Ask the expert - Eric Baron
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Eric Baron has many years of experience in the Media, Telecoms and Broadcast sectors. In this interview, he explains how the transition to direct to consumer models is changing the broadcast equipment landscape.

Q1 There's a major transition underway from traditional broadcast into streaming services direct to the consumer. How is this changing the business models of the content providers?

A1 There is a proliferation of direct to consumer streaming services. On top of Netflix and Amazon Prime there are many more e.g. Disney+, Discovery+, Paramount+, Britbox, on an SVOD model. At the end of 2020 there were 1.1Bn subscribers, a growth of 26% YoY. This is a massive change in content distribution where content owners became content providers as well.

Consumers like on-demand features, and the flexibility of the streaming subscription model, but they don't like the difficulty of finding the content that they want. There is a limited way of searching across the services and consumers may have up to 4 subscriptions.

Direct to consumer services cut out the middleman, but the MVPDs need the content, even at a lower margin. In both SVOD and AVOD cases, content is king, but costs are going up so they need more subscribers or higher prices. B2C business, to scale they need 50 million subscribers in the US and 200 million worldwide. Today only Netflix has that. Amazon Prime has other capabilities. Disney has 100 million subscribers worldwide. Scalability is key for SVOD.

AVOD must generate enough revenue from advertising to offer a lower cost option to consumers. Also ARPU, churn rate, and total time the user watches the content are KPIs to consider beyond number of subscribers.

Content is King, but content distribution and monetisation are the Queen. Profitability is needed. Previously we spoke about codec wars. Now we are looking at streaming wars.

Q2 Are there opportunities for codec vendors and service providers?

A2 We are in a fast changing world - not just content, but networks and devices. Codecs need to evolve. There are new and bigger challenges. We have been moving from SD to HD, then 4K and 8K, files are bigger, which require better and smarter compression.

There is a requirement for better video quality - not just at the source but also consistency of that quality in the transport. User experience is critical for any content provider's success. They must make sure the quality of the source is good, but also optimise the file size and the parameters when it is transported over the internet, and over 4G, 5G and eventually 6G.

Codecs must be very efficient and cost effective, for both on-demand and live. Opportunities are there for the codec vendors and service providers to improve the experience for the benefit of the user who is financing the services.

Q3 There seems to be a lot of fragmentation in the encoding domain at the moment. Is that good or bad for content providers looking to launch new services?

A3 If there is not enough choice, people complain. If there is too much choice, people don't know what to choose. It's good to have choice. It gives flexibility in both quality and cost.

Up to recently we had only two codecs - H.264 (AVC) and H.265 (HEVC). For various reasons, including royalties and a need for improvements, we now have AV-1, VC-9, H.266 (VVC), LCEVC. There are more codecs, but there are more use cases and more needs.

The streaming companies need to understand their audience and environment. There are many factors. What bandwidth is available? Is it urban or rural? Is it a fixed or mobile connection? Is it a large screen smart TV or a smart phone. Also consider the nature of the content e.g. fast action movie or sports, or is it low action like news or cartoons? What time is available to compress the files - is it live or VOD?

There are plenty of tools and parameters in this area. Video encoding is a mix of science (objective metrics) and art (subjectivity and the eye of the consumer). There is a need for choice and all solutions have pros and cons - they add to each other.

Between the streaming companies and the codec vendors there is an ecosystem. Choice is good for the overall industry.

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