Why Android TV is Transforming Pay TV

By Simon Leadlay, Director of Pay TV Business Development, Accedo

The Pay TV industry has felt under increasing pressure over recent years, challenged with rising competition for viewers from non-traditional players. Whilst linear TV has not lost its relevance and even remains the primary source of video content for the majority of viewers, the growing appeal of OTT means it needs to re-invent itself to retain that strong position in the future. Thanks to Android TV, Pay TV is now fighting back in style.

The Pay TV market shift

It is clear that the Pay TV market has seen a shift. The rise in competition has led most Pay TV operators to look into ways of enhancing their offerings, whether with a dedicated over-the-top (OTT) service or through improving the range of content available.

Despite these apparent challenges, however, there remains a large audience for linear TV, especially for live sports. Recent research from Ampere Analysis highlights some particularly interesting stats and trends in this regard. For example, it classifies 24% of viewers as “content connoisseurs”. These are viewers who self-curate multiple services, both OTT and Pay TV. The remainder of the market still prefers linear TV.

Even more significant is that, of those content connoisseurs, 76% still subscribe to linear pay TV as one content source. Therefore, linear TV is far from dead and will retain a great deal of relevance for many years to come. This is partly because of the range of high-profile content that Pay TV providers are able to offer, but also because of those existing relationships with consumers and the ease of access to that content.

However, OTT has proved the demand for personalised video services, self-directed bundles of live and on-demand content and for video delivery to mobile and consumer devices. Pay TV operators are now looking to deliver the same experience, with the added bonus of being able to create it as a turnkey, well-managed and fully-personalised solution for the mass market.

The industry response

Unsurprisingly then, many Pay TV providers are launching (or have already launched) their own OTT offerings. What we are beginning to see emerge now is the role of aggregator. One good example of this is the recent announcement from Sky,

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which is adding Netflix in a new Sky TV subscription package. Sky made this move having found that very few customers drop their Sky bundles in favour of Netflix.

The aggregation of linear and OTT VOD content is, of course, a great move for Pay TV subscriber satisfaction, which in turn will reduce churn and grow ARPU. Creating that single user experience where all types of video — from linear broadcast, to operator Video-on-Demand and catch-up TV, to OTT libraries — can be presented in one easy-to-navigate and highly-personalised fashion will be, of course, the critical success factor.

However, the greatest barrier that Pay TV operators have faced has been the limiting factor of the set-top box. With monolithic legacy middleware stacks and less-than-flexible development environments, many Pay TV operators have historically felt unable to innovate quickly enough at the UI level. That is challenging enough for their own OTT services, and even more challenging when trying to take on the role of aggregator.

The role of Android TV

The Android TV operator tier is set to drive massive change for the Pay TV OTT environment. If you don't believe me, then just look at the stats from the recent Rethink Research report. According to the analyst, by the end of 2019, practically all European countries will have an Operator Tier Android TV installation. It believes that almost 11% of Pay TV homes globally will have an Android TV platform by 2022, compared to 1.5% in 2018.

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When you look at what the platform delivers for Pay TV operators, it really isn't surprising. The biggest elements here are the ability to personalise the platform with a fully-customised user interface and prioritise their content over third-party content. As Pay TV operators move into the role of OTT aggregator, maintaining that brand presence and content control will be all the more crucial. At the same time, being based on the Android TV operating system gives Pay TV providers access to downloaded apps, games, YouTube and other third-party OTT services.

This ability to aggregate and deliver the best offering of high-quality TV content, across linear, on-demand and now also third-party OTT services, allows the operator to retain the viewer's trust as the best provider of video entertainment, while still offering the consumer exactly what he/she desires: variety, flexibility and good value for money.

Ultimately, the Android TV Operator Tier has unleased positive change for Pay TV operators; change that will enable them to deliver a custom user experience that can compete with the OTT offerings and take on the role of content aggregators for their own and third-party content. All this means that the consumer will benefit from more choice than ever before and the ability to tap into it all from one easy-to-use platform.

REFERENCES

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For Rethink Research analysis, see **https://rethinkresearch.biz/report/android_exec_summary/**

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