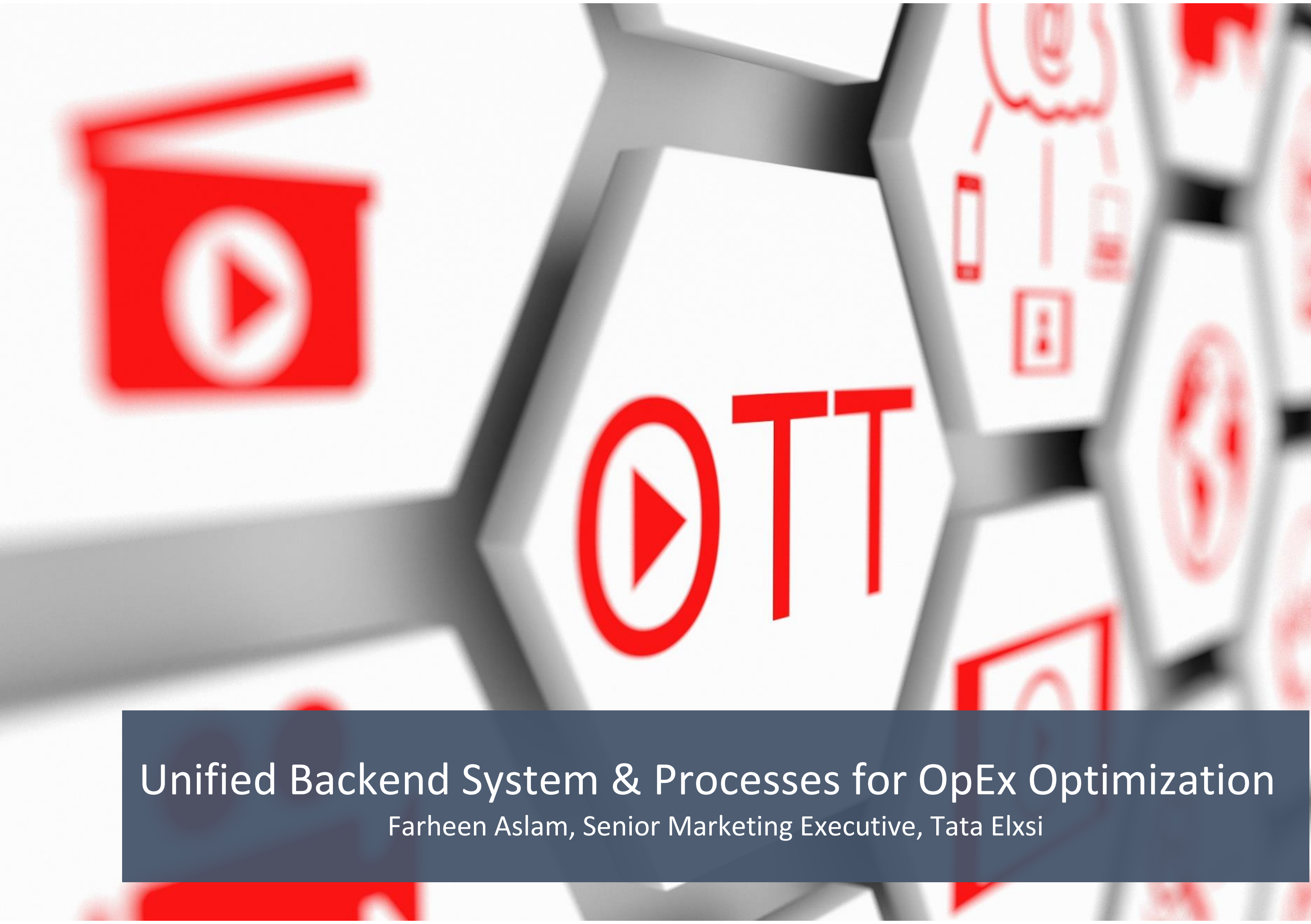


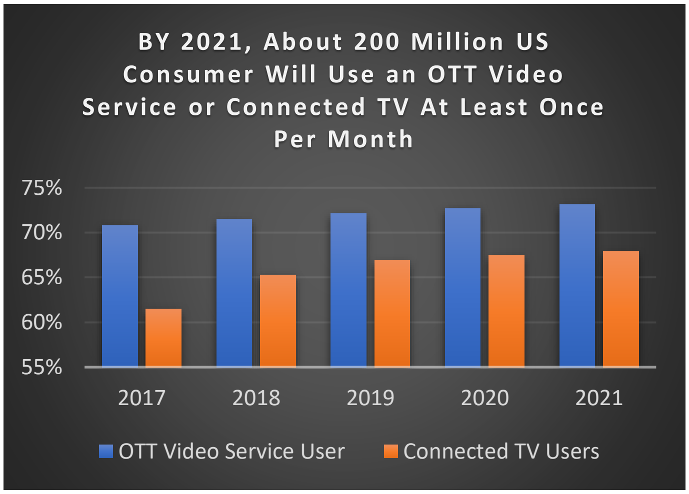
Unified Backend System & Processes for OpEx Optimization

Farheen Aslam, Senior Marketing Executive, Tata Elxsi

CONTENTS

INTRODUCTION

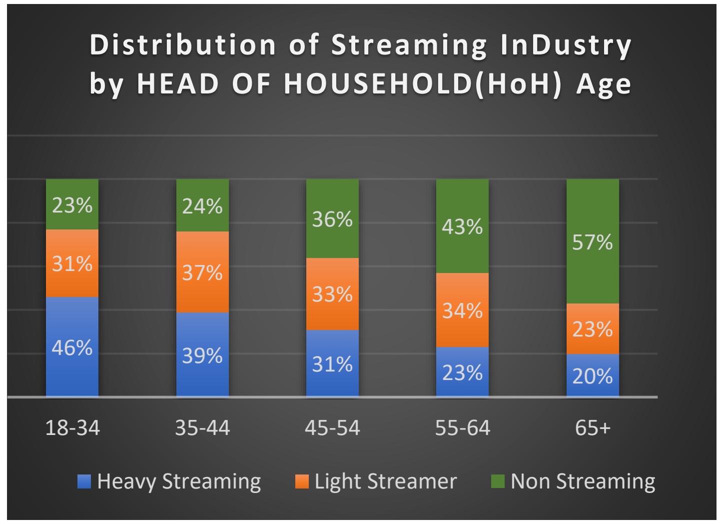
With the penetration of high-speed Internet, smart devices, and content flooding in the market, there has been a significant shift in video consumption from linear TV to nonlinear streaming service. Today, there is a fundamental shift from "watching what's on" to "watching what I want, where I want." 70% of all videos on YouTube today are streamed via a mobile device. **1 billion mobile views** take place on YouTube every day. Next came Netflix with 38.4%[5]. Due to the rapid growth of OTT video business driven by mounting viewer demands and internet video's promising revenue prospects has led broadcasters, cable operators, satellite TV providers, and IPTV operators to deploy online video offerings.



Source : eMarketer, 2017

Figure 1: OTT Video Service Users vs Connected TV Users

Users are increasingly demanding for a multi-platform and seamless experience across various devices. Cord-cutting is a reality in most mature markets and especially with the younger audiences due to the high penetration of smartphones. In 2019, the total active internet users are 4,388 Milion which is expected to increase to 49 Exabytes per month by 2021. Therefore, making a strong OTT offering is a prerogative for operators.



Source: comScore OTT Intelligence, 2018

Figure 2: Streaming Viewers

Today, the traditional media companies are fiercely competing with existing players to roll out the OTT streaming services with superior and original content. With the OTT disruption, the media companies are not the only ones feeling the impact of it, but also the telecom players. As Telecom Service Providers (TSP) explore new revenue streams, they have an excellent opportunity to offer new services by diversifying into adjacent business areas such as media. The business adjacencies through mergers and acquisitions give media companies a large customer base of TSP while enabling TSPs to better serve their customers. This allows players to compete in this disruptive market space.

MEDIA AND TELECOM GIANTS ARE COMING TOGETHER

OTT players began their streaming service with a wide array of popular content from big media houses. Today, many customers have signed up for the OTT players to supplement their Pay TV subscription, which has limited VOD content. In the race to reach out to maximum customers with original premium content, the siloed content creation, aggregation and distribution have begun horizontally integrating. It all started when key TSPs in the US diversified into media space by acquiring cable and satellite service providers. For example, AT&T acquired DirecTV while Charter Communication acquired Time Warner Cable. To have complete control of the media ecosystem and reduce time to delivery with original premium content, TSPs are also acquiring media creator and aggregator players, e.g. AT&T acquisition of Time Warner.

Figure 3: M&A between Telecom and Media

The relationship between telecom-media and OTT is expected to converge. Content licensing is going to reduce as content will be the key differentiator and an asset in a horizontally integrated media ecosystem. All media giants are now strategizing to reach out to maximum customer base by offering an OTT platform that can serve audiences of different geographical region and all age groups. This convergence will evolve several strategic decisions to reduce overall TCO in the Media & Entertainment Industry.

MERGERS & ACQUISITIONS: WHAT HAPPENS NEXT?

Now the media industry is disrupting with M&A, from AT&T takeover of Time Warner to Comcast's purchase of Sky and Disney's acquisition of assets of 21st Century Fox. The strategic reasons for all these M&As are to scale, tap, and reach out to the maximum customers. Post this M&A, the focus has been shifted to define the strategies to settle on the prices paid and auctions undertaken. The newly created media ecosystem with all the tie-ups is scouting for the ways to win in the changing media consumption.

Figure 4: Telcos and Media Players Battle

Today, it all comes down to one question of what it takes to win in the new media ecosystem. Scale alone cannot be the only purpose. With media companies bulking up, agility without any USPs would also be not enough. Now the stakes are higher, and these new media giants are scouting for creative, powerful USPs to make their service stand out.

With these M&A, the media giants are rushing to roll out their service at the earliest to market. One of the significant challenges faced by the companies post-M&A is that for each functional block needed, there are multiple vendors. They have identified that reengineering activities are resulting in numerous integrations and engineering efforts. Due to these complexities, it is challenging to articulate the roadmaps, translating to a low level of flexibility and business agility. By paying a colossal amount to become the mega-media giants, now these companies look for design, launch and refine video offerings in a single iterative effort. For example, "*Comcast $39 billion deal for European pay-TV giant Sky was one of the biggest industry deals of 2018. After sealing the agreement, the focus of the Comcast is now on reaping the benefits. It is expected to witness more of evolution than revolution at Sky under Comcast. NBCUniversal's announcement to launch a streaming service in 2020 is one of the strategic decision to challenge the media industry. The streaming service to be available for Comcast subscribers as well as Sky's subscriber reaching out to 52 million subscribers*."

As these media giants are planning to roll out their exclusive OTT service, the major issue faced is to optimize the overall process. One major problem these giants face is how to use the existing component and evolve instead of complete reengineering effort.

UNIFIED SOLUTIONS IS KEY ENABLER FOR TCO OPTIMIZATION

Post Merger &Acquisition, the organizations are expected to create growth by expanding its existing services. For example, Media companies post-M&A are expected to generate growth by launching its new OTT service and expanding to the new market territory. To roll out the new service, the companies are scouting for the right technology and service partner that can be a one-stop solution for all the components for faster deployment and Opex reduction.

VOD Processing

Extending OTT service through the Centralize Video Processing, which can address both Broadcasting needs and OTT needs will help reduce the Opex. The service provider who owns the Broadcasting content can integrate the OTT video processing with its existing Media Asset Management system for ingesting contents as VoD. In the OTT Client, it can be programmed to treat these contents either as an Episode based VoD or Catch-Up TV associated with respective TV channels. Avoid using DVR based solutions to offer Catch-Up TV as such systems increase the Opex and point of errors.

Centralize VOD Processing

Extending OTT service through the Centralize Video Processing, which can address both Broadcasting needs and OTT needs, will help reduce the Opex. The service provider who owns the Broadcasting content can integrate the OTT video processing with its existing Media Asset Management system for ingesting contents as VoD. In the OTT Client, it can be programmed to treat these contents either as an Episode based VoD or Catch-Up TV associated with respective TV channels. Avoid using DVR based solutions to offer Catch-Up TV as such systems increase the Opex and point of errors.

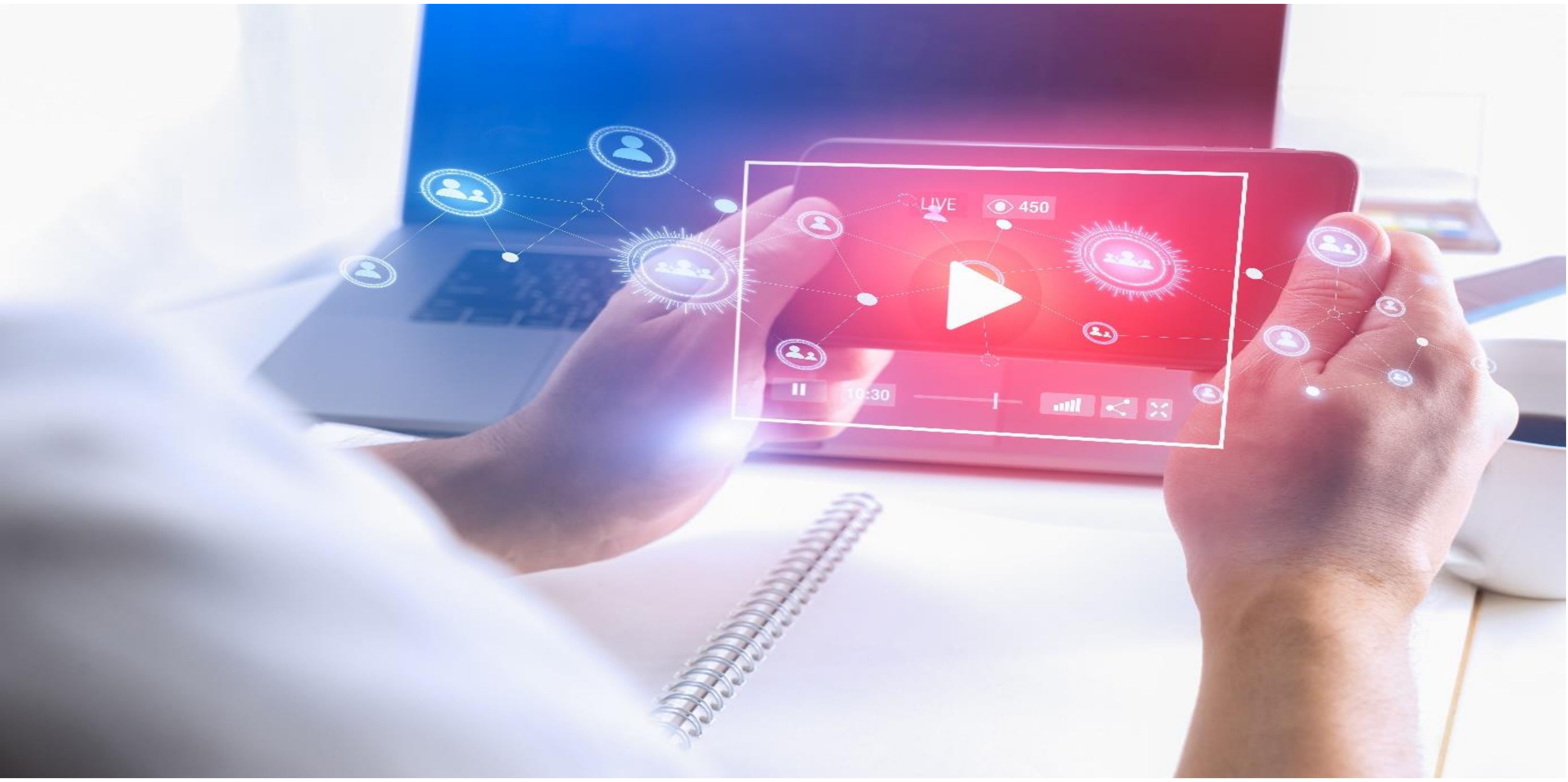
Unified Back End Systems

Unified Back End System can ***reduce the Opex up to 30 %*** to offer OTT services in different business regions and brands. Unified Back End System brings an integrated approach for Meta Data management, Content Management, Subscriber management, Analytics, Content Discovery, and Monitoring. Architecting the Back End systems to support Multi-Tenancy will reduce the overall infra expense.

Global Application Development Centre

Moving from a device-centric development approach to OS Platform centric approach will bring substantial saving on the client's development spending. Based on the Business unit, the apps will have a service offering, which can be managed through back end systems. Building a Global application development center will enable efficiency in the platform-centric approach. Which will have a standard function as horizontal team structure like Product Management, UI/User Experience, Testing, and DevOps/release management

All these strategies and its implementations vary on a case-to-case base, and it’s a complex activity, which needs an outsider view to implement efficiently. Hence, involving a neutral Third-party consulting organization, having experience from traditional to OTT technology consulting will be beneficial.



CONCLUSION

The merger and acquisition initiatives is an ongoing process to improve the business by scouting for the right technology partner/solutions for constant growth and changes.

Expanding into emerging business is important for sustainability but huge investments and drastic changes in the existing systems and platforms are difficult to make. Emerging business grows to a commendable consumer scale and competition forces operators find ways to optimize the Opex. It becomes important for Technology and strategy group to look into synergies in the platforms, service offering and possibility of unification of commonality and similar functional area.

To sustain the competitive edge in the existing marketplace, the media giants hope to gain cost synergy and scale by adopting the appropriate integration model to roll out their OTT services quickly.

ABOUT TATA ELXSI

Tata Elxsi is a global design and technology services Company. Tata Elxsi works with leading MSOs, content providers and studios to develop innovative services and applications that create subscriber stickiness and drive revenue growth.

This is backed by over 25 years of design and engineering experience and deep specialization in video and OTT engineering and service delivery, a global delivery presence and offshore development centers in India. Tata Elxsi's **TEPlay an all-in-one platform** with fully integrated technological building blocks accelerates the launch of a next-generation OTT platform for Content Owners. It offers SaaS-based pre-integrated OTT Backend components (CMS, SMS, OTT Middleware, Usage Analytics, Content Discovery, UI Composer, Ad Tech Solutions, Whitelabelled Apps) for faster deployment of OTT Services.

REFERENCES

1. Tv industry eyes hybrid linear, on-demand ott services, Blake Droesch (https://www.emarketer.com/content/tv-industry-eyes-hybrid-linear-on-demand-ott-services)
2. Hulu by the Numbers: User Statistics, Demographics, and Fun Facts (https://muchneeded.com/hulu-statistics/)
3. What Percentage of Internet Traffic Is Mobile? (https://hostingtribunal.com/blog/mobile-percentage-of-traffic/)
4. Telco and media M&A: What happens next? (https://www.telecomtv.com/content/media-and-entertainment/telco-and-media-m-a-what-happens-next-33280/)
5. Mobile communications - Statistics & facts, Arne Holst (https://www.statista.com/topics/1147/mobile-communications/)

