magna Global Media Access Quarterly Q4 2013

The coming generational shift

Younger generations skip cable for Internet

The greater availability and lower cost of content online has convinced some consumers to become “Cord Cutters”: those who have cancelled cable television. Yet more worrisome to cable owners are the “Cord Nevers”: young adults who never bought cable in the first place. Technologically savvy, platform-agnostic and budget-conscious, Cord Nevers care little about the medium used to deliver service, only that access occurs quickly, dependably, and without interruption. Unfortunately, it’s very difficult to get an accurate read on the size of this population relative to the overall population of cable subscribers.

“ We designed (Roku TV) with the same principles that have made our Roku players so popular - easy access to great content at an affordable price.”

Scott Rosenberg
VP of Business Development, Roku

Estimates vary, but cord cutting as a trend appears to reflect the behavior of a small sample of the population - perhaps even as low as 1%. ¹³ That said, the number of cable boxes per home may decrease as more people switch to tablets and OTT platforms. In fact, we may have already reached “peak cable,” and are witnessing the decline of traditional viewing habits. ¹⁴ We’re not saying that TV watching will fall off a cliff in the next two years. Rather, this is an opportunity for media owners and brands to figure things out in a small population for cheap so they can be ready when the change does show up.

The mass audience is already getting comfortable with the concept of OTT. As this ad from a free New York daily paper makes clear, mass-market discounters tout not just their price slashing, but also the OTT features of select devices. Ads like these have limited space for copy; calling out these services signals that they influence purchase decisions.

NO CREDIT REQUIRED
✓ Instant spending limit ✓ Take it home today
✓ Affordable weekly payments
See store for details

FINAL 4 DAYS
Inventory Clearance!

7" Galaxy Tab III Android Tablet
•8GB Internal Storage •Dual Core Processor
#SM-T210R16 MSRP \$199.99
SAVE \$51**
\$148⁸⁸
•Or \$6 Per Week

DELL
Windows
\$128⁸⁸
•Or \$5 Per Week

PHILIPS
29" WiFi Smart LED HDTV
\$198⁸⁸
•Or \$9 Per Week

29" LED WIFI Smart HDTV
•WirelessConnect •3 HDMI Inputs #29PFL6508 MSRP \$399.99
LIMIT 1 PER FAMILY

SAMSUNG
24" LED HDTV
\$248⁸⁸
•Or \$10 Per Week

10.1" Galaxy Tab III Android Tablet
•16GB •Android 4.2 Jelly Bean •1.8 GHz Intel Atom Z2430 Processor
#GPS210WSNT MSRP \$399.99 **LIMIT 1 PER FAMILY**

40" LCD 1080p HDTV
\$268⁸⁸
•Or \$11 Per Week

40" LCD 1080p HDTV
•HDMI Inputs •PC Input #SC42GSELE40LCD
MSRP \$499.99 **LIMIT 1 PER FAMILY**

Tablets Under \$99!

Polaroid
7" Internet Tablet
•4.1" 3.5" Diagonal •4GB
#PMIC1705X9K MSRP \$149.99
SAVE \$10**
\$48⁸⁸
•Or \$3 Per Week

7" Internet Tablet
•Play DVD, CD, CD-R, MP3 and JPEG
•Includes AC/DC Adapter
#KND7070A MSRP \$149.99

100" Blu-ray Smart DVD Player with Built-in WiFi
•1080p Definition
•Use with Netflix, YouTube, Vudu, Hulu Plus, Pandora, Picasa #BDX3400
MSRP \$149.99
SAVE \$111**
\$38⁸⁸
•Or \$1 Per Week

Smart Prices!

46" 1080p LED HDTV
\$348⁸⁸
•Or \$16 Per Week

Haier
46" 1080p LED HDTV
•3 HDMI Inputs
•PC Input #LE46D22380
MSRP \$699.99

50" 4K Ultra HDTV
•Resolution 4 times 1080p
•Scale HD to 4K •3 HDMI
#SE50UY04 MSRP \$1499.99
\$498⁸⁸
•Or \$21 Per Week

60" 1080p 120Hz LED Smart HDTV
\$798⁸⁸
•Or \$29 Per Week

60" 1080p 12Hz Smart LED HDTV
•VIZIO Internet Apps Plus
with built-in Wi-Fi #E601-A3
MSRP \$1299.00

8" Dual Core Tablet
•Google Certified
•1GB RAM •8GB HD
•WiFi #PL18225
MSRP \$199.99
SAVE \$21**
\$78⁸⁸
•Or \$2 Per Week

9" Android 4.2 Internet Tablet
•8 GB
•Dual Camera
#PT9002 MSRP \$199.99
SAVE \$11**
\$88⁸⁸
•Or \$3 Per Week

Haier
9 Cu. Ft. Microwave
•1000-watt •Electronic
Touch Controls
#HMC3202EBB MSRP \$99.99
SAVE \$10**
\$48⁸⁸
•Or \$2 Per Week

Haier
3.5 Cu. Ft. Chest Freezer
•Space-Saving
#HMC4022L FREEZER
MSRP \$229.99
SAVE \$11**
\$118⁸⁸
•Or \$4 Per Week

Haier
Portable Washer
•Stainless-Steel Tub
#PS121E MSRP \$299.99
SAVE \$10**
\$188⁸⁸
•Or \$8 Per Week

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Source: AM New York

Incumbents strike back

Adapt or die

Incumbent network, cable, and satellite providers are not exactly oblivious to these shifts in consumer behavior. Because cable providers sell the very Internet service over which OTT content is delivered, this trend does not likely mean apocalyptic doom for them; rather, in all likelihood, people will consume (and pay for) Internet bandwidth at a rapidly increasing pace. But this could mean revenue slowly shifting from one side of the house over to the other. What cable and satellite providers lose on the revenue side they could perhaps recoup with lower infrastructure costs.

Networks are taking a different tactic. In June 2014, ABC announced the launch of ABC News Channel on Apple TV, which will include live and on-demand content from both national and local networks. Historical footage will also be available through features like “This Week in History”—a good example of how publishers can leverage their deep content libraries to maintain relevance.¹⁵

Recently, Dish networks cut an interesting deal with Disney to create a future OTT subscription service that would include Disney-owned live network feeds.¹⁶ In exchange, Dish agreed to disable their AutoHop ad-skipping feature for Disney-owned channels on its main service for three days after original broadcast. In addition, the deal stipulated that the OTT service offering, when launched, could not include Disney only: it would have to be bundled with other partners. The Disney-owned channels would come as a bundle, but consumers would not be able to only get Disney Channel or ESPN.



Source: Dish

Future plans aside, Dish is already a player in the space with their Dishworld OTT service. In many ways this model could serve as a template for their US programming offering.

Their current Primetime Anytime feature allows users to automatically and simultaneously record all the shows on the four major networks during primetime - think of it as a “just DVR everything!” button. This effectively abstracts the content from any connection to the time or network it was originally on.

Meanwhile, Verizon snapped up Intel’s OnCue OTT division in January 2014, a platform that could enable them to offer new interactive video services that ride on top of their FiOS infrastructure.¹⁷ Verizon is also the majority owner of Netflix rival and OTT mainstay Redbox Instant.

Comcast, on the cusp of completing a merger with Time Warner Cable that will consolidate 40% of US broadband market share (≈33 million subscribers), has its own OTT offering called Streampix.¹⁸ This is an add-on to Comcast’s Xfinity service, which lets authenticated users stream movies and TV shows to their TV, computer or mobile device. In recent retransmission negotiations with CBS, Comcast struck an agreement to add past CBS programming to the service as well as select currently airing series.¹⁹

“ We think there is a group of individuals, 18-to-34-year-olds, who would love to have a lower-cost product with some of the top content out there. That’s who we’ll be targeting.”

Dave Shull

Chief Commercial Officer, Dish Networks

Barriers to shifting to OTT

Incompatibility and no free flow of content

Why do so many people still have cable when OTT exists? There are four key reasons:

1. The landscape is cluttered with different, incompatible ecosystems that are difficult to understand.
2. Ironclad deals between premium content providers, networks and cable operators continue to prevent some of the most prized content (e.g., ESPN, HBO) from being offered a la carte on existing platforms.
3. Inertia: People are creatures of habit, and OTT technologies are relatively new. Luckily for those who most benefit from the established order of home entertainment, there is an education gap around what OTT services can provide. That said, these same executives can ask the recording industry how long one can sustain a business model based on people not finding out how to use a new technology. Demographically, Baby Boomers are the cohort most committed to linear television; they are more often than not in charge of major decisions at networks; and their affluence relative to other age groups will continue to prop up the medium for years to come.
4. Access to high-speed Internet (10 MB/s+) is still not universal, especially in rural areas.

Rethinking our content

Ownable engagement

In the future, as content continues to detach from delivery mechanisms, and “TV Networks” as we know them begin to morph across platforms, a number of interesting developments may emerge.

- **A cable TV operator as app aggregator:**
Content from various channels made available regardless of origin
- **Removing the middleman:**
Anyone with lots of valuable existing content, from the Academy of Motion Picture Arts and Sciences to the NFL, can provide it direct to consumers. Perhaps this sounds unthinkable, but once OTT has enough critical mass, there may be a financial incentive for the NFL (as an example) to cut broadcast networks out of the picture and reap all the ad revenue themselves.
- **TV networks as apps:**
Rather than supplement linear channels with apps, TV networks such as Bravo or the Food Network may morph into subscription-based or ad-supported apps, with commerce opportunities to drive revenue, eliminating the need for the linear channel altogether.

New types of ad inventory

Tools for an evolving market

The creative palette available to brands as this new landscape emerges will be full of rapidly evolving tools. This presents challenges as well as opportunities. Brands and agencies will be tasked with inventing new and interesting ways to break through the clutter and tell compelling stories; at the same time, enormous opportunities exist to bring traditional TV viewers further down the purchase funnel than ever before within the medium.

Native ads

The simplest new type of ad that can be enabled on these platforms is native ads that appear in the device's user interface. Already many OTT platforms such as Samsung SmartHub have banner ads that launch video ads. One advantage of this kind of advertising is that a good deal of the infrastructure for it has already been established for desktop and mobile advertising—it's just a question of successfully porting that over to an OTT environment.

Sponsored video content

Advertisers are trying to break through the clutter by creating engaging and entertaining videos spiced with brand mentions and/or product placement. Content of this type abounds on the web and is steadily growing. Creating the content is actually the hard part; an easier step is migrating this content into a branded TV app on various OTT platforms. Another variation on this is showing advertising in exchange for access to content that would otherwise be paid for—in June 2014, for example, Amazon announced that it was adding pre-roll commercials into its video library, allowing users to watch the first episode of television shows for free.²⁰

Information overlays

Many apps on the various OTT platforms act as overlays on top of other programming. For instance, news-ticker style overlays for a reality show can display fan commentary from Facebook or Twitter in real time. (Samsung's Social TV app features similar functionality for a user's social feeds.) These interactive elements will be ripe, in the context of OTT, for sponsorship and native advertising. However, the key to success is for the sidebar overlay to be useful and for the sponsor to be relevant to the audience.

Social interaction

For straightforward actions such as a check-in, like, or share, simple user experiences can be designed. To let your friends know you are watching something you like, it could simply be a matter of 2-3 button taps to broadcast. To publicly add something to your wish list, an OTT app could incorporate a “please buy me this for my birthday” social function, tappable during video ad creative.

New calls to action

What a given ad asks for is limited only by its designers. Platforms could ask for information such as a phone number or mailing address in addition to e-mail address; once the app or platform has this information, ads can simply ask users to hit a certain button on their remote, or click a button within the ad. That way, an offer or information can automatically be sent to them without them having to key in their personal information.

Integrated purchasing

Content itself can be clickable and therefore shoppable. A call-out on-screen can alert viewers to shoppable items and allow consumers to purchase with a click, wave, or voice command.

“ It’s all about content, content, and content. OTT users tend to have much longer sessions than users on other devices. To keep users engaged, you need long-form content, you need hundreds of hours of content, and you need to refresh these apps on a frequent basis. These are tough challenges for most brands. I do believe native ads on OTT will be the perfect path for most brands.”

Farhad Massoudi
adRise

The impact on media planning & buying

Buying

Traditionally, online video has been considered a world apart from the big-screen TV in the living room, and so too have been the ways in which advertisers bought inventory on them. But this division is entirely artificial, and the space has been steadily evolving in recent years. As audiences fragment across thousands of content apps and platforms and screens - not just on TV but on other media such as mobile - targeting and buying this media inventory will no longer be efficient for a human to do manually.

Already, major players such as A&E, AOL, Clear Channel, Cablevision, ESPN and Tribune have joined with IPG Mediabrands to bring automation and programmatic buying to the world of linear TV in a significant way, and the MAGNA Consortium's goal is to have 50% of media-buying to be automated by 2015. This means a great deal of TV will soon be bought the way Internet display advertising is bought today. What will eventually emerge is a complex web of automated systems to manage all the different types of inventory and handle the algorithms for buying in real-time.

Media owners will one day be able to offer advertisers the same GRP (or TRP) as they get on linear TV today, but the buy can be finely targeted and spread across multiple channels. Instead of siloed TV, Web and Mobile buys, brands will be able to buy audiences, and do it at the same scale (or greater) as they do today.

Social

There will be a social layer underpinning how content drives to other content. Within platforms and apps, recommendation engines will track the content users and their friends consume and make recommendations on that basis. Advertisers could then use these preferences and learnings to help target their spend.

Measurement

Unless it appears exactly as it aired, with the same ad load, most OTT viewing currently does not get counted in the average commercial minute audience. This model will obviously be inadequate in an OTT environment, replaced by precise metrics that determine levels of audience engagement as opposed to impressions and click-through rates. This in turn will impact the way cross-channel campaigns are measured. If data plugs back into the algorithms that plan the next round of media buys, it can also plug into unified measurement tools across platforms and provide a holistic representation of a campaign's reach.

Future shock

Looking ahead

The deeper you dive into the over-the-top video space, the more it begins to feel like the conversation over Internet media consumption in the last several years: apps, banners, click-throughs, targeting individual users and programmatic buying. It's not a random coincidence. Screens have evolved from being specialized to being general purpose, differing mostly in form factor.

In effect, a screen is a screen is a screen. Consumers of the future will expect anything they can do on one screen to be possible on any other. The size and user interface may change, but if users need their e-mail, their movies, their vacation pictures or the deed to their house, they will want to pull it up right now on whichever screen they want.

Future-proof

Best practices & recommendations

In conclusion, a major shift in home-media consumption is beginning to unfold. OTT video will disrupt linear television and advertising as we know it, and hold different consequences for brand, publishers, and media owners. That said, it is growing slowly, so the good news is that we all have a lot of runway to figure out how to play in this new future. The key is to experiment and learn. If you know where things are headed, it's better to get out in front than have to play catch-up down the line.

1. Experiment today

Accept that if you invest in developing an experience for one or more of the current OTT platforms, your audience may not be huge. These experiments can take a variety of forms, from creating an application to partnering with an existing one. Regardless of the format it takes, it is important to get your foot in the door, because you don't want to get caught flat-footed when change starts accelerating. At the same time, be realistic. User numbers will not accelerate into serious numbers compared to linear TV for many years.

2. Learn & iterate

Building metrics and tracking into your experience is critical. Study how people consume video within your app. Analyze how people traverse your user interface. See where they get frustrated, and which features they use the most. Monitor the metrics and optimize for user behaviors that seem to be working.

3. Exploit new calls to action

As much as possible, take advantage of the new creative tools available to you when dreaming up new ad units. Ask yourself, "If a user is able to easily show interest in this ad with one simple action, what do I want to happen next?"

4. Repurpose existing content

You can save money while experimenting by populating your experience with creative content that you have already created for other purposes. If you spent millions developing a series of branded-content webisodes, there's no reason not to roll those into a simple TV app (either yours or someone else's) so that they are available on the big screen in living rooms.

5. Adjust your platform mix as necessary

Vendors and software platforms will change year to year. LG recently dropped their old operating system and embraced WebOS; Samsung purchased and absorbed Boxee; and rumors of an Apple TV set abound. Startups will emerge, consolidations occur. The only sure thing is that the mix of devices and platforms existing today will not be the same in ten years. Identifying which platforms have the most reach, and developing for these, is key. Don't be afraid to switch up your mix of platforms if the usage numbers warrant a change.

“ More and more content will keep coming to streaming until we're at the point where everything ever made is available online streaming.”

Anthony Wood
Roku CEO

Part 5:

Appendices and Sources

Appendix A

Platform examples

Apple TV

Originally envisioned as an extension for iTunes running elsewhere on one's home network, Apple TV has become a standalone OTT box in its own right. It still devotes its primary energy into helping buy and enjoy content within the Apple ecosystem, but it also supports a number of common OTT services such as Netflix, Vevo and the new WWE network. The selection of these services is narrowly curated compared to other platforms, however. The device runs a modified version of iOS 7, the kind used on modern iPhones and iPads.

Roku

A lineup of OTT devices that are relatively simple yet powerful. The form factors range from variously priced set-top boxes to a slim “streaming stick” that plugs directly into a TV's HDMI port. The remote control for these devices is optimized for OTT viewing, and often has a dedicated “Netflix” button to jump straight into that app. The platform has over 1200 “channels” (apps) including numerous on-demand movie and TV services. Some are ad supported while some are subscription-based. Many large traditional TV networks have apps on the platform, including A&E, Fox and PBS. At CES 2014, Roku announced two new Smart TV models from Chinese manufacturers TCL and HiSense that use Roku as their operating system. Thus when you start the TV, you go straight into the Roku experience and can then select “Cable” as an option if you have cable. This is a bold design step, as it pushes traditional multi-channel TV subscription into the background as just another service (albeit an expensive one).



Source: Roku

Amazon Fire TV

When the Fire TV finally debuted in April of 2014 many were impressed with its array of features and solid hardware build. It's based on Android and ships already configured to your Amazon account and payment methods. It also features well-reviewed voice recognition within the remote control. In terms of apps, it supports most of the usual suspects (Netflix, HuluPlus, Pandora). Of course, the device prominently features Amazon's own content services including Prime Instant Video. The integration with a user's Amazon account raises very interesting possibilities for brands. Since the box already has a user's shipping address and payment method linked, advertisements within apps on the platform could theoretically drive a significant volume of one-click impulse purchases. Amazon Prime members would be further tempted because of the free two-day shipping they are afforded.

Xbox/PlayStation

What the Xbox and PlayStation ecosystems may lack in terms of OTT app variety they make up for with sheer footprint. That said, gaming is very much front and center on these platforms; video apps take a back seat in the experience. An interesting facet of the Xbox platform is the ability to leverage the Kinect controller to control the UI using gesture and voice. This added capability opens up interesting creative possibilities for both content apps and advertisements - "Say 'Nabisco' to get a coupon sent to your phone" or "Wave your arm at the screen to bookmark this BMW test drive footage to watch later," for example, could be calls to action. Meanwhile the PS4 is tightly integrated with the Sony Entertainment Network, making content purchased on it available on connected Sony TVs, and vice versa.

Blu-Ray Players

There are a range of Blu-ray disc players on the market, some of which support streaming video and music apps. The usual suspects - Netflix, Vudu, Pandora - are typically present. Some Blu-ray players even have a dedicated button on the remote for Netflix. In a sense this trend is a bit of an OTT Trojan horse. Consumers may not understand dedicated OTT devices like Roku, but they buy and rent Blu-ray discs commonly. A Blu-ray player is a natural purchase today, as the DVD player and VHS player were before it. Once in the home, users unfamiliar with OTT services can stumble upon them as they use their new Blu-ray player, and begin to compare the relative costs and benefits of physical media versus streamed media.

Samsung Smart Hub

Samsung has been at the forefront in adopting OTT technologies directly built into their Smart TVs for several years now. Their platform supports a large and rapidly growing mix of apps that otherwise would only be available on external devices such as Apple TV. Many of these apps can function as overlays on top of whatever content is being viewed on the TV from any source. For instance, they have a selection of customizable news tickers that can run along the bottom of the screen with news about topics a user cares about. Samsung also has incorporated advertising elements into their UI, with banners that drive to video content or other desired media.

LG

LG has resurrected the beloved but ultimately niche mobile operating system WebOS to power a new line of televisions. The user experience makes multi-tasking easy, and the HTML underpinnings make it developer-friendly. TVs with the new interface have begun to hit the market in 2014, and there's significant potential for brands to design interactive experiences for the living room with relatively lower costs than on more proprietary platforms.

Sony

After initial forays into the space powered by Google TV, Sony's revamped Smart TV platform is based on the Sony Entertainment Network (SEN). While the app selection is not as vast as some other platforms, all the key players are represented. It is meant to tie more closely in with the rest of the Sony ecosystem, including PlayStation consoles. For instance, using the recently announced PlayStation Now functionality allows users to stream PlayStation games to the TV and play them with a regular DualShock controller that'd otherwise be used with a console. SEN also includes Sony's own Video Unlimited service, a video-rental service allowing users to stream a movie or TV Show for a 24-hour period.

Vizio

Smart TVs produced by Vizio are shipped with "Internet Apps" and the remote controls for many models include shortcuts directly into apps such as Netflix, Amazon Instant Video and M-Go. The on-screen experience is powered by the Yahoo Connected TV Store ecosystem of apps. It includes all of the core services one would expect from a typical OTT platform. Music apps, Vudu, and YouTube are also included out of the box.

Appendix B

Service examples

Twitch

It's a service that allows video game players to stream their gameplay to others across the Internet. They can add other features to their channel, including video insets with webcam footage of them sitting at their computer or console talking into a headset with narration, and chat windows for viewers to comment on the action. Users can stream PC games as well as gameplay from PS4 and Xbox One. It is available on the web, mobile and several OTT platforms. At any given time, thousands of users can be found watching a popular channel. Twitch is ad-supported and currently claims more than 38 million unique viewers per month with an average viewing session lasting 28 minutes - equivalent to the runtime of a sitcom.²¹ Another statistic likely to shock most readers over the age of 30: last year, people watched other people play video games online for a total of 2.4 billion hours.²² Twitch was acquired by Amazon in August 2014 for over a billion dollars.²³

Dishworld

In 2012, Dish Networks launched DishWorld, a subscription service oriented around foreign-language content, on Roku. Subscribers have access to a core of English language networks, including Bloomberg TV, plus a number of channels in the language of their choice. For example, the Hindi package includes 22 Hindi TV networks while the Mandarin package includes 25 Mandarin-language stations.

TV Everywhere

Many OTT platforms have apps produced by major TV networks. Perhaps the best known of these is HBO, with their multi-platform HBO Go app. But other networks such as Fox (FoxNow) and ESPN (ESPN360) have apps on these platforms as well. The catch is that to use all or most of the features of these apps, and certainly to live-stream on air programming, you need to authenticate within the app to your local cable provider. Essentially this is a hybrid technology: you can watch network programming on-demand and a la carte, but the consumer still has to pay for a cable bundle.

Yahoo Screen

In late 2013 Yahoo launched a video app for mobile platforms named Yahoo Screen. It was designed to serve up short-form video clips from leading publishers such as Comedy Central, The Onion and Wired via an intuitive interface. Shortly after launching for iOS, they rolled out the application to AppleTV and Roku. Other OTT platforms are likely to follow. The app is free and it stands to reason that it will be monetized by advertising.

TheBlaze

After leaving Fox News in 2011, controversial media personality Glenn Beck started his own online news channel, first named GBTV and now named TheBlaze. The network produces news programming as an alternative to the “mainstream media agenda,” as well as opinion programming and shows aimed at younger audiences. It is a subscription service that can be paid on a monthly or annual basis. In addition to being available as a browser-based video stream, the network has a dedicated app on OTT platforms Roku and Apple TV.

Android TV

Google has made significant moves to re-enter this space with the unveiling of Android TV in June 2014, Android TV is an operating system that either runs on third-party external devices or is directly built into TV sets manufactured by Sony, Sharp, and other partners. They’ve taken lessons learned from the failures of Google TV and the Nexus Q, as well as the success of their Chromecast product. The interface of Android TV departs from that of tablets and smartphones, and is optimized for the “10-foot” living room couch experience. It features voice-search capabilities powered by Google’s search algorithms.

Perhaps most importantly, Android TV is designed to maximize the ease with which developers can port existing and future Android applications to the new device, and Google may even be partnering with them to develop games and apps down the line. This could result in an explosion of available content and functionality, more akin to that available on smartphones than competing Connected TV platforms. Multi-player experiences (e.g., games) can also span multiple Android form factors.

Finally, the ability to “cast” content from mobile devices, which Chromecast popularized, will be baked directly into Android TV.

Thanks!

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