

Over-the-Top and On-demand Change the Face of Pay-TV

Austin, Texas, US – August 4, 2011. The personal entertainment experience has embarked on a significant shift now that on-demand delivery of video is widely available worldwide and to an increasing number of connected devices. IMS Research forecasts that in 2016, over-the-top (OTT) video services will generate \$16.4 billion in 2016 and video-on-demand (VOD) services from pay-TV operators will generate another \$14.7 billion, for a combined \$31.1 billion in on-demand revenues.

A growing penetration of fixed connected devices in consumers' homes and increasingly acceptable bandwidth speeds are two vital factors enabling the delivery of on-demand services. The pay-TV set-top box will continue to deliver the majority of on-demand entertainment into homes, although fixed in-home devices such as connected TV sets and game consoles will increase their impact on on-demand viewing. In the newly published study "Over-the-Top Video – Service Delivery & Business Models – 2011 edition," IMS Research forecasts that 5.9 billion pay-OTT transactions (pay-per-view and subscription) will be initiated via fixed in-home devices in 2016, up from an estimated 563 million pay-OTT transactions in 2011. This compares to a forecast of 12.9 billion pay-VOD and OTT transactions initiated via the pay-TV set-top box in 2016, up from an estimated 5.2 billion in 2011, as forecast in the study "On-demand Services Business Models: Video, Games & Over-the-Top – 2011 edition."

Anna Hunt, CE Principal Analyst at IMS Research, states, "Service and technology providers are finally delivering on the promise of video anywhere, anytime and to any device, which is exciting for consumers who are faced with an increasing amount of content to choose from. Pay-TV operators are aggressive in pursuing on-demand and multi-device initiatives in order to keep up with this trend and hedge against competition from OTT service providers." Although OTT is viewed as a significant threat to linear pay-TV operators, traditional pay-TV subscription revenues, estimated at over \$244 billion worldwide in 2010, will continue to dwarf service revenues generated from OTT and VOD for quite some time.

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