OTT Video ...Friend or Foe

Presented by Scott Meyer Marketing Director
Innovative Systems
Located in Mitchell SD

**Video Services**
- IPTV Middleware
- InnoStream VOD Server Platform
- 150 Systems in North America

**APMAX™ Voice Services**
- Enhanced Hosted Voice Solutions
- SIP Phone Provisioning and Management Software
- Call Center Routing and Recording Software
- 820 APMAX Systems Deployed in North America

**eLation™ OSS**
- Billing
- Financials
- Staking & Mapping
- ACS TR-069
OTT Video
What Is It?

*The ability for consumers to watch content when they want to watch it.*

**Methods**
- Consumer Initiated Recording – STB cDVR
- Restart TV
- Pause Live TV
- Video on Demand
  - Transactional
  - Subscription VOD
  - Catch Up/Just Missed TV
  - Local Event VOD
We Blew It With VOD! 😞

Legacy Video Providers

• Developed in 1992
• First Commercial Deployment in 1993
• Early Equipment and Bandwidth Costs were Prohibitive
• More Content and Lower Costs by 2003

Netflix

• Video Rental Mail order business in California – 1998
• 30 Employees and 925 DVDs
• Began VOD over Internet in 2007
• 2015 Survey of Netflix viewers revealed over 80% subscribe to it because they pick what they want to watch when they want to watch it!
Rural North American Survey Conducted 2016 & 2017

- Prove Out Netflix Model
- Measure Time Shifted Viewing Impact
- Gauge Consumer Knowledge in Time Shifted Technology
- Determine Consumer Interest in Time Shifted Viewing Options

Why was this needed?
Key Survey Points

• Independently Conducted

• Only Rural Telecom Consumers

• North American Sampling

• Strictly a Phone Survey

• Survey Conducted and Compiled in January 2016 and again in January 2017
• 1 to 10 Scale
  • 1 = Uninterested
  • 10 = Very Interested

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Box Scoring
Executive Summary

• 82% of Rural Homes have Subscription Video Service
• Only 4% of Rural Homes rely Exclusively on Over-The-Top Content
• DVR is in 52% of Rural Homes
• 20% Would View C3/Catch UP VOD Today if Available
• 16% Would Subscribe to Cloud DVR (cDVR) Today if Available
• 42% of Homes have FIVE or more devices connected to the Internet
Survey respondents don’t recognize that their Cable Provider is also the Telco
LOCAL BROADCAST CHANNELS ARE A BIG DEAL!

- **Bottom Box**
  - 2017: 6%
  - 2016: 5%

- **Middle Box**
  - 2017: 9%
  - 2016: 8%

- **Top Box**
  - 2017: 85%
  - 2016: 87%
Rural DVR Subscribers 2016

- DVR = Yes: 44%
- DVR = No: 56%

DVR = Yes    DVR = No
Rural DVR Subscribers 2017

- DVR = Yes: 48%
- DVR = No: 52%

DVR = Yes  |  DVR = No
Rural Consumers spend nearly twice as much time viewing their DVRs Compared to the Nielson Average!
DVR ADD ON OPPORTUNITIES

- Bottom Box: 72% (2016), 80% (2017)
- Middle Box: 16% (2016), 7% (2017)
- Top Box: 12% (2016), 13% (2017)
Cloud DVR is Desired!

- Bottom Box: 64%
- Middle Box: 20%
- Top Box: 16%
Case Study – Cloud/Network DVR

Valley Tel - Herried, South Dakota
• Cloud/Network DVR Only
• Existing Home DVR’s have Record Feature Disabled
• Tiered Pricing Based on Storage and Record Streams

Stanton Telecom – Stanton, Nebraska
• Cloud/Network DVR Only – 1st Rural Provider in US to do this
• Standard STBs Only
• Tiered Pricing Based on Storage and Record Streams

For both providers savings in capex and opex as well as protection of consumers recorded content were the drivers in going to an all-Cloud/Network DVR Model.
Interest in On-Demand Catch-Up TV (C3VOD)

- Bottom Box: 61%
- Middle Box: 19%
- Top Box: 20%
Case Study – Video on Demand

Marquette Adams Telco – Oxford WI
- In VOD Since 2010
- 2500 Video Subs
- Free VOD for All Subscribers
- Transactional VOD - Vubiquity
- C3 – Catch Up VOD
- Local VOD
Subscribers love their VOD!

- Averaging 3000 VOD transactions per month
- Local VOD Content Top Draw
- Monthly VOD Cost Per Sub = .45 Cents US

“We pay a lot more for other programming and get a lot less bang for our buck than we do with our VOD”  Jerry Schneider- GM
TVs Connected to the Internet 2016

- 77% Stream Video to their TV
- 23% Does Not Stream Video to TV

- Roku TV
- AppleTV
- Sony Play Stations
- TVs with Integrated Web Access
TVs Connected to the Internet 2017

- Roku TV: 34%
- Apple TV: 66%
- Sony Play Stations: 66%

- Does Not Stream Video to TV
- Streams Video to their TV
Hours Per Week Rural Video Consumers Use a Streaming Service

- Don't Know: 2017 - 4%, 2016 - 5%
- 26 - 50 Hours: 2017 - 5%, 2016 - 6%
- 15 - 25 Hours: 2017 - 13%
- 10 - 14 Hours: 2017 - 25%
- 6 - 9 Hours: 2017 - 28%
- 3 - 5 Hours: 2017 - 18%, 2016 - 21%
- 2 Hours: 2017 - 16%, 2016 - 22%
- 1 Hour: 2017 - 8%, 2016 - 13%

Don't Know

26 - 50 Hours

15 - 25 Hours

10 - 14 Hours

6 - 9 Hours

3 - 5 Hours

2 Hours

1 Hour

Innovative Systems
Not Into Video?

- A must for Residential CLEC Opps
- Increased Vulnerability to Churn
- Shared Resources – Headend/Middleware
- Video Quality is Essential
- More Speed WILL be Required in the next Five Years!
Summary

• Rural DVR Consumption Higher than National Average

• For Rural Consumers OTT Streaming is a Complement to Traditional Pay TV not a Replacement

• Consumers Are Ready for Cloud DVR

Your Time Shifted Video Options give Customers a “Netflix” like experience!
• Customers Want Free Catch-Up TV (C3VOD)

• VOD Content Will Keep Them on Your Linear Video Network Longer

• Time Shifted Viewing Reduces Demand on OTT Which Reduces Traffic on Your Internet Connections

Use Time Shifted Viewing Options to Reduce Churn!
Comcast Exec Discusses Why It Had a Better Q1 Than Other Providers In Terms of Video Subscriber Additions

42,000 New Video Subs Q1 2017!

Comcast is investing in the hardware and software required to bring IP to the legacy TV experience and for this reason they are gaining video subs when others are reporting losses.
There’s Only 24 Hours in a Day!
Would You Like a Copy of the 50 Page Survey?

Please leave your Business Card or send Jennifer an email

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