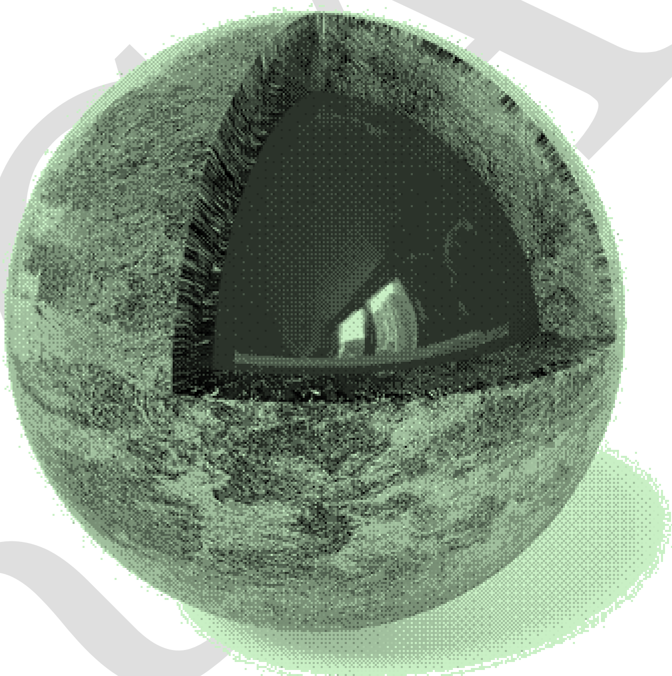
2015

Mobile video monetization 2015

Market report



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About {Core Analysis}

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{Core Analysis} is the leading industry analyst practice at the intersection of mobile networks, video and cloud.

Founder and CEO of {Core Analysis}, Patrick Lopez provides strategy advisory services on mobile traffic management, video and SDN/NFV. As an analyst, he presents at influential industry forums and conferences and publishes an acclaimed blog, industry articles and reports. He chairs / speaks at NAB, NFV world forum, LTE world summit, United Nation's ITU Telecom, Broadband World Forum, ...

As a consultant, Patrick helps technology companies increase their market value by creating market categories, value proposition and leading market positioning. {Core Analysis} was exclusive advisor to Opera Software in its acquisition of Skyfire for $155 millions.

Patrick has collaborated to various industry and financial reports including Deutsche Bank, JP Morgan, Morgan Stanley Credit Suisse First Boston, IDC, Frost & Sullivan, Yankee group, Ovum, Informa... and has written several articles in collaboration with The Wall Street Journal, TMCNet, Wireless Week, Fierce Wireless, RCR Wireless News, CNN and CNBC.

Patrick has over 15 years of international progressive experience in mobile networks and video in the United States, Canada, Switzerland, Ireland and France and holds a MBA in Corporate Management and Bachelor Degree in Marketing Strategy.

1. Executive Summary

2014 has been a contrasted year for deployments of video monetization platforms in mobile networks. The market in deployments and value has grown, but there has been an unease that has gripped some of its protagonists, forcing exits and pivot strategies, while players with new value proposition have emerged. This transition year is due to several factors.

On the growth front, we have seen the emergence of MVNOs and interconnect / clearing houses as a buying target, together with the natural turnover and replacement of now aging and fully amortized platforms deployed 5/6 years ago.

Additionally, the market leaders upgrade strategies have naturally also created some space for challengers and new entrants. Mature markets have seen mostly replacements and MVNO green field deployments, while emerging markets have added new units in markets that are either too early for 3G or already saturated in 4G. Volume growth has been particularly sustained in Eastern / Central Europe, North Africa, Middle East and South East Asia.

On the other hand, the emergence and growth of traffic encryption, coupled with persisting legal and regulatory threat surrounding the net neutrality debate has cooled down, delayed and in some cases shut down optimization projects as operators are trying to rethink their options. Western Europe and North America have seen a marked slowdown, while South America is just about starting to show interest.

The value of the deals has been in line with last year, after sharp erosions due to the competitive environment. The leading vendors have consolidated their approach, taken on new strategies and overall capitalizing on installed base, while many new deals have gone to new entrants and market challengers.

2014 has also been the first year of a commercial public cloud deployment, which should be followed soon by others. Network function virtualization has captivated many network operators' imagination and science experiment budget, which has prompted the emergence of the notion of traffic classification and management as a service.

Video streaming, specifically, has shown great growth in 2014, consolidating its place as the fastest growing service in mobile networks and digital content altogether. 2014 and early 2015 have seen many acquisitions of video streaming, packaging, encoding technology company. What is new however, is that a good portion of these acquisitions were not performed by other technology companies but by OTT such as Facebook and Twitter.

Mobile video advertising is starting to become a “thing” again, as investments, inventory and views show triple digit growth. The trend shows mobile video advertising becoming possibly the single largest revenue opportunity for mobile operators within a 5 years' timeframe, but its implementation demands a change in attitude, organization, approach that is alien to most operators DNA. The transformation, akin to a heart transplant will probably leave many dead on the operating table before the graft takes on and the technique is refined, but they might not have much choice, looking at Google' and Facebook's announcements at Mobile World Congress 2015.

Will new technologies such as LTE Multicast, for instance, which are due to make their start in earnest this year, promising quality assured HD content, via streaming or download, be able to unlock the value chain?

The mobile industry is embattled and find itself looking at some great threats to its business model, those who will survive are not necessarily the strongest, rather those who will adapt the fastest.