The 2018 OTT Revolution

What 1.3 billion consumer data points can teach you about scaling your audience and succeeding with OTT
TV Is Having
an OTT Revolution
**TV is dead? Long live TV.**

The death knell for television has been ringing for years. Meanwhile, the future of video is here and evolving. OTT (over-the-top) streaming video is how video content is now shared, viewed, and monetized.

OTT has emerged as the new generation of TV — driven by the ever-expanding array of connected apps and devices, the rapid pace of tech, and insatiable demand for new content.

We dove into the viewing patterns of consumers on the Vimeo OTT platform across 1.3 billion data points. This report tells the story of today’s OTT audience, how and where they consume video, and how they make decisions about where to view it.

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**Methodology**

Vimeo maintains data on **3.6 million OTT subscribers across 230 countries and territories**, including information about platform, location, and content. Data is anonymized and used for product improvements and analytics, such as the data provided in this report.

To determine user behavior, we connect these events via unique identifiers and leverage traditional statistical models where applicable to determine correlation of variables.
State of OTT
The growth of services in the OTT space has been immense. According to Digital TV Research, SVOD (subscription video on demand) revenues are predicted to soar from $11.13 billion in 2015 to $25.71 billion in 2021. The global OTT market — primarily comprised of subscription-based video on demand (VOD), transactional VOD, and ad-supported VOD — has gained significant traction in the last year.

To date, there are nearly 100 subscription platform providers in the U.S. and Canada, with a variety of strategies for OTT:

• Viacom International Media Networks, Time Inc, Entertainment Studios, and CenturyLink have all launched subscription video services in 2017.

• AT&T announced plans to launch a “wireless-centric” direct-to-consumer video offering in 2018.

• Disney will be rolling out an ESPN OTT streaming service in 2018, giving subscribers access to 10,000 live sporting events that would otherwise not be available on ESPN’s traditional TV networks.

• Disney also plans to launch a stand-alone branded movie and TV streaming service featuring 500 Disney films and 7,000 episodes of Disney TV shows.

For us the future is OTT. The thing we have to be careful of is millennials. They don’t watch TV, they don’t have TVs or subscribe to cable. So we have to bring that audience in. Over-the-top is a great opportunity.

Robert Kraft
Chairman, New England Patriots
Overall, the marketplace is set for growth worldwide. The combined size of the OTT market is expected to grow to over $64 billion by 2021, compared to $29.4 billion in 2015, a compound annual growth rate of over 14%. According to Digital TV Research’s report, of the $35.37 billion extra revenue between 2015 and 2021, Asia will contribute $12.65 billion, North America $9 billion, and Western Europe $8.25 billion.

The success of future OTT services will hinge on several factors: operational flexibility, creativity with business models, and technical agility, as demonstrated by heavyweights such as Netflix, Hulu, and Amazon. With rapid changes in technology and increasingly demanding user expectations, a laser sharp focus on the user will be a key differentiator: enabling personalized experiences and focusing on multi-screen are just some of many ways to provide a value-added experience for your viewers.

53% of U.S. broadband households subscribe to both a pay-TV service and at least one OTT video service.

Parks Associates
OTT Video & TV Everywhere: Partners, Alternatives, and Competition
Cord Cutters Are Transforming into OTT Subscribers
Consumers are ditching cable TV en masse. Research firm eMarketer estimates that 22.2 million Americans will have cut the cord on their cable, satellite, or telco TV service by the end of 2017, a 33% increase from 16.7 million the previous year.

Audiences are moving their attention away from traditional television to OTT and digital video platforms. Ericsson ConsumerLab’s TV and Media report found the average consumer watches four more hours of mobile video every week than they did four years ago, while traditional TV viewing time is down by 2.5 hours per week. “Considering these trends, we see consumers moving away from traditional distribution and embracing digital video platforms,” eMarketer analyst Paul Verna told Forbes. About 51 million U.S. households today engage in OTT streaming of video content.

For the better part of fifteen years, pundits have predicted that cord-cutting was the future. Well, the future has arrived.

Craig Moffett
MoffettNathanson

New platforms will prevail in the mobile and virtual worlds and will allow advertisers to easily and efficiently target well-defined groups or even individual consumers across various channels.

Igor Mali
COO, iPROM
We are looking to attract a new generation of fans who really are demanding a greater flexibility to be able to decide the time and place they tune in to watch their favorite content.

Chris Kermode
Executive Chairman, ATP

Retaining millennials has been a continuing challenge for cable TV operators. “Younger audiences continue to switch to either exclusively watching OTT video or watching them in combination with free-TV options,” said Chris Bendtsen at eMarketer. A survey by Parks Associates confirms that 61% of U.S. millennial heads of household are both pay TV and OTT subscribers.

Content selection appears to be a key reason for cord cutters making the switch. OTT services are also more likely to appeal to binge watchers, a group of dedicated consumers who are looking to consume specific content — players such as Netflix are leveraging that trend by producing original content. By making all episodes of its new series available at once, Netflix has changed the landscape for how viewers consume videos.
5 Key Data Points from 3.6M Vimeo OTT Subscribers
1. The Netflix effect: apps can grow your audience by 50%

Netflix has trained consumers to expect that your content should be available for consumption on every platform and device, which was evident in our findings. Although apps account for just about a third of Vimeo OTT's subscriptions, **over 50% of subscribers watch videos on apps**, reflecting a growing appetite to consume content on various screens in different ways.

This growth of time spent on apps is significant. On Vimeo, **OTT subscribers collectively spend about 10,823 hours a day watching video on their apps**. Research conducted by analytics firm Flurry found that time spent on mobile apps has increased 69% year-on-year. Having your brand appear in a platform’s app store can also increase your visibility to prospective subscribers. If they’re looking for the type of content you offer — whether it be original programming, fitness, or instructional videos — being present in app stores is a great way to get discovered.

Apps can help retain customers too. Customers who sign up via an app platform are less likely to churn because their card expired since they use those accounts for other...
purchases. Apps can also help improve the lifetime value of your customers. 58% of customers who sign up via the web eventually add mobile or connected device viewing to their watching habits.

**Takeaway:** The average OTT viewer is highly mobile and expects your content to keep up with them. Introducing a suite of apps to your marketing and distribution strategy can potentially grow your audience by 50% or more and reduce churn.

Vimeo was our original launch platform and was there for us day one. They have been great partners, and we have now built our own custom apps and interfaces. The team has supported us and always been responsive and dedicated. We are lucky to have great partners in Vimeo and IAC.

*Gabe Tanenhaus*
Cheddar
OTT free trials are essential for driving conversion

In a competitive space, free trials are a great way to entice potential customers and give them a taste of what your OTT service has to offer. Vimeo found that **60% of people who sign up for a free trial become paying OTT customers.** In addition, our data shows that customers who start a free trial on Roku (69.4%) and iOS platforms (69.6%) are most likely to become subscribers.

If you’re offering a free trial, having an app can help increase your customer conversion rate. People are **33% more likely to sign up for a free trial via an app then they are on the web.** Vimeo OTT customers have seen up to a **72% conversion on these platforms.**

Industry-wide, over a quarter of U.S. broadband households signed up for at least one free trial on an OTT service in 2017, ranging from Netflix to Amazon Prime, HBO Now, and Showtime. Of those users, 47% subscribed to at least one service after the free period expired. “Free OTT trials are effective in converting a sizable portion of trial users into subscribers,” said Glenn Hower of Parks Associates.
Only 1% of consumers are “serial trialers” who take advantage of free trials to avoid paying for services. “Most consumers use trials for their intended purpose of trying out a service before deciding whether or not to continue as a paid subscriber,” said Hower.

**Takeaway:** Free trials are a win-win for providers and viewers, over 60% of free trial users could end up becoming paying subscribers on your service. Expect users on iOS and Roku to be most likely to convert.

Vimeo’s OTT technology came when we absolutely needed to monetize and wean ourselves off of crowdfunding. Their attention to detail and care around the customer experience won us over. When we converted to a subscription on-demand platform, their attention to detail and care in building the backend kept us as a customer.

**Dennis Dortch**
Black & Sexy TV
Even customers who subscribe via the web will watch on mobile

We pulled data from the hundreds of OTT services powered by Vimeo and found an interesting pattern: in 2017, over 73,390 customers subscribed via a web browser (on a laptop, tablet, or phone). Of that, 76% (55,684) went on to watch videos through one or more apps via their iPhone (nearly 32%), Android (19.8%), iPad (3.3%), and Roku (2.4%). Consumers are moving beyond typical video on demand websites and seeking out apps, by downloading and consuming their OTT content there.

Takeaway: Just because your customers come to you through a desktop browser, doesn’t mean they will stay there. Content creators and distributors need to diversify their platforms to keep up with viewers across devices to drive engagement.
Invest in top notch content and user experience to avoid churn

Despite the surge in OTT adoption, managing churn should be a concern for any business. In 2017, 19% of U.S. broadband households cancelled an OTT service, compared to 20% in 2015, according to Parks Associates, which shows “there is quite a bit of experimentation occurring right now.”

OTT platforms that invest in providing exceptional user experience will reap the rewards and avoid churn. In 2015 and 2016, Apple TV announced sweeping improvements for viewers, and upgrades to the viewing experience. It’s likely these changes have paid off: Vimeo found that **OTT audiences on iOS and Apple TV devices stayed subscribed the longest.**

Another common reason for customers to cancel subscriptions is because they don’t feel there is enough new content. Ultimately, knowing why your customers leave is important — keeping a pulse on their feedback can help you grow and improve your network in the future.

**Takeaway:** We found that iOS and Apple TV subscribers have been OTT’s most valuable customers yet, demonstrating the longest lifetime value across available apps. But churn prevention should be a number one priority.
Consider the length of your content with your audience in mind

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<thead>
<tr>
<th></th>
<th>Minutes watched/session</th>
<th>Number of sessions</th>
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<td>Android</td>
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TV apps have generally longer watch times. Short form content is more popular on mobile devices.

Audiences today aren’t just watching on a single device; they’re accessing content on multiple devices, and have different habits for each. We found that Vimeo-powered TV apps get higher engagement rates through services with long-form content such as MHz Choice and Love Nature. Correspondingly, we also see that services featuring short-form content (Yoga with Adriene or Black&Sexy TV, for example) are more popular on mobile devices.

We also looked at how content length affects completion for OTT services on Vimeo. On average, a 30-minute video saw a completion rate of about 80% while a two-hour video saw an average completion rate of 65%.

Different lengths work for different audiences. Long-form video offers more focus on entertainment and storytelling, while short-form content is more “snackable” and easier to complete.
Takeaway: There are industry advocates for both short-form and long-form video content. For maximum engagement, tailor the length of your video content to the app in which your content will live. Consider mobile apps for shorter content and TV apps for longer videos.

Vimeo empowers creators to be everywhere at once, providing live and other immersive experiences to engage with their audience. As the SVOD market continues to explode, consumer expectations and the tyranny of choice will rise in turn. Creators will need to be ready to meet this demand with quality content and dependable technology.

Anjali Sud
CEO, Vimeo
Conclusion

The OTT marketplace has seen unprecedented growth as falling barriers to entry are allowing creators to build ever larger audiences. It’s clear from these data points that to thrive in a crowded market, creators and distributors must make sure their content experiences are as accessible, mobile, and user-friendly as possible.

Having your OTT content in an app store will aid discovery and churn prevention as well. Finally, consumer choice drives everything, which means distributors and creators must craft user experience, free trials, and content with their viewer in mind.
The Vimeo OTT service has completely transformed our business. The system is a pleasure to use and the quality of video streaming is the best we’ve found. Our member satisfaction is now through the roof and our time spent on customer service has dropped by over 90%. We love Vimeo!

Chris Sharpe
Find What Feels Good-Yoga with Adriene
Considering moving your content to an app or OTT platform?

For a creator to grow their personal brand to its full potential, a branded app on all devices isn’t just an exciting bonus — it’s a requirement. OTT apps give viewers a fully branded experience for watching content, make subscriptions and payments seamless, and turn an audience into a community.

Vimeo’s app technology includes development for every device, plus customization, regular updates, analytics, and more. Our team even takes care of the difficult and time-consuming process of launching an app in various marketplaces. All creative control stays with the creator, so you’re able to produce content and nurture your audience, while Vimeo handles the technology.

To explore how you can grow your business with OTT video apps, contact us at ottsales@vimeo.com or visit ott.vimeo.com/pricing