The rise of the screens - on-demand causes multi-industry disruption

The mainstreaming of streamed digital content, packaged for every taste and available to a multitude of devices, is reshaping more than just the broadcasting industry.

Stephen Watson, managing director of on-demand company, Discover Digital believes digital entertainment on demand is set to disrupt broadcasting, traditional media, telecoms, marketing and more. “There’s no going back, viewers have unprecedented levels of choice and they like it.”



Digital entertainment encompasses:

- Streamed linear broadcasting (accessing scheduled TV channels online)
- VOD (video on-demand available online)
- SVOD (subscription video on-demand where subscribers pay monthly to access content from a bouquet)
- TVOD (transactional video on-demand where content is rented per movie or series)
- hybrid VOD
- EST (electronic sell through, where viewers download content to own it

Next-gen entertainment arrives

Internationally, multi-screened entertainment experiences have become mainstream, led predominately by millennials and Gen Z youth and underpinned by affordable high-speed bandwidth. Nielsen reports that globally, 31% each of generation Z and millennial respondents pay an online service provider for content, compared with 24% of the older generation X, 15% of baby boomers and 6% of silent generation respondents. In addition, 40% of gen Z and 38% of millennial respondents who subscribe to cable or satellite say they have plans to cancel their service in favour of an online-only option.

“YouTube and other social video platforms paved the way for this and encouraged a culture of short form, shareable user-generated content,” says Watson. “Whilst this content is not necessarily of premium quality, it nonetheless attracts millions of viewers seeking authentic clips of real-life where the need for an emotional experience can be fulfilled instantly.”

In South Africa, YouTube was the first video-on-demand service to influence viewership habits heavily and, in doing so, it fundamentally changed the way content generated revenues from advertising and subscriptions. Now, the country’s viewers are following international trends by seeking premium digital content customised to their own preferences. As eyeballs turn to new screens, new industry players and marketing professionals are sitting up and paying attention.

“The success and meteoric rise of YouTube stars, ranging from Justin Bieber to Caspar Lee and Suzelle DIY and the multitude of 'tube stars' in between, proved to advertisers that the millions of eyeballs it attracted - often more than traditional TV - could make the on-demand industry lucrative, not least amongst the ever-changing and fickle high spend influencer youth market,” says Watson.

New opportunities, new bedfellows

The field is open for new business, and traditional players and start-ups are moving to capitalise on this new trend. Discover Digital is bringing to market an on-demand content hub offering a broad bouquet of premium local and international entertainment and educational content and linear channels. It is taking this new service to market in partnership with mobile operators and big consumer brands that may opt to offer the service as a value add or add their own branding to the service.

The new multi-screen environment presents revenue and value-add opportunities for telecoms operators. Pyramid Research noted recently that in Europe, an increasing consumer appetite for on-demand video services presents an opportunity for operators to complement their core portfolio of services and add new revenue streams. The company said that adoption of subscription-based OTT video and video on-demand (VOD) services has grown steadily in the UK over the past two years, reaching 37% and 23% of pay-tv users respectively in the second quarter of 2016.

International expansion into Africa, niche markets open

“The company is aggressively entering the African market through partnerships with mobile operators, aiming to take fully

converged linear on-demand news and entertainment streaming services to viewers across the continent. However, it is not alone in pioneering the possibilities for on-demand content."

Netflix and ShowMax are making inroads in South Africa and across the continent. Naspers is reported to be seeking partnerships with mobile network operators across sub-Saharan Africa to boost ShowMax. The company has already concluded a partnership with Safaricom in Kenya and says talks are underway with other telcos. MTN Nigeria recently announced its converged OTT VOD service for subscribers, while Ericsson is actively securing content deals for its Nuvu VOD service, which it is taking to Africa in partnership with mobile operators.

There are opportunities for smaller, niche players to enter the market too. Pride TV, a VOD channel for Africa's lesbian, gay, bisexual and transgender community, recently announced its launch.

VOD is set to create new bedfellows as content specialists, software firms, telcos, media companies and big brands partner to tap into the potential. Even the hospitality sector is seeing the potential for VOD services.

In the world of sport, Rider Research reports that 2016 was the year live sports went over the top, with mainstream live sports coverage moving from TV to the internet. Rider cited a Consumer Technology Association study as saying a third of sports fans now want to watch sports programming on their cellphones and tablets.

"In South Africa, another brand-VOD service partnership saw the company breaking traditional moulds for sports event coverage, with a simultaneous live stream of the SuperGP Championship to the SuperGP website and the organisation's Facebook page, presenting new options for web page branding, advertising sales and monetising of archived content."

Behind the scenes

While the world of VOD presents new business opportunities, on-demand digital is not a goldmine in Africa yet.

Start-up costs in this space could be prohibitive for would-be on-demand service providers, and newcomers must seek mutually beneficial partners and new business approaches to make the business viable. Content licensing and screening rights issues can hamper content offerings, while issues such as technical quality, payment gateways and recommendation engines must also be addressed. Moreover, these investments must be made ahead of mass adoption, when economies of scale are achieved.

"VOD is definitely having an impact on audiences but unfortunately this remains limited to the high LSM, high spend end of the market and therefore is still relatively small. It means the ability to generate revenue in the short term through subscriptions is extremely limited and therefore high-cost VOD businesses are running, and will continue to run, at a loss for several years."

Because of the enormous expense of content rights, marketing and technical development, and the slow uptake of services, VOD is most certainly a long term business strategy and so one needs to be able to remain sustainable for a lengthy period before beginning to turn a profit.

"The emphasis is on long term. South Africans tend to resist new technologies initially - not trusting elements like e-commerce, recurring subscriptions and feeling uncomfortable taking their viewing experience into their own control and away from scheduled linear TV.

"However, like all major digital trends, once the benefits are clearly understood, South Africans will begin to take up paid for on-demand services in greater quantities and I believe this will then start to significantly shift broadcast ad budgets and spend."

Viewing trends

Early adopters are giving VOD firms some idea of the viewing trends to expect in future.

“In terms of storytelling and content we are seeing at the top end of the market the usual mainstream genres – one-hour dramas, half hour comedies, reality, soaps, documentary and movies. However, we are seeing a growth in short form content too. Webisodes, skits to educational ‘how to’ videos are proving popular across a continent where mobile is the overwhelmingly dominant device and data access is expensive and/or limited,” says Watson.

“Where some services will offer niche packs of programming, as part of a general content offering, other services will launch an entire service aimed solely at a specific market. We will see more of these services and offers emerging and again this will have benefit to advertisers because brands can align themselves far more strategically with their target markets.”

Branding benefits

Not only does the VOD revolution present room for advertisers to attract many eyeballs and click throughs but it also brings the opportunity for brands to sponsor select content packages and specific titles on the service - and in doing so make use of the characters and film studio creative collateral without incurring any licensing costs.

“This makes the space exciting and racked with potential for advertisers to offer their clients bespoke money cannot buy experiences for their customers,” says Watson.

“Viewers today want freedom of choice. They want customisable, affordable access to movies, news, sports, music and TV series wherever they are,” says Watson. “Disruptive new models are breaking the traditional broadcast and pay-TV moulds by letting viewers choose what packages and genres they want, what subscription models they prefer, and even how they’d like to pay. VOD delivers,” concludes Watson.

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