

Pay-TV operators' strategies need changes:

Aggregate, Differentiate or Die



The distinctive position of pay-TV has changed over the past two decades. Pay-TV operators are having a difficult time retaining their standing and viewers due to the rapid growth of digital alternatives as well as changes in consumer behavior. Video streaming services like Netflix, Amazon Prime, YouTube TV, Disney+ and many others have established themselves as forces to be reckoned within the entertainment industry, not to mention various music and gaming providers.

This intense rivalry poses a vital question for pay-TV operators:

How do you stand out in such competitive landscape?

This e-book will provide tips and guidelines for pay-TV operators to answer the above question.

Content

A glimpse at the current state of the pay-TV	4
Is pay-TV operators' unique position gone?	4
Super Aggregation: What's the deal and how to focus your strategy?	5
Get your platform secured and under control	7
Malware in applications	7
Pirated apps	7
Buggy apps	8
Offer the best experience to attract new subscribers	9
Leverage subscribers' insights	9
Guarantee access to the premium content with strong security measures	9
Optimize the platform by managing important metrics	10
Adapt quickly to industry requirements and government regulations	11
Irdeto App Watch: Empowering operators to become super aggregators	12
Stand out from the crowd!	13



A glimpse at the current state of the pay-TV

Is pay-TV operators' unique position gone?

In the last few years, the pay-TV sector has been gradually losing its position in the market while video streaming is showing a stronger transformation in both subscriptions and revenue.

In terms of subscriptions, the latest [Omdia's Global: Pay-TV and Online Video report](#) pointed out that online video is growing its subscriber base faster than pay-TV. There were 1.34 billion online video subscriptions at the end of 2021, up 17.7% compared to 2020. This number increased by another 10.5% in 2022, reaching 1.48 billion by the end of the year. Meanwhile, pay-TV subscription growth was significantly subdued, rising only 0.6% from 1.02 billion to 1.03 billion globally over the same period.

With the intense competition, Omdia projects a 1.9% drop in subscription numbers from the current 1.03 billion to 1 billion in 2027. In addition to having weak subscription growth, the global pay-TV revenue has been [steadily dropping](#), from \$201 billion in 2016 to nearly \$165 billion in 2021. It is anticipated that this amount will continue to decrease over the next few years, to \$143 billion in 2026.

While the outlook is not favorable for the pay-TV sector, it is yet too early to say that its prosperous age is over. The good news is that pay-TV still dominates the video entertainment market with 68.9% of total revenue. To maintain this fragile advantage and turn the game around, it is time for pay-TV operators to think about differentiating themselves from the competition.



Super Aggregation: What's the deal and how to focus your strategy?

The modern world is hectic. Instead of adhering to a set schedule like it used to be with traditional broadcast or pay-TV services, consumers today want entertainment on demand. On the other hand, navigating a maze of multiple streaming apps, repeatedly opening and closing app after app can be tiresome! With a large pool of on-demand content service suppliers, effortlessly reaching their favorite content through a single user interface is ideal for consumers. The key is to become a super aggregator.

Top 5 value differentiators for Super Aggregators



Content

Secure access to premium content and premium apps



UX/UI

Offer a branded, unified and enriched user experience



Monetization

Introduce new offerings and features to meet your viewers' needs



Actionable Insights

Leverage on data and analytics across apps and platforms




Quality of Service (QoS)

Continuous operational optimization

Super aggregation is now becoming the norm in the pay-TV market. This enhances operators' traditional broadcast offerings with the addition of Over-the-Top (OTT) services under a single managed Set-Top-Box (STB). This way, it enables providers to experiment with new business models and features, which have become critical differentiators. One of the biggest advantages of becoming super aggregators is being able to serve as the main entry point for all the popular content that consumers love.

A super aggregator can be implemented most effectively using an open-source platform like Android TV or RDK-V, which enables operators to deploy the OTT stack with a wealth of content choices (+8000 apps for Android TV with Google Play Store and +300 apps for RDK). The important part is that utilizing Android TV and RDK can drastically reduce development costs as well as engineering and integration efforts. This helps speed up time to market for operators. With an expanded content ecosystem and a large user base, Android TV or RDK-VA is a fast track for pay-TV operators to play a super aggregator role.



Despite bringing great benefits to pay-TV operators, becoming a super-aggregator also strongly catches the interest of fraudsters and pirates.

The only way for pay-TV operators to achieve a significant return on investment with super aggregation is to carefully select a trusted, experienced partner that can assist with building and managing their hybrid platform effectively.

How is this important?

Get your platform secured and under control

Malware in applications

Hybrid STBs are vulnerable to attacks, just like any other connected device. Based on deep knowledge and insight regarding cyberattacks, Irdeto has identified new practices where cybercriminals approach popular apps with decreasing market performance, offering them payments in exchange for access to the app and installing malware to attack end-users. Therefore, some applications downloaded from open-source platforms like Android TV might contain malicious software, such as phishing, sideloaded playlists and ransomware. That gives hackers easy access to all browsing histories and private information, including usernames, passwords, email addresses and credit card numbers, which they can use to launch a ransomware attack or trade on the dark web.

As a result, operators must be vigilant about those suspicious apps running in the background and take security measures to stop them from attacking users by blocking or even removing them from their STBs.

Pirated apps

Besides protecting users, safeguarding premium content is equally important. Even though all applications are verified before being added to the open-source platform, relying solely on the platform developers' process to address video piracy has shown to be increasingly inefficient due to the vast number of apps being submitted daily. Many apps that enable users to access pirated content still easily bypass the verification stage. Those unauthorized apps unfortunately draw a massive audience and even outperform official streaming services in download rankings. [It happened in 2022 on Brazil's Google Play Store](#) and can happen to any other market at some point, which may bring a huge loss in revenue for content creators and content rights holders.

Therefore, it is crucial to safeguard STBs from any threats posed by these apps. Otherwise, pay-TV operators may face the risk of being penalized by their partners, losing access to premium content and even facing legal action taken against them.

Buggy apps

Not only pirate apps, but legitimate ones that are poorly developed, could disrupt the user experience or threaten consumers' rights and therefore should not be allowed on an app store to begin with. In practice, unfortunately, such apps may not always be detected during the verification process.

This has a significant impact on service providers. Affected users may attribute their problems to poor STB quality or declining pay-TV services. The complaint will impact the reputation of the service providers and may influence consumers to switch to another one. The pay-TV operator suffers a revenue loss for each departing customer. Hence, stringent app controlling needs to be done properly to ensure stable revenue streams for providers.



Offer the best experience to attract new subscribers

Leverage subscribers' insights

Many industries are actively exploiting the value of data into business development. There is therefore a significant opportunity for pay-TV operators to provide their subscribers with an unprecedented experience by capturing, analyzing and acting on user data.

With a unified hybrid platform, pay-TV operators have access to valuable data about their subscribers' likes and preferences. This valuable data can be a game changer in determining what content is being watched the most and developing personalized content packages to continuously improve their offering to attract more subscribers. Service providers can increase the usage of their services, quantify the value of every channel, program, catch-up or Video on Demand (VOD) content by combining consumption and purchase behavior data, as well as learn how to optimize content packaging.

Guarantee access to the premium content with strong security measures

Getting the best content for subscribers is always a top priority. However, convincing content rights holders that the STB platform can safeguard their premium content can be an uphill task.

Certain levels of content security are required by Hollywood studios and premium sports rights holders. For example, [studio licensing security requirements](#) demand premium content be shielded from piracy throughout the consumption lifecycle. Premium apps like Netflix, Disney+, YouTube also mandate a series of requirements to guarantee the security of the app and content, as well as the integrity and correct performance of their apps on the pay-TV operator's platform.

For operators, this presents both an opportunity and a challenge to stand out from the competition by enhancing their security measures.

Optimize the platform by managing important metrics

Differentiation is based on not only the breadth of content but also the Quality of Service (QoS). To live up to consumer's expectation, operators must aim to provide a high-quality service where latency, buffering, delays and interruptions are greatly reduced, or ideally, not present at all. For this reason, both QoS and Quality of Experience (QoE) are essential metrics used in the competitive video entertainment industry. The QoS in video entertainment refers to the whole experience for the subscriber, including the metrics controlled by the operator as well as the QoE - the quality and delivery satisfaction of video - felt by the viewer.

In the case of super aggregators, the operators have insight into every component within the delivery chain, allowing them to receive notifications on problems in real time. Operators can then respond to prevent the issues from reaching the user, or resolve them quickly, positively influencing the QoE. This opens up opportunities to improve service quality as well as differentiate their services from other competitors.



Adapt quickly to industry requirements and government regulations

The ability of operators to comply with ever-changing regulations in a timely and cost-effective manner is also critical to the evolution of the pay-TV market. Authorities restricting access to particular content is growing increasingly prevalent in some regions, for example, the consumption of adult content is banned or restricted in many Middle Eastern countries. It is therefore critical for pay-TV operators to take appropriate action to block access to specific apps or content to avoid legislative action.

The protection of data privacy is another factor that makes the security of STBs crucial. The General Data Protection Regulation (GDPR), which governs data protection and privacy in the European Union (EU) and the European Economic Area (EEA), specifies the organizational and technical measures that businesses should put in place to safeguard the personal data they store in Article 32. This is in line with the Cybersecurity Resilience Act which strengthens cybersecurity requirements for manufacturers and service providers for products with digital components.

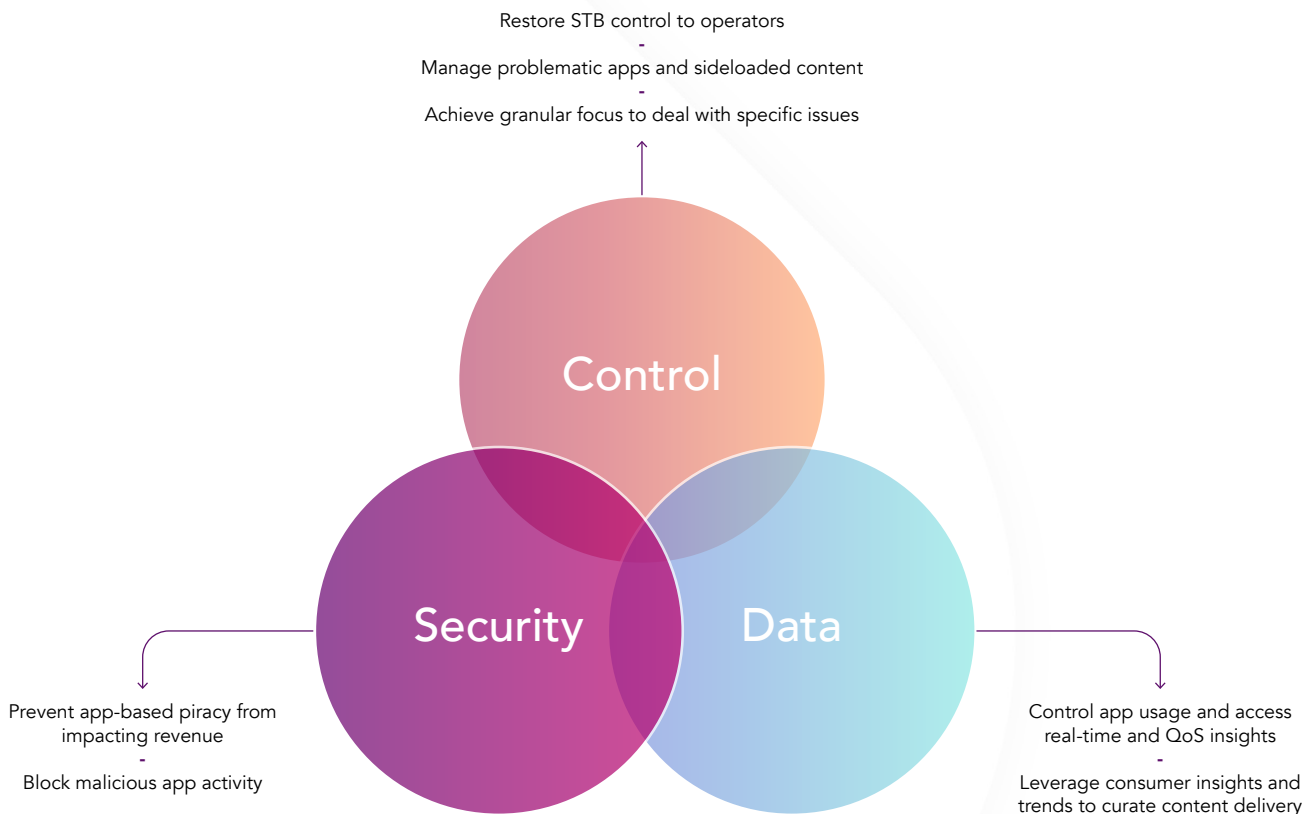
It is critical for pay-TV operators to build, launch and manage a secure and flexible video platform that can seamlessly be adjusted and updated to meet and comply with the ever-changing industry requirements and regional regulations.



Irdeto App Watch: Empowering operators to become super aggregators

The next thing to consider is how to mitigate the cyber threats and make full use of the opportunities. A trusted STB's security measure is a decisive factor in this plan.

Being developed to meet the specific needs of operators, [Irdeto App Watch](#) covers crucial aspects to manage the usage of 3rd party app stores, including security requirements (against piracy and malware threats), consumer insights (to develop new business strategies) and platform performance (to guaranty the quality of service and reduce operational costs).



By controlling STB usage with Irdeto App Watch, pay-TV service providers can minimize the threat of malicious behavior and pirated content distribution, bringing satisfaction not only to subscribers but also content partners, as well as confidently deploying open-source platforms.

Stand out from the crowd!

Reach out to us to learn more about Irdeto App Watch and how it can support your pay-TV services!



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Protect. Renew. Empower.

Irdeto is the world leader in digital platform cybersecurity, empowering businesses to innovate for a secure, connected future. Building on over 50 years of expertise in security, Irdeto's services and solutions protect revenue, enable growth and fight cybercrime in video entertainment, video games, and connected industries including transport, health and infrastructure. With teams around the world, Irdeto's greatest asset is its people and diversity is celebrated through an inclusive workplace, where everyone has an equal opportunity to drive innovation and support Irdeto's success. Irdeto is the preferred security partner to empower a secure world where people can connect with confidence.