OTT Video Market Attractiveness Index: Worldwide Country Rankings, Market Drivers and Positioning Strategies
Report overview

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Scope of the OTT Video Market Attractiveness Index and Report

The demand for video content in multiple formats (SD and HD), in multiple modes (VoD, linear and time-shift) and on multiple devices has emerged strongly in the past three to four years. OTT video has grown globally both as an alternative and as a complement to established pay-TV platforms. The growing investment in broadband infrastructure has at the same time opened up new opportunities to provide video over IP, not only in more advanced, developed economies but also in emerging markets. As a result, OTT video has become a truly global trend.

Pyramid Research believes that OTT video services are set for significant growth worldwide and that in the long term there is a significant opportunity for pay-TV operators, telecom operators and other providers to profit from such services. For pay-TV operators, OTT video has become an important alternative to the established cable TV, DTH and IPTV platforms. OTT is so prominent that today the majority of pay-TV and telecom operators have an OTT strategy in place. The strength of the OTT video opportunity will vary depending on contextual factors, which must be weighted by different regions and countries globally.

In order to assess the strength of the OTT video opportunity in each market, Pyramid Research has developed especially for this study the proprietary OTT Video Market Attractiveness Index. The Index shows an overall level of market attractiveness that can be easily used to pinpoint how any market across the world fares on a variety of issues, from broadband infrastructure to pay-TV market dynamics, content licensing and regulatory frameworks.

The index is a composite of a total of three subindexes — OTT Readiness, OTT Intensity and Local Factors — that incorporate 11 country-level indicators ranging from broadband-connected households to pay-TV revenue and ease of doing business. The Index rankings amalgamate the scores of the three subindexes. The diversity of data used to construct the Index makes it possible to identify which markets globally can be most appealing to OTT providers, and to understand the socioeconomic strengths and weaknesses that boost or burden the OTT opportunity in each. The index results are grouped around a number of key themes, which are discussed and analyzed in order to explain how the OTT video opportunity is taking shape across different global markets.
The OTT Video Market Attractiveness Index and this Report are aimed at all companies — pay-TV operators, telecoms, pure play OTTs and investors — interested in identifying and assessing opportunities to deploy OTT video services. The Report is structured in four main parts:

- **Section 1** explains the methodology used in the Index, with a look at the countries covered, the composition of the index, the data sources used, the index scores and category distribution, as well as the subindex and indicator breakdown.

- **Section 2** is a strategic analysis of the results of the OTT Video Market Attractiveness Index. The analysis focuses on four key themes emerging from the results of the OTT Readiness, OTT Intensity and Local Factors subindexes:
  o The importance of addressing large broadband markets to build scalable businesses.
  o The factors guiding the formation of online video audiences.
  o The drivers behind the revenue opportunity in different markets.
  o The role of content licensing and regulatory frameworks in the viability and success of OTT initiatives.

- **Section 3** is a strategic analysis of the emerging-markets results of the OTT Video Market Attractiveness Index. This section is a deep dive into the key drivers behind the uptake of OTT video services in emerging markets. As in the case of the global results section, this analysis focuses on a number of key themes. These are, on the supply side, the size of the broadband market and the performance of broadband networks, and on the demand side, the size and growth potential of the pay-TV markets and the demand for content on connected devices and second screens. Finally, this section discusses the role of 4G mobile broadband and the impact of mobility on the uptake of OTT video in emerging markets.

- **Section 4** provides key takeaways of the Index rankings. Among the points discussed, this section highlights the importance of addressing large broadband and pay-TV markets and focusing on the markets, countries and regions where the most attractive online video audiences are forming. It then discusses the revenue opportunity, as it varies depending on market maturity, the potential to derive value from premium content and the availability of superfast broadband and 4G. Finally, country-level content and regulatory frameworks are discussed as key enablers of OTT video.

**Key findings**

The highlights and the implications of the Index results include:

- Large markets — primarily China, Russia, Mexico and Brazil among emerging markets, and the US and Japan among developed markets — will provide the most attractive opportunities for OTTs.

- Across all markets, emerging and developed, it is the larger broadband and pay-TV markets that offer the greatest digital audiences and the best opportunities for OTTs. China will remain by far the largest OTT video market globally in user terms, although in the foreseeable future the US will maintain its global leadership in revenue terms.

- Whereas emerging markets will take the largest share of legal and illegal online video audiences, mature markets will retain the largest share of OTT revenue.
Given the low margins in the OTT video business, revenue growth will depend not only on a scalable business model but also on the ability to obtain and market premium content effectively.

Mature markets, where subscription and transactional OTT services are more viable, will typically present a stronger revenue opportunity than many emerging markets, where advertising-funded services are more common.

A key strength of OTT video lies in the opportunity it provides to target multiple markets that are linguistically uniform and culturally close, enabling OTTs to move beyond country borders and target regional and even global audiences.

Digital content release windows, regulatory frameworks and other local factors such as the extent of piracy and OTT taxation all matter greatly to the success of OTT businesses.

In developed markets, transactional VoD release windows are getting closer to the DVD release, making it more viable for OTTs to develop attractive video libraries and compete with other providers. In some emerging markets, stronger enforcement of anti-piracy legislation offers hope to legal providers.

Key questions answered

- In which markets are the prospects for OTT video services the strongest?
- Which factors make a market attractive to an OTT service?
- What are the key drivers behind the uptake of OTT video services in emerging markets?
- Which factors guide the formation of online video audiences?
- Should a new OTT player start small and build a scalable business or immediately address large broadband markets?
- What are the drivers behind the revenue opportunity in different markets?
- How important is the role of content licensing and regulatory frameworks in the viability and success of OTT initiatives?

Audiences

- Fixed telecom network operators
- Mobile network operators
- OTT service providers
- Pay-TV operators
- Content providers and aggregators
- Device manufacturers
- App developers
- Investors
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Fox Latin America
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LAPTV
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Maxis
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About the authors

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Daniele is part of Pyramid’s strategy and innovation team, where he does research on operator strategies, business transformation and business models for digital services and applications. His focus area is the convergence of media and broadband as well as over-the-top (OTT) services. He brings to the role extensive experience in emerging markets, having covered as an analyst the Latin America telecom industry for four years.

Daniele is often engaged in consulting projects across different geographies. His projects include demand analysis and market sizing, strategic and competitive analysis, benchmarking analysis and the analysis of end-user service adoption. He has authored a number of reports, including:

- Five Factors Driving OTT Video in Emerging Markets: Best Practices for Operators
- OTT Growth Sparks Innovative Multiscreen Video Business Models
- OTT IP Messaging: Operator Strategies for Over-the-Top Communication
- FTTx in Latin America: Competition and Regulation Boost Growth
- Latin American Operator Strategies for Postpaid Growth

Daniele has been in telecom research for eight years. Prior to joining Pyramid, he was an analyst at Informa Telecoms & Media. Before that, he worked on a number of social media consulting projects for London-based digital marketing firm Human Digital. Before becoming an analyst, he developed a program for a portfolio of international conferences on telecom networks, including the LTE World Summit and the IMS World Forum.

Daniele holds an MSc in new media and information systems from the London School of Economics and an MA from the University of Bologna. Besides English and his native Italian, he is fluent in Spanish.

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Wonchan Yi covers developed markets in Asia-Pacific as an associate analyst at Pyramid Research’s Boston office. As a member of the Strategy & Innovation Practice team, he studies market trends in the region and applies his knowledge to quantitative Forecasts in both fixed and wireless communications as well as Thematic Reports.

Wonchan began his employment at Pyramid Research immediately upon graduating from Boston College’s Carroll School of Management in 2013 with a bachelor’s degree in Finance. He speaks English and Korean.
Related resources

Recent reports and other products from Pyramid Research

Media Forecast
Forecasts updated bi-annually (twice a year)
The Media Forecasts are designed to provide competitive intelligence on the pay-TV and mobile TV dynamics for 50 countries as well as regionally and globally. They track demand patterns for free and pay-TV services over terrestrial, satellite and mobile platforms worldwide, providing market share information at both the technology and operator levels as well as five-year adoption and revenue projections. Data from these Forecasts is available online for subscribers to our DataTracker service.

Fixed Communications Forecast
Forecasts updated quarterly
These forecasts quantify fixed voice, broadband and IPTV adoption and service revenue trends, at the residential, corporate and total market levels. They track demand and projects future growth for 55 markets worldwide and are available at the country, regional and global levels. Key indicators include demographics; penetration (broadband, IPTV/video subscriber lines; service adoption (voice telephony, Internet users); access lines by technology (fiber optic FTTx, xDSL, fixed wireless access); and revenues (voice service, Internet, IPTV/video). Data from these Forecasts is available online for subscribers to our DataTracker service.

Five Factors Driving OTT Video in Emerging Markets: Best Practices for Operators
Telecom Insider published May 2013
Third parties like Netflix and Hulu are pushing telcos to use the Internet rather than IPTV as a platform to provide over-the-top video services. Emerging markets are now seeing a lot of activity. This Insider examines the growth of OTT video, identifying five factors that can make a service successful. Case studies on Reliance Communications, Turk Telekom, Rostelecom, Claro and Racsa analyze how operators seek to develop successful business models for OTT video. The Insider concludes with some recommendations.

Middle East and North Africa: Broadband Growth and Local Content Boosting OTT Video
Telecom Insider published August 2013
The rising appetite for seamless multiscreen access to video content in the Arab world, combined with the need for renewed growth in the telecom and traditional media markets, is leading to new initiatives in over-the-top video services. The addressable market is substantial, and the absence of global OTT providers is leaving room for regional players. This report forecasts the number of OTT subscriptions and the amount of revenue per service type, from 2012 to 2017 in the UAE, Saudi Arabia and Egypt.

OTT IP Messaging: Operator Strategies for Over-the-Top Communication
Telecom Insider published October 2012
This report focuses on mobile IP messaging, examining the significance of OTT communication (voice and messaging) and more specifically the impact of OTT messaging. It takes a closer look at six different strategies that operators are currently using to respond to threat posed by OTT. The report presents case studies on SingTel, Claro, Orange, Telefónica, T-Mobile, Vodafone and Three, examining how these operators approach OTT communications. We conclude with recommendations for operators as they rethink and refine their strategies.

The Netherlands: LTE to Drive New Growth as Telecom Market Consolidation Speeds up
Country Intelligence Report published January 2014
The Dutch telecom market generated $16.3bn in service revenue in 2013, 2.3% more than in 2012. Pyramid Research expects market revenue to return to the 2011 level in 2014 and increase to $19.3bn in 2018, growing in US dollar terms at an annual rate of 3.2% in 2013-2018. We expect KPN and Vodafone, as the two operators with the largest product portfolios including 4G services, to maintain their market positions, while Tele2, which has become a 4G network operator, will gain market share but remain a niche player. On the M&A front, we expect more consolidation, opening opportunities for investors.

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About Pyramid Research

Advising leaders in the global communications industry on emerging market and service opportunities

Pyramid Research (www.pyramidresearch.com) offers practical solutions to the complex demands our clients face in the global communications industry. Its analysis is uniquely positioned at the intersection of emerging markets, emerging technologies and emerging business models, powered by the bottom-up methodology of our market Forecasts for more than 100 countries — a distinction that has remained unmatched for more than 25 years.

Our highly structured analysis closely examines the performance, technology trends, macroeconomic and regulatory environment, of service providers and equipment vendors in each of the more than 100 countries we cover. Using a bottom-up approach, we size market demand across services and countries, and conduct end-user surveys to validate adoption trends and anticipate shifts in demand. Our commitment to intensive, direct interviewing of regulatory authorities, service providers and manufacturers — complemented with end-user data — ensures the most reliable portrait of every market we examine.

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