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Is Android the future of the set-top box?

Assessing awareness, confidence, and expectations in pay-TV industry professionals

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CONTENTS

Summary

Key findings

- The majority of today's video service providers have either Android TV or Android Open Source Platform (AOSP) on their technology roadmaps, with almost three out of four (72%) considering Android implementations as part of their short, medium, or longer-term STB strategies.
- More than half (63%) say Android TV or its open source alternative AOSP are the most likely among today's major competing technologies to be deployed on their upcoming set-top box (STB) platforms.
- Android is on the radar of all players in the video entertainment space, with more than two-thirds of service providers surveyed expecting it to be the market-leading TV platform by 2025.
- Meanwhile, Google is perceived equally as a partner and either a competitor or a threat by around four out of five service providers, with a majority of individual respondents seeing the company as both a partner and a threat.
- Yet paradoxically, despite service providers' clear indications of their confidence in Android as the TV platform of the future, only just over half demonstrated an understanding of the important differences between the standard Android TV platform and AOSP.
- Features rather than cost are attracting operators to Android-based STB platforms. The biggest drivers for deploying Android on STBs are those concerning convenience and user experience.
- Opex savings is the most widely anticipated cost benefit associated with Android STB implementation – cited by well over half of the companies surveyed.
- While there are some concerns regarding capex costs associated with the Android TV platform, these are largely expected to be offset by its anticipated operational cost efficiencies.
- Although more than half of operators are willing to pay a premium for Android chipsets, most of these anticipate additional costs to be minimal. Almost a third expect either to incur no additional costs or to make savings against currently deployed chipsets.
- The top security issues are around the open platform's vulnerability to cyberthreats and its potential for facilitating illegal streaming, although such concerns were cited by fewer than half of the operators surveyed.
- Operators acknowledge the dangers of cannibalization and churn as well as the security issues associated with an open, apps-based platform. But most will accept those risks in exchange for the benefits of service choice, flexibility, and control over the user experience.

What the findings mean for pay TV, broadcast, and OTT

- **Pay-TV service providers.** In the age of mobile apps, audience expectations for a frequently improved user experience (UX) place a lot of pressure on STB UXs. The flexibility of Android in customizing the UI for STBs and enabling third-party services can help service providers differentiate their services. As an alternative to proprietary solutions, there is the perception that Android is competitive on price. For high-ARPU TV services, audience expectations are extremely high.
- **Broadcasters.** Having already invested in OTT distribution – often via catch-up services and video-on-demand (VoD) offerings of some description – many broadcasters will already have an Android app which can form the basis of negotiations with pay-TV operators using Android. The challenges around ensuring consistent functionality across all platforms will be more commercial than technical. Broadcasters must drive distribution and use of their apps; a key tactic will be to work with pay-TV partners and other aggregators, such as Amazon Streaming Partners, to grow audiences. Ensuring the Android quality of experience (QoE) is on a par with comparable services will mean that broadcasters are well placed to negotiate distribution deals with pay TV, OTT aggregators, and network operators looking to bundle OTT entertainment with broadband.
- **Premium OTT streaming providers (global and regional).** Similarly to broadcasters, OTT specialists will already have an Android strategy, and the challenge will be to continue driving growth and profitability in a competitive environment where their main cost – content – is rising sharply. We are entering a period where OTT video services will increasingly be bundled and aggregated by companies like Amazon and Hulu in order to drive growth and reduce the pain of the relatively customer-unfriendly process of

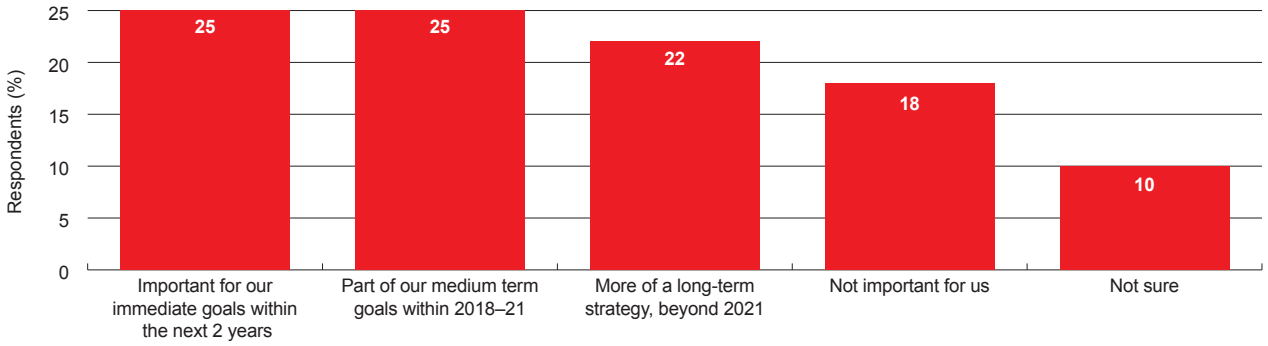
subscribing to multiple subscription video-on-demand (SVoD) services. Pay-TV operators using Android are hungry for OTT video partners; the next 12 months should be very busy for OTT services.

Examining TV industry perspectives on Android TV

In February 2017, Ovum sounded out over 300 TV industry professionals from TV service providers across the world (including pay TV, telcos, OTT streaming services, and network operators) on their organizations' TV and Android OS strategies. Ovum targeted an informed audience with a representative proportion of C-level respondents alongside technology, content, marketing, and network security.

Operators show strong awareness of Android and confidence in its future

Figure 1: The importance of Android technology on STB strategies



Note: N=301. Q1: How does Android technology on STB play into your organization's business strategy?
Source: Ovum

Our survey data demonstrates that, from a standing start, Android looks set to become a critical part of the future of TV distribution: it is here now, with interest among respondents skewing towards Android's importance over the short and medium term. This pattern is indicative of the need for service providers to address the transition from a broadcast-dominated landscape to a fragmented environment in which audiences are using multiple suppliers of TV and video services.

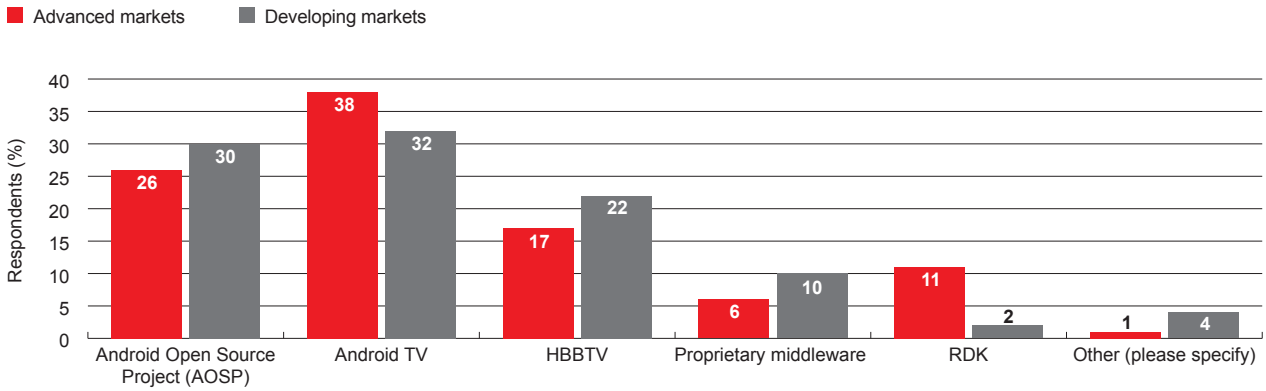
Companies with more than 1 million subscribers were markedly more interested in Android over the short, medium, and longer terms than smaller companies were. Meanwhile, over a quarter (26%) said Android was not important to them, compared with just one in ten larger organizations. This variation suggests that service providers associate Android with platform scalability.

Where Android sits in players' business strategies varies somewhat across geographical regions. The platform is on the short-term agendas of 29% of players in developing markets but in the medium-term plans of just 20%. Conversely, Android is more commonly a part of the medium-term plan (29%) than of the short-term (22%) or long-term plans (20%) of service providers in mature markets. This difference in prioritization of Android technology is a possible reflection of divergent cost considerations – with operators in less mature (and hence less lucrative) markets being less resistant to swapping out legacy platforms or migrating to new ones.

Over half of responses in all regions identify Android TV or AOSP as most likely to be used in upcoming STB deployments, with Android TV being the most popular choice overall, as outlined in Figure 2. Collectively, players in the mature APAC markets, Western Europe, and North America demonstrate a slightly higher propensity for planned Android TV implementations than those in developing markets (other APAC markets, Eastern Europe, Latin America, and Middle East & Africa). Conversely service providers in developing markets are more likely to opt for AOSP than their counterparts in the mature regions. These indicators further

support the view that Android TV (as opposed to AOSP) is more readily adopted by service providers in mature TV markets or perhaps that Google has driven awareness of the platform more effectively in these regions.

Figure 2: TV platforms likely to be used for upcoming STB implementations

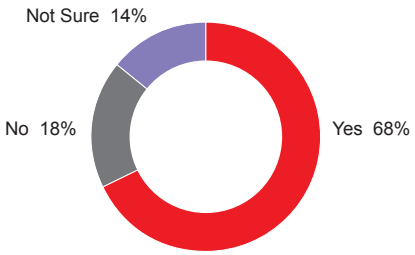


Notes: Mature market regions: APAC (Australia, New Zealand, Japan, South Korea, Taiwan, Hong Kong, Singapore), North America, and Western Europe. Developing market regions: other APAC countries, Eastern Europe, Latin America, and Middle East and Africa.
N=301, Q3: Which of the following TV platforms are you most likely to use for your upcoming STB?

Source: Ovum

Planned implementations using Reference Design Kit (RDK) are more common among operators with more than 1 million subscribers and are significantly more prevalent in mature markets, with more than half of the planned RDK deployments being among operators in Western Europe (nine) and North America (eight).

Figure 3: Views on Android as #1 platform in the TV market by 2025



Note: N=301, Q14: Do you believe Android will become the #1 platform in the TV market by 2025?

Source: Ovum

The perceived impact that Android is having on the TV technology landscape is significant, with more than two-thirds of video service providers seeing Android as the market-leading TV platform of the future, as outlined in Figure 3. While responses were similar to the totals cited above among respondents with managerial, VP, or director status, the most senior executives are slightly less bullish: just half of the C-level executives expect it to become the number one TV platform by 2025 – a reasonably strong endorsement nonetheless.

When embarking on a new platform strategy, a solid awareness of the distinctions between the various technology options is clearly critical to the decision-making process. One area of concern arising from our survey is the apparent lack of understanding among some players of the differences between the following:

- Android TV: a smart TV platform based on the Android operating system that provides a standardized UI and feature set.
- Android Open Source Project (AOSP): a source code that was initially developed to facilitate the creation of mobile applications but which can also be modified to build a version of the Android environment for STBs.

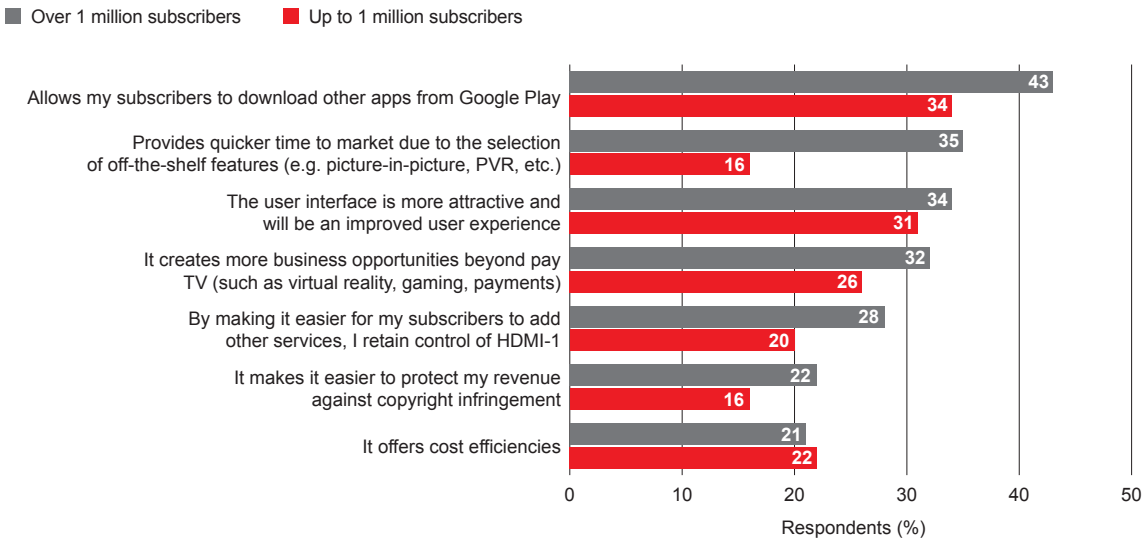
Only 52% of survey respondents overall recognized the difference between AOSP and Android TV, while 40% believed there was no difference and a further 8% were unsure. Alarmingly, fewer than half (45%) of those looking to implement the Android TV platform recognized the differences between the two systems, while awareness was significantly higher (67%) among the slightly smaller pool of players looking to deploy AOSP.

These results highlight the need for clearer education among industry executives regarding the capabilities, benefits, and drawbacks of a given platform if they are to make informed strategic decisions concerning their organization's technology roadmap.

Perceptions of Android: benefits and challenges

Google Play store and Android UI are major drivers

Figure 4: Drivers for Android for the STB



Note: N=301. Q4: Which of the following are the key drivers for your organization's use/plans for using Android for the STB?
Source: Ovum

Perhaps somewhat surprisingly, features rather than cost are the main attractions of Android-based STB platforms, as outlined in Figure 4. The biggest driver for adopting Android for the STB is the ability for users to download additional apps. This benefit is somewhat more attractive to larger players, as is the ability to rapidly deploy additional services and features, which was cited as a key driver by more than a third (35%) of players with more than 1 million subscribers compared to just 16% of those with fewer than 1 million. In the first wave of implementations, competitive pressures and the threat of cord-cutting have driven larger operators to see the Android TV platform as a means of differentiation. The combined benefits of the Android TV UI, its facilitation of access to apps via Google Play, and its speed in deploying advanced features, enables them to attract subscribers and increase (or protect) ARPU, while the implementation of feature-rich STBs enhances the perception of them as market leaders that are at the forefront of innovation. By contrast, smaller players – whose key drivers are the ability to access Google apps and the attractive UI/UX – are more likely to explore the Android TV platform as a means of improving their competitive positioning against larger rivals.

Although, in aggregate, time to market ranked fourth among the above drivers towards Android TV STB implementation, there were significant differences in opinion on this point across company sizes. Whereas over a third of operators with more than 1 million subscribers cited this benefit (ranking second in all

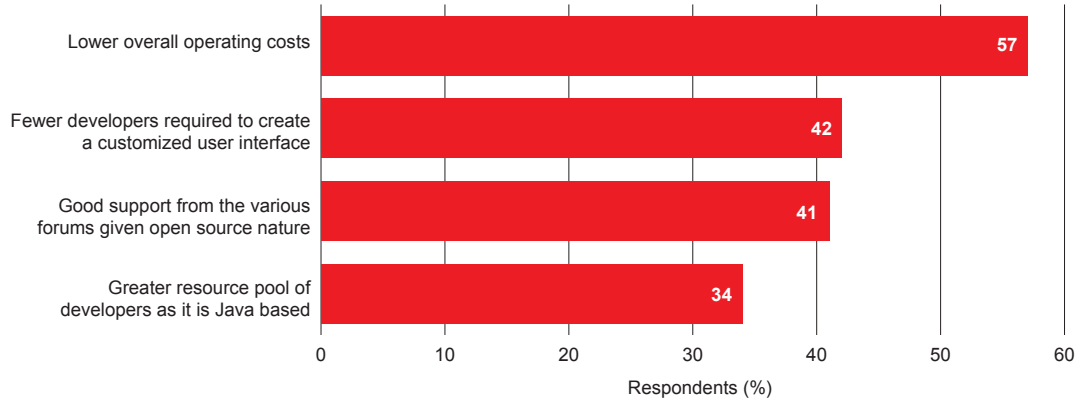
the drivers among companies of this size), it generated responses from just 21% of players with between 250,000 and 1 million subs and 16% from those with fewer than 250,000. The evidence suggests strongly that larger operators place more value on time to market than their smaller counterparts.

It is clear that operators are recognizing the need to facilitate access to (potentially competing) third-party video services as well as non-TV services and applications. While the enhanced user experience afforded by the Android UI has similar appeal across company sizes, larger players are significantly more conscious of the benefits of tapping into business opportunities beyond pay TV, retaining control of HDMI-1 (i.e. the ability to keep viewers within the operator's branded environment and UX), and protecting against piracy than those with smaller customer bases. Many content providers demand strict technical controls for high-value content, and service provider infrastructure must be able to address these.

Despite some industry perceptions that Android offers a cost-effective alternative to traditional systems, revenue protection from copyright fraud was a relatively low priority among service providers across the board, as was the anticipation of cost benefits derived from adopting the platform. That said, a significant proportion of players do associate various cost benefits with the platform as figure 5 below demonstrates.

Opex savings are a key cost consideration

Figure 5: Android STB cost benefits



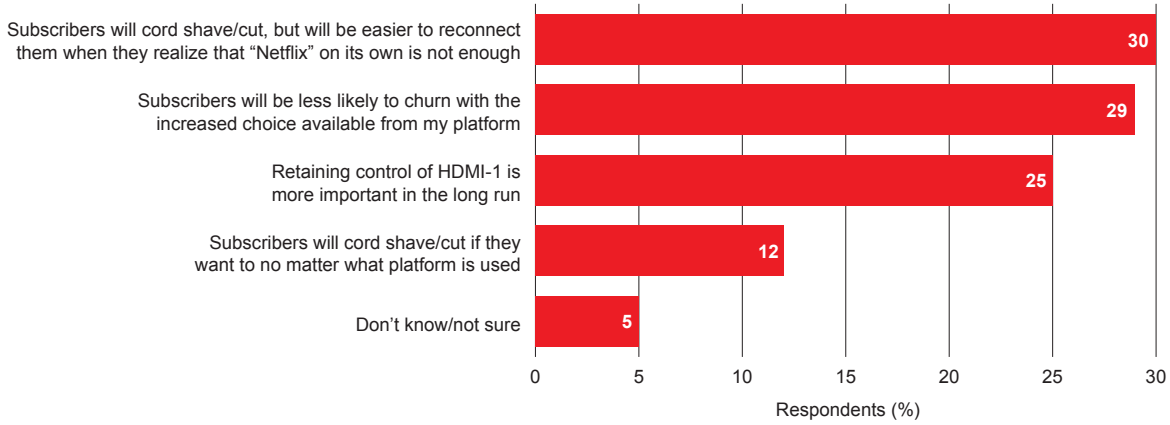
Note: N=301, Q8: What type of cost benefits do you/would you expect an Android STB to bring your organization?
Source: Ovum

The main efficiency expected from adopting Android STBs is in the form of operational cost reduction – a benefit cited by well over half of respondents, as outlined in Figure 5. This indicator resonates with one of the key trends identified in Ovum's existing media and broadcast technology research around platform economics. Meanwhile, beyond opex benefits, the need for fewer developers and support from the open source community are of equal secondary importance.

Overall, despite expectations of increased capital expenditure associated with migration to Android (discussed below), there is a strong perception among service providers that this will be offset by the operational efficiencies associated with the platform, which over time will translate to lower total cost of ownership than for traditional systems.

Mixed views on Android TV and cord-cutting

Figure 6: Android TV and churn expectations



Note: N=301. Q11: Which of the following would best apply to the concern that Android could make it easier for your subscribers to change their TV subscription (i.e. cord shave) or leave entirely (cord cut)?

Source: Ovum

A major worry among operators is that an open TV platform such as Android could facilitate downward migration to lower-value services (cord-shaving) and in some cases abandonment of traditional pay-TV subscription services in favor of readily accessible OTT alternatives. Yet despite fears of downgrading and churn, most service providers appear optimistic about the countervailing effects of choice and flexibility that Android promises, as outlined in Figure 6.

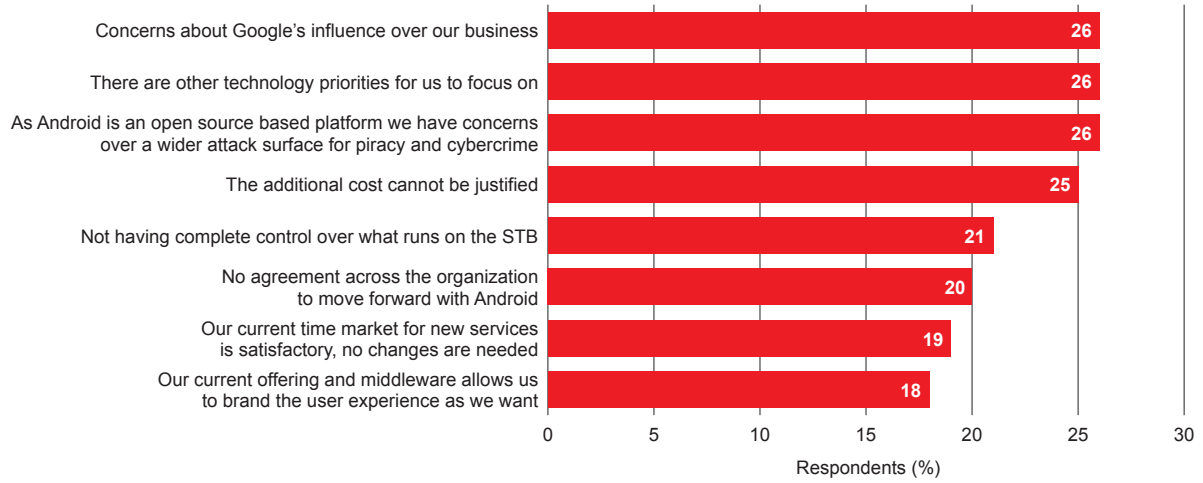
Few operators believe that platform choice doesn't impact customers' decisions to reduce or cancel their traditional pay-TV subscriptions, but any such apprehension is more than offset by the anticipated benefits of migrating to Android. Almost a third (29%) of respondents overall recognize the loyalty-enhancing effect of providing a greater choice of services and applications. A similar proportion (30%) also believe that the Android system will facilitate the process of reconnecting as well as cord-cutting/-shaving and that winning back customers who find that standalone OTT is inadequate as a pay-TV substitute will be relatively easy.

Retaining control over HDMI-1 is of significantly higher concern among service providers in developing regions than those in mature markets (30% vs. 21%), while fewer (8% vs. 14%) believe that customers will downgrade or churn regardless of platform. These indicators are in keeping with the slightly higher propensity among players in the mature regions toward deploying Android TV on their STBs (as highlighted in Figure 2 above). They also reflect the maturity of pay-TV markets and the wider availability of alternative pay-media options in the more mature regions, where operators have come to accept the inevitability that customers will increasingly mix and match their video entertainment sources.

Constraints on deploying Android TV

As with any technology implementation roadmap, stakeholders need to carefully consider both the pros and the cons of selecting a given platform. What is striking about responses to the possible deterrents to adopting Android TV is that there appears to be no single overriding factor. Rather, players' concerns are spread more or less evenly across a range of issues. When asked about potential reasons not to deploy Android in their STBs, a quarter of respondents overall showed uniform levels of concern for the first four factors listed below in Figure 7, while a fifth cited each of the four concerns displayed at the bottom of the chart. The issue of Google's influence on the business was of far more concern to operators with over 1 million subscribers (30%) than those with fewer than 1 million (21%).

Figure 7: Deterrents to Android adoption



Note: N=301, Q5: Do any of the following act as major reasons for your organization's choice/plans NOT to use Android for the STB?
Source: Ovum

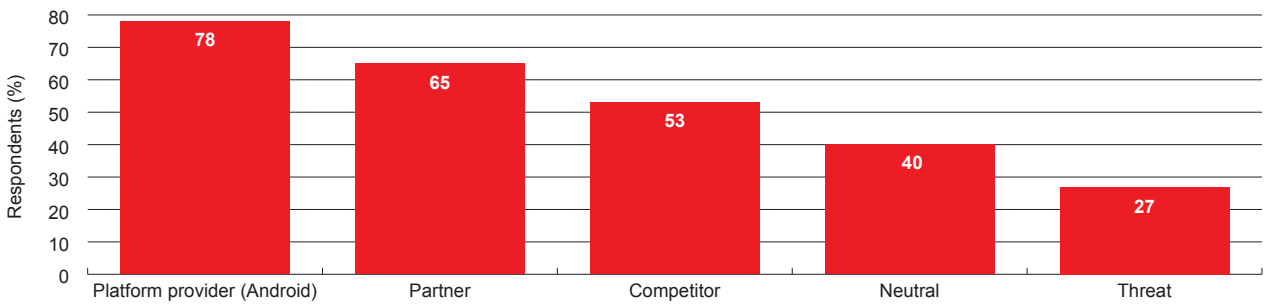
Bigger players are also significantly more concerned than their smaller counterparts about relinquishing some of the control they have over their branded STB environments. Consideration of security-related vulnerabilities associated with open source platforms are of similar concern to service providers of all sizes, as is the need to focus on other technical priorities.

While one in four organizations overall indicated cost as a major reason not to invest in Android for their STB platforms, this inclination appears to be influenced by size, with 30% of smaller players (under 250,000 subscribers) citing unjustified costs as a major deterrent. This is indicative of the economies of scale that incentivize larger organizations to invest in new technologies and, conversely, the absence of such benefits that can deter smaller players from doing so.

Google and the TV industry: friends again?

We also asked service providers how they perceived Google – a company that has long been viewed with some level of apprehension by traditional network operators. The responses in Figure 8 suggest that, for the most part, earlier fears of Google's disruptive impact have given way to a recognition of the new opportunities arising from such disruption.

Figure 8: Perceptions of Google



Note: N=301, Q15: Which of the following would describe how you see Google?
Source: Ovum

A majority of video service providers are viewing Google both as a supplier and as a potential business partner. At the same time however, over half also see the company as a competitor, while around a quarter still consider it a threat to their business. These apparently paradoxical views reflect operators' ongoing ambivalence towards Google: while keenly aware of its disruptive impact, they also acknowledge the inevitability of its future role as a market-leading pay-TV platform. Consequently, while three out of four players indicate perceptions of Google as a competitor or a threat, most are also expecting to forge commercial relationships with the company.

Again, there were some discrepancies between the views of C-level respondents and those of lower rank within their respective organizations. Senior executives appear more likely to view Google as both a competitor (63%) and a partner (70%) than as a threat (37%).

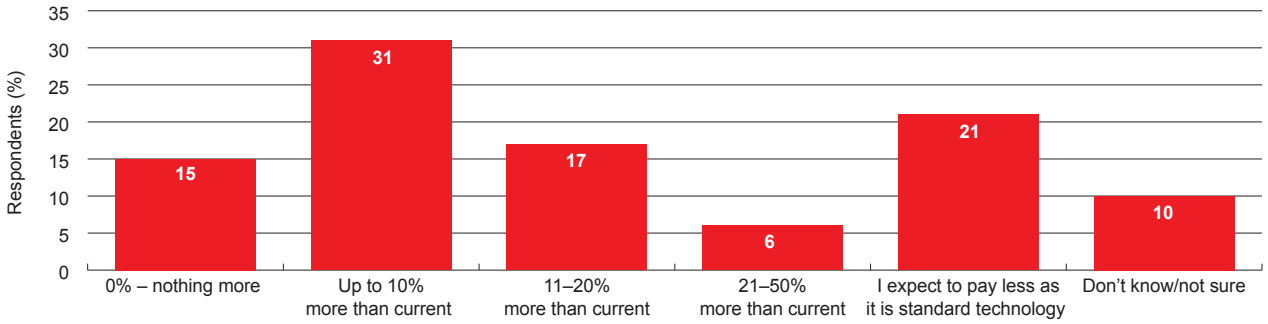
Google's strength in online advertising and advertising technology is already hugely influential in OTT video, and we expect the company to leverage leadership of Android in its TV strategy. High in its priorities will be access to data on audiences, viewing, and advertising. Android TV deployments should be very clear on how data is handled, shared, and eventually used.

Living with Android TV: implementation and deployment

While it is generally accepted that the Android platform will bring about operational cost efficiencies over time, the initial outlay for the hardware appears to be more contentious. When asked about cost expectations for Android chipsets, just over half (54%) of all respondents indicated that they would be willing to pay more than they had spent on currently deployed chipsets, as outlined in Figure 9.

However, the majority of such responses anticipated cost increases of 10% or less against traditional chipsets with embedded middleware. C-level personnel showed a lower inclination toward paying more (40%) and a far greater expectation of paying less (again 40%) on the grounds that Android is standard technology.

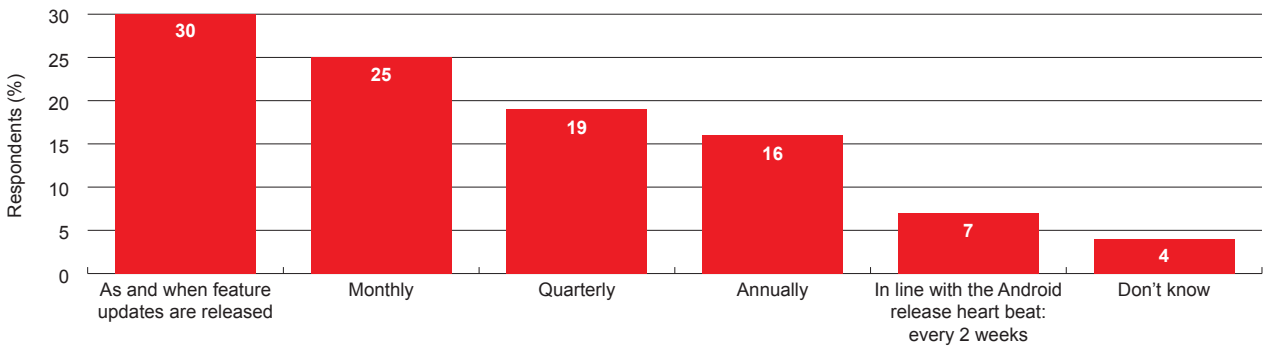
Figure 9: Willingness to pay a premium for Android chipsets



Note: N=301. Q7: How much more do you think your organization would be willing to pay for the Android chipsets compared to using a chipset with embedded middleware?
Source: Ovum

Service providers – particularly those that have historically operated across closed networks rather than the public internet – are naturally concerned about the security implications of migrating to an open platform such as Android. The expectation of implementing security updates as and when they are released (30% in Figure 10, below) is fairly uniform across the different player types, although ISPs and OTT video service providers were somewhat less inclined to propose monthly updates than those using traditional STB platforms (21% versus 25%) and substantially more likely to opt for quarterly updates (28% versus 18%).

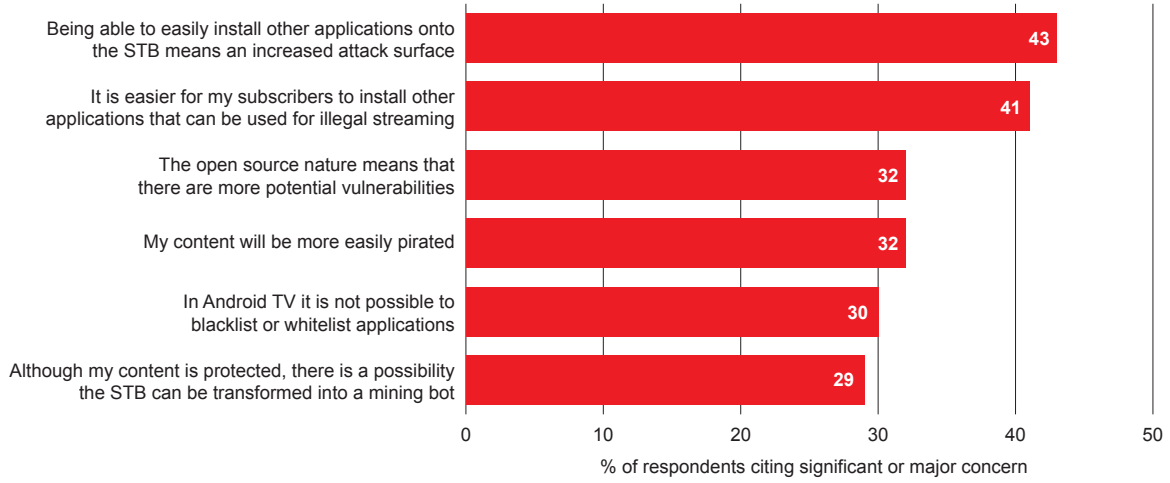
Figure 10: Views on Android security updates



Note: N=301, Q9: How frequently do you think your organization would roll out the Android security updates to your install base?
Source: Ovum

Delving into the specific security implications associated with implementing Android, it becomes clear that, despite service providers' confidence in the benefits of the system, and expectations that it will come to dominate the TV-platform landscape, there remain significant reservations around most issues relating to piracy and cyberthreats.

Figure 11: Ratings on concern regarding piracy and cyberthreats



Note: N=301. Q10: Rate the statements about your concern regarding piracy or other cyberthreats in relation to using Android for TV services
Source: Ovum

Isolating responses for "significant" or "major" concerns helps us identify the two key worries for operators – both of which are around the platform's support of third-party applications and were cited by two out of every five respondents (see Figure 11):

- The open platform's vulnerability to security breaches is always a top-of-mind concern to decision-makers nowadays, given the potentially big reputational risks that this entails.
- The potential for facilitating illegal streaming is something which would not only undermine an operator's legitimate revenue streams but could potentially also lead to a range of regulatory complications.

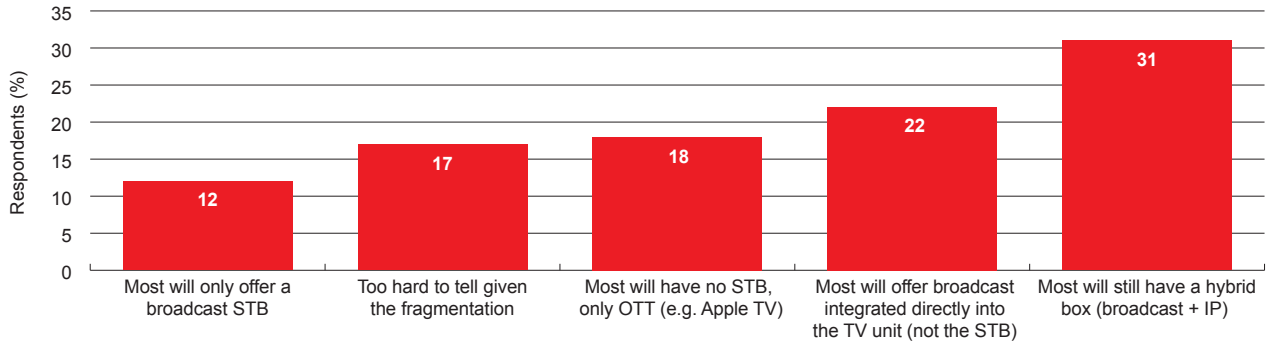
Next steps and outlook for the future of pay TV

How pay-TV and video services will be delivered in 2025

So-called next-generation TV continues to take on many forms as stakeholders continue to experiment with evolving technologies and business models. There is a broad range of possibilities around the future of

the STB, with a mix of expectations among video service providers globally. Almost a third of respondents believe hybrid STBs will be the dominant means of delivering pay-media services to the home by 2025, as outlined in Figure 12. Around a fifth anticipate integrated TV sets to be the primary conduit and a similar proportion predict that traditional STBs will be supplanted by network-agnostic media-streaming devices. These responses represent a significant divergence of opinion among service providers and it is also noteworthy that a substantial number of respondents (again, almost a fifth) felt unable to put a stake in the ground regarding the future of pay-TV delivery mechanisms.

Figure 12: Expected delivery of pay-media services by 2025



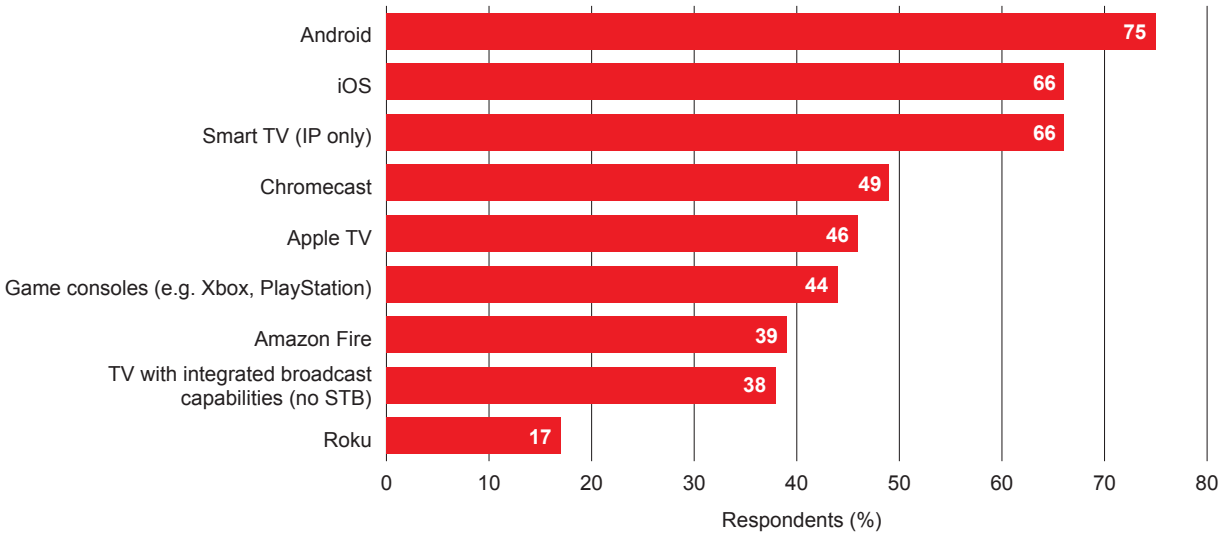
Note: N=301. Q13: How do you expect providers would deliver pay-media services by 2025?

Source: Ovum

Key addressable unmanaged devices for OTT video

Service providers across the board have high expectations of the growing importance of mobile and portable access to services, with smart TV sets also emerging as the second most widely adopted means (after mobile) of unmanaged distribution (see Figure 13). On a global basis, the rise in popularity of OTT streamers has become a notable part of the viewing ecosystem.

Figure 13: Expected significance of unmanaged device platforms



Note: N=301, Q12: Which of the following do you think will be important to your organization when it comes to delivering TV services to unmanaged devices (e.g. smartphones, tablets, PCs)?

Source: Ovum

The question around unmanaged devices for high-value video services is the extent to which the environment can be controlled to fulfil service provider marketing, security, and QoE expectations. Also of note is the divergence between regional market types in their expectation for smart TVs as the primary means of delivering or accessing unmanaged TV services: this indicator was cited by 59% of respondents across mature markets (Mature APAC, North America, Western Europe) and 76% of those from less developed regions (other APAC, Eastern Europe, Latin America, Middle East & Africa). The most extreme disparity of opinion on the likelihood of smart TV prevalence was between North America (cited by 50% of respondents) and Middle East & Africa (83%).

Preferred OTT video partners

TV service providers acknowledge that, given the fragmentation of viewing, subscribers will want to watch video sources from third parties and they therefore increasingly provide access to OTT services directly from subscribers' STBs. This has become increasingly important for all TV ecosystem stakeholders: subscribers can watch OTT services on the big screen, service providers retain control of HDMI-1, and OTT partners get access to a relatively valuable audience.

Android TV's role in this process is to enable the rapid and viable deployment of multiple third-party apps, with a multitude of possibilities enabled by Android TV's flexible UI. As such, the platform provides a crucial stepping stone towards a more seamless aggregation of services that may entail (for example) the integration of third-party VoD catalogs into a central SP-curated VoD library or enable platform-wide SP-provided functionality, such as voice search, recommendations, payments etc., to work with partnered video services.

Global preferences for video partners

Facebook's global importance positions it well to grow its video business; it is currently focusing on live streaming and experimenting with content models. How its Android TV app incorporates and surfaces video will be critical in determining its usage. Naturally Netflix has a very strong position globally and we note a thundering herd of competitors on their heels.

On a global basis, Amazon and YouTube are also significant leaders. YouTube will continue to experiment with premium content models and has the distribution footprint to make a serious impact on paid-video ecosystems should any of them work.

Table 1: Preferred video partners – global

Rank	Service name	Rank	Service name
1	YouTube	6	HBO Now
2	Netflix	7	HBO Nordic
3	Facebook	8	iFlix
4	Amazon	9	Canal Play
5	Hulu	10	Showtime

Source: Ovum

Regional preferences for video partners

On a regional basis, the results yielded an impressive showing of more geographically focused services. While the global giants will continue to attempt to be all things to all audiences, more focused services can address local content preferences and niche audiences.

Please see the appendix for analysis of preferred regional video partners, including top ten tables and regional overviews.

Conclusions

Android TV's debut is complete: the future is about implementation

Awareness and confidence in the OS is strong and enables analysis to focus on what companies intend to do with Android TV now the debate over the technology's validity and applicability to the modern STB has been settled. The consensus is that Android TV will be central to the evolution of the pay-TV experience on STBs on a global basis going forward.

Operating cost and security

Deployment costs were considered manageable, given the potential ongoing savings in opex. There are security concerns around the open nature of Android and the potential for using apps enabling illegal streaming or unauthorized copying and distribution. Historically, pay-TV STBs were closed and controlled environments; dealing with a fundamentally more open platform in Android TV will require a shift in perspective from service providers using the OS. So while the advent of a more open distribution environment improves the ability of operators to manage and enhance the user experience (through increased choice and flexibility), it also means that operators must inevitably relinquish some of the control over content security and service access to which they have historically been accustomed.

OS flexibility to address industry concerns regarding shifting audience habits drives interest in Android

However, Android TV's flexibility in enabling a wide variety of content, commercial, and partnership models because of its broad compatibility with third-party apps (particularly video apps) is a strong driver towards adoption. Preferred video partners on a global basis demonstrate the strength of Netflix, YouTube, Facebook, and Amazon. There are however many regionally or nationally focused services gaining ground and there is recognition from the service provider community. Android TV's compatibility enables fast and cheap deployment of third-party video apps – an upside to the openness which prompted some concerns on the security side.

The future's bright, the future's Android

There was a high level of confidence in Android TV eventually becoming market leader in terms of STB market share by 2025, giving Google the seat at the high table of TV that it has craved for years. The TV industry's opinion of Google has tempered over the years which may be an important factor in Android TV's strong showing. The impact of TV on Google's ecosystem, as well as Google's impact on TV ecosystems, looks set to be the key dynamic in pay TV over the next five years.

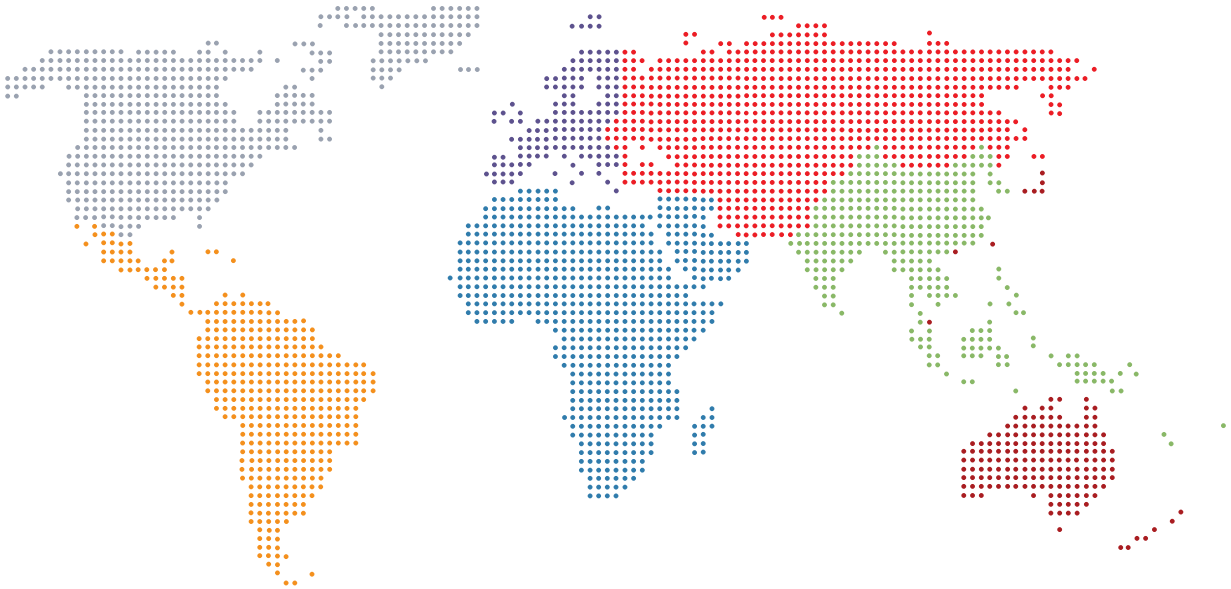
Appendix

Regional preferences for video partners

Looking at the picture on a regional basis, some trends emerge in preferences for third-party video partners. The market is split into global services (see Figure 14 below) vs. the rest. The viability of regional or nationally bound services will be tested over the next decade.

Figure 14: Preferred video partners – global

North America	Western Europe	Eastern Europe	APAC developing markets
HBO Now	Netflix	YouTube	YouTube
Facebook	YouTube	Facebook	Facebook
Netflix	Amazon	Amazon	Netflix
Hulu	Facebook	Netflix	Amazon
Amazon	HBO Nordic	Filmbox Live	iFlix



Latin America	Middle East and Africa	APAC mature markets
YouTube	Facebook	Netflix
Facebook	YouTube	YouTube
Netflix	Amazon	Facebook
Vivo Play	Netflix	Amazon
Amazon	Telly Plus	Hulu

Source: Ovum

North America

The rise of HBO Now in a highly competitive market is noteworthy. Given HBO's existing relationships with pay TV, this is perhaps not too surprising; however, it has effectively given HBO a notable direct-to-consumer platform that has a significant proportion of the subscriber base acquired directly, and not via pay TV.

Broadcasters in general are strongly positioned to drive distribution on Android TV in North America going forward, with CBS and Starz offering deep and differentiated services.

Figure 15: Preferred video partners – North America

Rank	Service name
1	HBO Now
2	Facebook
3	Netflix
4	Hulu
5	Amazon
6	Showtime
7	YouTube
8	CBS AllAccess
9	STARZ
10	Sling TV

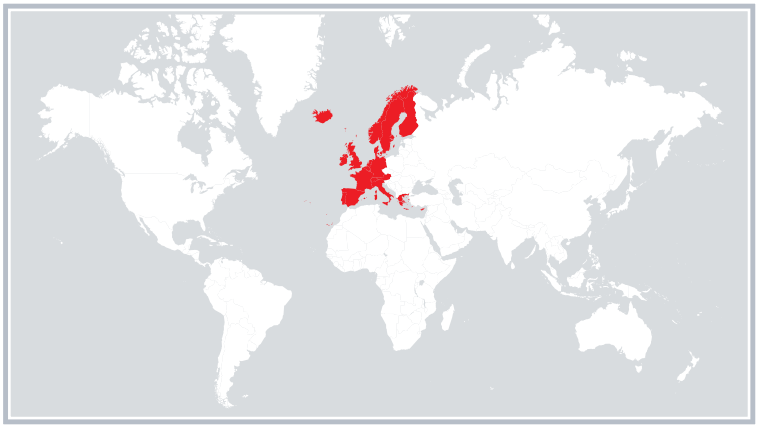
Source: Ovum

Western Europe

A fragmented Western European market with relatively distinct TV tastes means that a smattering of national players make up the numbers. NOW TV in the UK and HBO Nordic and ViaPlay in the Nordics are noteworthy with relatively strong growth stories.

Figure 16: Preferred video partners – Western Europe

Rank	Service name
1	Netflix
2	YouTube
3	Amazon
4	Facebook
5	HBO Nordic
6	Canal Play
7	Now.TV
8	Hulu
9	ViaPlay
10	MaxDome



Source: Ovum

Eastern Europe

Less mature for paid OTT services, there is nonetheless growth from a very low level of spending in OTT video in the Eastern European market. Success will depend heavily on pay-TV distribution and bundling in this region, given value-conscious audiences and high levels of cultural acceptability for copyright infringement, as is the case for some Southern European markets.

Figure 17: Preferred video partners – Eastern Europe

Rank	Service name
1	YouTube
2	Facebook
3	Amazon
4	Netflix
5	Filmbox Live
6	Voyo
7	Hulu
8	Ipla
9	Diban.TV
10	Other

Source: Ovum

Latin America

Ovum expects Latin America focused OTT players to again be dependent on service provider distribution, with three of the top eight cited services (Vivo Play, Claro Video, and Blimp) being directly affiliated with established distributors. A market in an evolving stage for paid video and TV services, broadband infrastructure and entertainment spending levels mitigate against the rapid spending growth seen in other markets.

Figure 18: Preferred video partners – Latin America

Rank	Service name
1	YouTube
2	Facebook
3	Netflix
4	Vivo Play
5	Amazon
6	Claro Video
7	Blim
8	Hulu
9	Other

Source: Ovum

APAC mature markets (Australia, New Zealand, Japan, South Korea, Taiwan, Hong Kong, Singapore)

APAC mature markets have responded variably to the launch of Netflix across the region. Adoption is slower than elsewhere, however, spread across multiple territories with significant growth potential. Given Netflix – indeed any paid OTT video service – is relatively expensive in many APAC markets, it is chasing a similar subscriber base to local pay-TV services. A slew of local services has emerged, almost all of which have investment or operating input from telcos.

Figure 19: Preferred video partners – APAC mature markets (Australia, New Zealand, Japan, South Korea, Taiwan, Hong Kong, Singapore)

Rank	Service name
1	Netflix
2	YouTube
3	Facebook
4	Amazon
5	Hulu
6	Dtv
7	Stan
8	Hooq
9	Spuul
10	Lightbox

Source: Ovum

APAC developing markets (rest of APAC)

iFlix is a notable contender in Southeast Asia and has raised money from Sky Europe and Liberty Global with the ambition of continued geographic expansion. iFlix relies heavily on telco distribution and a keenly priced offering including both US and local content. We expect the importance of the Chinese OTT services to grow over time; however, there are regulatory constraints on unfettered STB distribution in this market.

Figure 20: Preferred video partners – APAC developing markets (rest of APAC)

Rank	Service name
1	YouTube
2	Facebook
3	Netflix
4	Amazon
5	iFlix
6	Eros Now
7	Hulu
8	BigFlix
9	Sohu Video
10	iQiyi

Source: Ovum

Middle East and Africa

The Middle East has large and growing younger audiences hungry for foreign movies and shows, from epic dramas targeting Ramadan viewers to Hollywood blockbusters. OTT video is still at an early stage, but OTT is attractive to some because censorship tends to be lighter compared with traditional TV services. Africa is experiencing growth in some markets, but some significant infrastructure issues constrain growth, predominantly around broadband access and payments. There are some interesting services emerging that

are focusing on Nollywood content; however, we expect the success stories to enjoy distribution from TV and broadband service provider partners.

Figure 21: Preferred video partners – Middle East and Africa

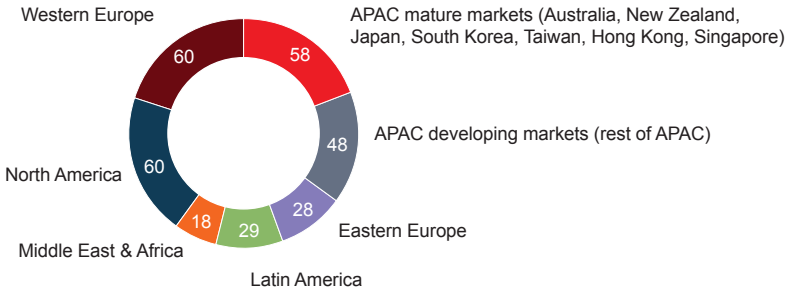
Rank	Service name
1	Facebook
2	YouTube
3	Amazon
4	Netflix
5	Telly Plus
6	Hulu
7	Showmax
8	Go By ONS
9	Icflix
10	Istikana

Source: Ovum

Survey information

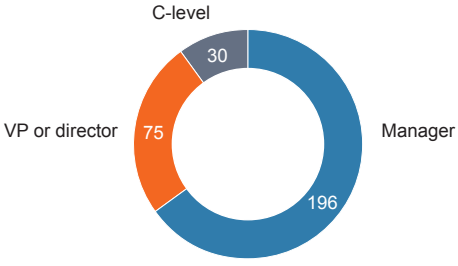
Our survey was conducted in February 2017 across a sample of 301 organizations spread across six regional groupings, as shown in Figure 22.

Figure 22: Number of respondents by region



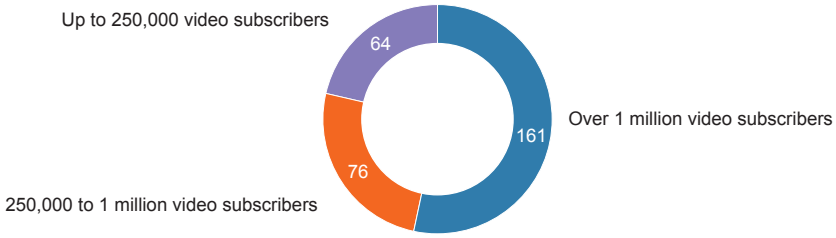
Source: Ovum

Figure 23: Number of respondents by role within the business



Source: Ovum

Figure 24: Number of respondents by subscriber base size



Source: Ovum

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