

Operator success in digital media ecosystems depends on one-to-many partnerships and differentiated user journeys

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The digital media landscape is rapidly evolving with new distribution and engagement models and new forms of content driven by over-the-top (OTT) and direct-to-consumer (D2C) technologies and players. The growing popularity and dominance of OTT/D2C TV/video, music and gaming services is increasingly changing operators' perceptions of these services from threat to opportunity. Moreover, OTT/D2C providers feel the pressure to maximise their reach and stand out in these highly competitive, crowded markets. Many operators and OTT/D2C players are looking to gain competitive advantage by forming partnerships, but they are facing significant challenges.

This paper discusses the main drivers and benefits of operator–OTT service provider partnerships and outlines the key requirements and capabilities to succeed in this new landscape. It also analyzes the various options that operators and OTT service providers have for accelerating their commercial integrations and service monetization.

'Win-win' operator-OTT service provider partnerships can pave the road to success for today's and future media services

The creation of a digital media ecosystem is one of the key pillars of operators' digital transformation strategies. Digital media services represent an opportunity for operators not only to enhance the value of their broadband connectivity services and improve customer stickiness but also to strengthen their digital service provider brand. Partnering with OTT service providers plays a key role in achieving these goals because it enables operators to add or expand content portfolios without extensive investments. Most operators have already forged marketing-based partnerships with OTT content providers worldwide in the areas of OTT TV/video, music streaming and gaming services. OTT service providers view operators as valuable partners as well because these partnerships have allowed them to expand their reach. To amplify these benefits, operators and OTT service providers are increasing the number and scope of these win–win relationships with deeper commercial integrations (most recently, Verizon and T-Mobile's 'free' offers for Disney+ and Quibi, respectively).

Particularly in the TV/video space, the rapid proliferation of OTT and D2C services (DAZN, HBO Now, Netflix and many others) is leading to a high level of service and content fragmentation. As a result, households are signing up for multiple TV/video services in order to access content that is spread across many services; for example, the average number of OTT video services used by consumers in Europe increased significantly from 2.3 in 2018 to 3.0 in 2019 and from 2.4 to 2.6 in the USA.¹ This trend has not reached its peak yet, but consumers are already overwhelmed by the content fragmentation and managing multiple different subscriptions. An increasing number of operators have started to pursue a 'super aggregator' strategy to respond to consumers' demand for greater choice and convenience in ways to buy, consume and manage content services. Super-aggregator operators are integrating many different OTT TV/video services into their set-top-

¹ For more information, see Analysys Mason's *Connected Consumer Survey 2019: TV and video services in Europe and the USA*. Available at www.analysysmason.com/Research/Content/Reports/tv-video-europe-usa-rdvs0.

boxes (STBs) and service bundles (mobile and broadband offerings or skinny bundles) and combining them into a single subscription for consumers. The deeper integration that comes with this model allows OTT service providers to benefit greatly from operators' onboarding, billing and customer care capabilities as well as from the bundle synergies with operators' existing services.

In near future, 5G and edge computing will usher in the era of new digital content services such as cloud gaming and AR/VR, which will create new revenue opportunities and foster more and closer co-operation between operators and OTT service providers.

Operators that quickly adapt to this new landscape defined by ecosystem partnerships and meet subsequent customer expectations will have significant market advantage over the competitors that cannot. Key success factors in this landscape will be the following.

- Offering an attractive ecosystem comprising a mix of both the most-popular and long-tail content services from OTT and D2C partners by integrating and onboarding them rapidly and cost-effectively
- Maintaining control over differentiated user experience through a frictionless and highly personalised customer lifecycle journeys from discovery to consumption
- Offering innovative, tailored service plans (e.g. seasonal passes, micro-transactions, a-la-carte pricing) and bundles with connectivity and the operator's own content/media services (e.g. cable, IPTV)
- Providing service payment flexibility to customers beyond just credit cards and carrier billing

One-off integrations and legacy systems cannot meet the demands of digital media ecosystems at the required scale and speed

Operators and OTT service providers face several technology obstacles when launching services together that can pose significant risks to the success of their partnerships. Most existing partnerships have been implemented as custom projects, each of which might take up to 6 months or more to design user journeys and integrate and configure back-end systems. The customised partner-by-partner approach can cause a backlog of integration activities that leads to delays in time-to-market. In the worst cases, such delays may result in a partnership being launched several years after the initial agreement or failing to launch at all.

Replicating these resource- and time-intensive one-off onboarding activities for each partner is far from ideal in the fast-moving digital economy. To eliminate such inefficiencies, a few major operators and service providers such as Netflix are streamlining the integration processes and developing guidelines distilled from the experience and know-how they have gained from their past projects. However, this is not the case for many other service providers including smaller, local and niche content providers. In addition, these providers may lack the necessary supporting systems such as subscription management or identity management components and therefore they may need operator partners that can fill these gaps to move the partnership forward.

Operators are also often weighed down by their legacy BSS, which are not fit for purpose to support these new partnership-based models and provide the essential elements of differentiated user experiences in the OTT world. The main challenges typically arise in the following areas.

- **User onboarding.** Existing operator identity and order management platforms are unlikely to handle the unique workflow requirements of provisioning third-party OTT services. Operators must build web, mobile and STB journeys that allow end users to sign up and be provisioned to third-party services with the same ease of use and convenience as signing up for that service directly with the OTT provider.

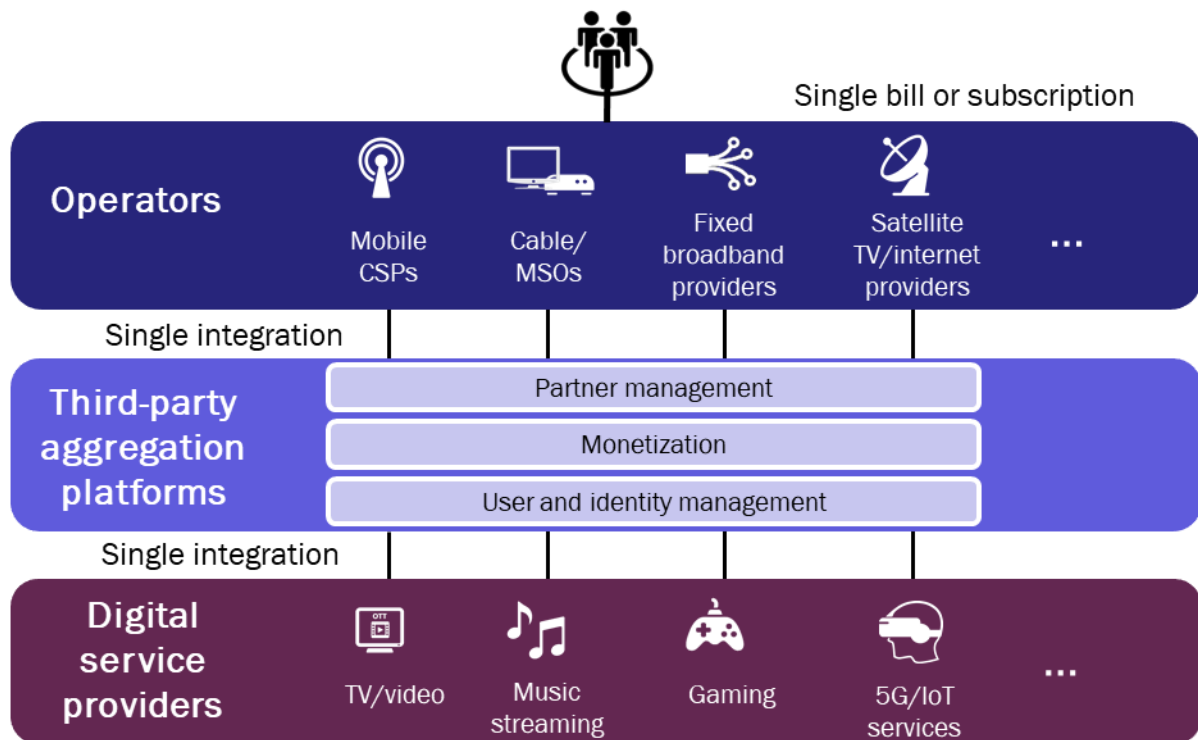
- Partner management.** Traditional partner management systems are not built to seamlessly bring on board new OTT partners and provide support for multi-dimensional, complex value chains and partner agreements and settlements.
- Subscription management.** Operators face several challenges for monetising OTT services. The first is hybrid billing capabilities; consumers demand greater flexibility in the way they buy and pay for their services, hence operators need to support a broader range of payment mechanisms. Second, the increasing popularity of new, more dynamic monetization models, such as time-limited passes and transactional models, require operators to adopt them in a timely and cost-effective manner, but the complex and rigid nature of legacy billing systems can make such innovation difficult. Finally, legacy systems do not have the capabilities to proactively identify and prevent ‘passive churn’ (for example, due to an expired credit card on the file or a failed payment) which can have a sizeable negative impact on service monetization.

It is clear that one-off integrations and legacy systems are not sufficient to capture new opportunities at the scale and at the speed that the rapidly evolving digital media landscape require. Operators and OTT players need a ‘one-to-many’ approach to forming new service partnerships and all the key steps involved including onboarding, partner management, user journeys and monetization should be streamlined and automated as much as possible.

Third-party aggregation platforms enable a one-to-many approach to building digital ecosystems

Operators and OTT players that want to accelerate their commercial integrations and service monetization with a one-to-many approach should consider partnering with third-party aggregation platforms. These platforms can provide a single point of integration to digital ecosystems and facilitate commercial relationships between consumers, operators and OTT service providers (see Figure 1).

Figure 1: A one-to-many commercial integration approach with third-party aggregation platforms



Source: Analysys Mason

Direct carrier billing (DCB) aggregators and digital marketplace platforms are currently the main third-party aggregation platform options in the market. It is critical for the service providers to carefully evaluate the benefits and limitations of these options to meet their digital ecosystem goals. This section provides an overview of the main strengths and weaknesses of these players based on the key requirements identified in the previous section.

Direct carrier billing (DCB) aggregators

Companies such as Bango, Boku and DOCOMO Digital provide platforms that enable DCB as a convenient payment option for digital and physical goods and services to consumers through connections to operators, OTT service providers and merchants. Traditionally, operators and OTT service providers have engaged with DCB aggregators to support legacy ‘walled-garden’ services, app stores, e-commerce and gaming services. DCB aggregators are increasingly positioning to widen their target markets to include OTT TV/video and music streaming services and to expand their capabilities beyond payments.

Figure 2: Main strengths and weaknesses of DCB aggregators in supporting digital media ecosystem partnerships

Strengths	Weaknesses
<ul style="list-style-type: none"> Existing relationships and a large pre-integrated ecosystem; DCB aggregators already have connections to 100+ operators and service providers including major technology companies such as Amazon, Apple, Facebook, Google, Netflix and Spotify. Solutions are typically suitable for small, one-off or on-the-go transactions. Some DCBs offer strong fraud prevention capabilities in addition to authentication and security and marketing analytics. 	<ul style="list-style-type: none"> Their portfolios typically lack wider user and subscription lifecycle management functions that provide a differentiated experience, for example, identity-based personalization (multiple profiles, federation/single-sign on, entitlements) and advanced monetization (innovative, flexible tariffs and packages, retention) capabilities. As such, there may be need for multiple third-party solutions and custom components for a complete, end-to-end solution, which may result in friction in the user experience, longer time to market and higher total cost of ownership (TCO) due to integration challenges. Payment options are limited to DCB and mobile wallets, not allowing the operator, the OTT service provider or the consumer to flexibly choose how the subscription will be paid.

Source: Analysys Mason

Digital marketplace platforms – Amdocs MarketONE

Established BSS providers are introducing SaaS-based digital marketplace platforms to enable digital media ecosystem creation and augment existing service capabilities without requiring extensive changes or major transformations to legacy systems. Amdocs Media’s MarketONE is one of the few solutions in this category that blends strong OTT media and entertainment expertise and experience with a holistic portfolio that addresses the needs of both operators and OTT service providers. It provides a solid platform and framework for ecosystem integrations and a complete set of subscriber, partner and subscription lifecycle management capabilities. The platform combines various best-of-breed products including user lifecycle management (acquired with UXP Systems) and subscription lifecycle management (acquired with Vindicia) as well as partner lifecycle management, which was built on the heritage of Amdocs partner management. MarketONE provides an end-to-end integrated flow through these components for the whole customer and partner lifecycle journey.

Figure 3: Main strengths and weaknesses of Amdocs’ MarketONE in supporting digital media ecosystem partnerships

Strengths	Weaknesses
<ul style="list-style-type: none"> Provides an end-to-end integrated flow of the user and partner journey, mitigating the risks of integration challenges and time-to-market delays. Suitable for services that require continuous, long-term relationships with users such as OTT TV/video. Provides a rich set of best practices for both operator and OTT partners, with a SaaS-based platform for quick time-to-market. Draws on Amdocs’ deep telecoms and BSS expertise, including its ability to help to create sophisticated monetization models. Supports over 90 payment methods including DCB. Can offer content licensing support and video infrastructure expertise through Vubiquity, if required. 	<ul style="list-style-type: none"> MarketONE is a relatively young offering in the market (launched in November 2019) and Amdocs is still building its pre-integrated ecosystem of operators and OTT service providers. However, the solution is live at operators including AT&T Mexico and T-Mobile US, and six OTT service providers including Netflix, Google Play, Spotify, DirecTV GO and Quibi. More than 20 OTT service providers are planned to be integrated into the platform in 2020. May not be the optimal solution if an operator plans only 1 or 2 partnerships without deep integrations. Despite the potential benefits of a platform approach, not all operators are comfortable with the SaaS model or they may maintain the mindset of heavy customization when they invest in a platform.

Source: Analysys Mason

Conclusion

Partnerships between operators and OTT/D2C providers are becoming crucial for success for both sides in the new digital media ecosystem. Most operators and OTT/D2C service providers understand this and formulate strategies to expand and enhance these relationships to become more competitive and capture new opportunities. The winners will be those that can create and evolve ecosystem partnerships quickly and cost efficiently and deliver a differentiated, personalized user experience. Third-party aggregation platforms such as DCB aggregators and digital marketplaces can help these providers to achieve these goals by addressing the challenges around commercial integration and monetization.

Most OTT/D2C service providers will continue to be open to work with both types of aggregation platform suppliers in order to maximise their reach. However, operators’ choice of aggregation platform supplier will be critical because operators must take charge of the many key aspects of the customer lifecycle journey, which are key to service differentiation and success of each partnership in its ecosystem.

DCB aggregators’ large, established ecosystems and existing relationships with operators from traditional services (for example, app stores) make them an attractive option for creating new digital media partnerships. However, operators need to be wary of the gaps in these vendors’ solutions for end-to-end lifecycle management (for example, user management and subscription management, as discussed in Figure 2) and the potential costs, challenges and risks to the projects that can arise from the complexity and integration requirements to fill in these gaps. It will be critical for the new digital marketplace providers to create ‘network effects’ by quickly expanding their pre-integrated ecosystems to match the appeal of DCB aggregators. A digital marketplace platform with turnkey lifecycle management capabilities and a rich set of best practices, such as Amdocs’ MarketONE, with a large pre-integrated ecosystem of OTTs should be an attractive option for operators that value the lifecycle management benefits that such platforms provide.

About the author



Gorkem Yigit (Senior Analyst, Research) is the lead analyst for the *Video and Identity Platforms* and *Digital Infrastructure Strategies* programmes, and is a contributor to the *Network Automation and Orchestration* programme, focusing on producing market share, forecast and research collateral. He has published research on NFV/SDN services business cases, identity management in the digital economy, and has been a key part of major consulting projects including Telco Cloud Index and IPTV/OTT procurement. He holds a cum laude MSc degree in Economics and Management of Innovation and Technology from Bocconi University (Milan, Italy).

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