Can MNOs Make Money from Video Content and OTT Services?

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Author: Jon Newman

Description: Issue : Can MNOs Make Money from Video Content and OTT Services? At the same time that the AT&T acquisition of Time Warner is approved and increased competition in the mobile OTT video market is expected, KPN and others are withdrawing from the market. So, does video content represent an opportunity for MNOs or not? Operators lacking the scale to build a globally leading video content brand must consider their approach to developing and maintaining such services or face unacceptable business risks associated with high costs and lack of demand. Analysis, Inferences and Implications Mobile Market Development believes that the acquisition of Time Warner by AT&T represents a diversification rather than a consolidation. Time Warner is a free-standing business that would not benefit from being tied to a network. This does not mean that AT&T will not be able to exploit synergies through owning both a content and a network operation. The CEO has already announced a $15 per month bundle aimed at cord cutters. While details of the service have not been given, it will not include sports content (keeping costs down) and, according to some analysts, may be offered free over mobile. Such a move is expected to generate a response (cost cutting and bundle inflation) from the other US mobile players (T-Mobile already owns Layer3 and offers Netflix for free, while Sprint offers Hulu). In each case, TV content that is in itself profitable, is being used as a means to increase the appeal of a mobile offering – it is not being relied upon to generate direct additional revenues and margin for the network. The figure above shows how subscribers in the UK divide between the leading streaming platforms – only 8% who subscribe to any subscribe to all three. The same issue applies to mobile OTT video services. Customers must both wish to view content on a smartphone or other non-TV device (or to cast to a TV) and be prepared to pay to do this over the mobile network. While many have claimed to be prepared to cut the cord, this only applies to cable and satellite TV subscriptions and, although more and more people are happy to consume video content on more diverse devices, for the vast majority, connectivity is provided via the fixed broadband network and Wi-Fi. Until 5G is a ubiquitous reality, insufficient numbers will give up a fixed network connection to provide a sufficient base to support a profitable mobile OTT video proposition from a mobile operator. Under these circumstances, MNOs need to consider alternative methods to developing video content revenues, perhaps in partnership with existing platforms or by providing truly innovative content that is inherently associated with mobile networks.