



Is outsourcing video distribution the future?

Anna Tobin goes through the considerations that operators and media companies face when deciding between managing services in-house and outsourcing their distribution to an expert.

The video content distribution landscape has changed significantly over the last decade. It's diverse, increasingly international and technically sophisticated. End users expect to be able to seamlessly move from fixed screens to mobile devices, to receive accurate content recommendations, to save and rewind content and experience the same perfect sound and vision quality anytime anywhere. Crucially, they want optimum service at minimal cost.

If the video stream is poor quality, experiences buffering or crashes, users will quickly switch to a better performing competitor. And there is no shortage of services to choose from. With international streaming providers, such as Amazon and Disney, spreading their reach further around the globe and national broadcasters, ISPs and cable companies moving to compete with these nationally and internationally, it's an incredibly competitive space.

Churn rates predicted to rise up to 30% globally

Deloitte Global predicts that in 2022, at

least 150 million paid subscriptions to streaming VOD services will be cancelled worldwide, with churn rates of up to 30% per market. As consumers continually chase the best content at the best price and quality, this puts immense pressure on content operators. When it comes to distribution they have two choices. They can manage it in-house or they can outsource their distribution to an expert in that field.

Managing distribution in-house

Long-established content operators have typically managed their distribution themselves. Having invested heavily in creating bespoke legacy systems over the years, they are often reluctant to discard this kit. Instead, they keep existing equipment up to speed by regularly bolting-on additional hardware and installing more software. This is economic and efficient in the short-term when everything is working.

When an issue occurs, however, it can

be expensive and time-consuming to repair. It's a race against time to fix it before it impacts the end user. When issues effect customer service, churn rates rise and the resulting bad reviews make it harder to win over new customers. Plus, as in-house distributions systems are unique, operators are reliant on the members of their tech team who are familiar with each aspect of them. Consequently, these staff command high salaries and when they leave they are difficult to replace.

The business case for moving to a managed service

For a business to succeed it must keep its variable expenses to a minimum to keep costs down. For the content industry this is now particularly tough as content costs are growing, there is hyper competition and rising inflation. Commercially successful companies with deep pockets are gambling on

passing some of these costs on to customers. Examining Netflix, Enders Analysis notes that: “In the U.S., the most mature Netflix market, churn appears to be growing as the subscriber base struggles to grow. However, price rises are more than offsetting this growing churn, a window into the future of other territories.”

This tactic is not sustainable for smaller or more niche operators. To balance their books, they must focus on reducing and fixing their overheads. This is why many companies choose to outsource their distribution to a managed service company. While their in-house distribution costs are unpredictable, a managed service provider offers them a fixed cost, and a guaranteed QoE and QoS level. With distribution taken care of, operators can focus on what they do best: sourcing fantastic content at the best price for their customers.

Video service provider Divitel helps cable, broadcast and IP operators worldwide do just that. It takes care of every aspect of media distribution. “We provide the technology that helps operators achieve their business goals,” explains Daniel Bakker, sales account manager at Divitel. “We control the quality of delivery, service and performance. The quality that viewers now expect is the standard set by the big operators, such as Netflix. Our customers want to provide that quality to whatever device their users use to access their services and that’s what we deliver.”

Handing over responsibility to the experts

From watches to streaming media adaptors, such as Chromecast, the number of devices able to stream content continually grows, but extra features must be added to each distribution channel to support these devices. This is another reason why operators move over to managed distribution companies who have invested in the continuous



integration and continuous delivery necessary to automate the latest processes and provide a comprehensive view across every aspect of each distribution pipe.

“Distribution is becoming more and more complex,” says Bakker. “As we are specialists in the field, we’re always on top of the various updates that need to be made to every platform to ensure that our customers’ content can be received in optimum quality and securely on every possible device. We have the knowledge and expertise that most operators do not have in-house and we provide this with a fixed contract, so they know what their costs will be ahead of time.”

As managed distribution companies focus on their customers end-to-end distribution, they are primed to proactively spot and fix issues before they impact the end user too. Using a combination of artificial intelligence and machine learning, predictive maintenance is set to become an increasingly useful tool in the war against churn, but it’s expensive for operators to personally invest in. For a growing number of operators it makes sense to outsource this.

In order to remain in control, it is important to point out that many operators choose not to outsource everything, but to keep executing the commercial strategy themselves (so no outsourcing of marketing or helpdesk etc). In other words, they are outsourcing only the technical (distribution/delivery) part of the

service they feel is not core to their business.

Going live

Distribution becomes even more complicated when content is delivered live from anywhere at any time. This is another area where outsourcing becomes attractive. Take a live event, such as the forthcoming FIFA World Cup, where operators are concerned about having enough capacity and the quality of delivery. Dedicated media distribution services have the resources to scale up and down capacity to suit demand and are prepared for most eventualities.

Bakker adds that customers often come to Divitel to manage one area of their video distribution, such as a live event, and when that executes well they see the benefits they can gain from outsourcing the rest of their distribution. “Operators ask us to work on a distribution for a live event or a new platform, where they don’t have the time to acquire the knowledge to manage it themselves. Then we come in and they quickly ask us to take over everything,” he says.

When media distribution companies prove that they can do a better job, faster and for less cost, content operators will be increasingly tempted to outsource to them. **CSI**

Divitel will be at IBC 2022, and those who want to meet there can make an appointment at: <https://divitel.com/news/meet-us-at-ibc/>