

# Over-the-top video

As consumers look for new ways to access media, OTT is growing dramatically.

BY SUSAN ANDERSON

**O**ver-the-top (OTT) video — the delivery of video via the Internet from a source other than the network service provider — has arrived. Several factors are fueling the development of OTT video initiatives. The first is that viewers are demanding more customized access to their content. Consumers want their content anywhere, on any device, at anytime and at their convenience.

A key second component of OTT's fast rise is an array of both streaming content providers and new receivers. These free or inexpensive components have combined to create a disruptive marketplace for cablecasters while meeting consumer needs. In-Stat principal analyst Keith Nissen says the industry is struggling with how to maintain revenue as consumers shift to on-demand viewing. Broadcast TV ad revenue is declining, the pay-TV market no longer has much new subscriber growth, and consumers are not, or cannot, continue to pay for 200 TV channels when they watch just a handful of channels.

This content would be accessed via devices from some new players, including Apple TV, Boxee, Google TV, Hulu and VUDU. All of these new devices make content easier than ever to find and the viewing process, perhaps, more customer friendly. A J.D. Power and Associates survey released in October reports that consumers are more upset than ever with the high cost of pay-TV bills. In addition, cable viewers are more likely to feel ripped off than IPTV or satellite customers. Consumers prefer an à la carte solution. OTT can provide that option.

## Some OTT service providers and set makers

### On the consumer side Content delivery networks

Amazon  
Apple TV  
Hulu  
Joost  
Netflix  
VUDU  
YouTube

### Internet TV manufacturers

LG  
Panasonic  
Samsung  
Sony  
Toshiba

### Consumer devices

Blu-ray players  
Boxee  
Google TV  
iPad  
iPhone  
Logitech  
Microsoft Xbox 360  
Roku  
Sony PS3

### A new playing field

The industry most affected by OTT technology is cable. Is there a threat to basic cable services from OTT?

Consider these recent statistics:

- 21.4 billion online videos are viewed each month.
- 82 percent (158 million) of the U.S. Internet audience watches online videos.
- 500 minutes (more than eight hours) of online video is watched per month per average viewer.

As video content becomes more diverse and younger viewers take command of remote controls, pay-TV operators will need to adapt to these younger viewers' demands and expectations. In addition, the FCC is going to promote a replacement to the failed CableCARD, so viewers may have new options in how they access content.

With the OTT model, consumers would rely on a broadband connection for the delivery of content. That content could consist of OTA broadcast signals; cable network programming like Disney, Turner and others; and VOD signals.

### Some OTT providers

The growing demand for OTT video is driving a litany of new players to enter the market space. In the United States, Netflix is dominant. In the first quarter of 2010, Netflix had 14 million subscribers. By the end of the year, Nissen predicts it will have 17 million subscribers. Sixty-six percent of Netflix subscribers are already using the company's streaming service. More than half of those subscribers are streaming movies or TV episodes to their homes through devices such as Roku set-top boxes, Xbox 360 game boxes and Blu-ray players.

Also going over-the-top is DISH Network, which offers more than 180 international channels in more than 28 languages. The network announced early this year a multiyear partnership with NeuLion, an end-to-end IPTV service provider of live and on-demand international, sports and variety programming delivered via broadband. Under the agreement, certain DISH Network international channels will be distributed, using NeuLion's IPTV service, to consumers without access to satellite TV.

Next year, look for Wal-Mart and Best Buy to promote their own online video services. Wal-Mart purchased VUDU, an on-demand video service that sells and rents movies and TV shows over the Internet. And, Best Buy and Blockbuster have teamed with online movie service Roxio CinemaNow.

The most talked about streaming provider, Hulu, launched Hulu Plus this year. This ad-supported premium subscription service costs \$9.99 per month. It works across a variety of platforms, such as PCs, the iPhone, iPad, Playstation 3 and Samsung Blu-ray players. The service boasts thousands of subscribers. And, in only six days after being released, the Hulu application for the iPhone and iPad was the most downloaded service in Apple's App Store. In July, the U.K.'s *Financial Times* reported that Hulu had been working on plans for an in-

ternational launch of Hulu Plus, with the UK and Japan as target markets.

Another player, called ivi, is less familiar. The online video service expects to charge customers \$4.99 per

month. The startup claims it offers more content than Hulu by providing online access to every network and syndicated show seen on New York and Seattle TV screens.

*Broadcast Engineering* readers may recall another company's attempt to deliver OTA programming via the Internet. In 1999, a company called iCraveTV initially delivered 17 channels of programming from both Canadian and Buffalo, NY, TV stations. It took maybe a week for the lawsuits to begin. Within weeks, iCraveTV bit the dust. Both Hulu and ivi will likely find that without some form of payments to the content owners, the legal challenges will be endless.

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month for a package of shows from all major American networks, plus some superstations most Americans

### Delivery

There are many ways to get packetized data to consumers, and, for the most part, these will be transparent

to them. Adaptive streaming, caching and torrent technology are delivery methods, and Nissen expects that all will be used. After all, consumers don't care how the content gets to the TV.

Expect to see MPEG-4 AVC and other advanced encoding technologies to be used to reduce bandwidth needs. Nissen also doesn't think carriers will go to measured pricing, but he does believe that content producers ultimately will partner with pay-TV service providers to deliver both pay-TV and OTT video to consumers using hybrid set-top boxes. This allows content producers to market OTT content directly to consumers while delivering it over a secure, managed pay-TV access network. This will appeal to pay-TV operators because they are also content producers, they will get paid to carry the on-demand content, and they

want to remain the gatekeeper for all paid digital entertainment. As a result, consumers will be paying for a combination of pay-TV services and paid OTT video services. The shift in spending to paid OTT video

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services could permit content producers to eliminate low viewership pay-TV channels from pay-TV packages. Under this model, consumer spending won't decline, but the value of pay-TV services would rise. This would lower the dissatisfaction that consumers currently have with pay-TV services.

A contrarian viewpoint was noted in a recent article from TechCrunch. The article quoted writer and entrepreneur Paul Kedrosky, "Many people are coming to the correct conclusion that in the age of Hulu, Boxee, BitTorrent, etc., that cable TV is an overpriced relic of another entertainment age."

Maybe so, but if you have any cable stock, keep it. The cable industry still feeds television programming to 62 million homes. And, the industry has almost 42 million broadband customers.

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