

TVOD, SVOD, AVOD: Which model for your OTT service ?

OTT is the current buzzword in the entertainment and broadcasting industry. Consumers are increasingly moving away from pay TV to on-demand platforms, looking for a more personalized and flexible experience. Direct-to-consumer OTT (Over-the-Top) distribution presents both an opportunity and a struggle for premium content rights holders & providers.

The challenge for OTT incumbents is to find a sustainable business model to acquire, retain and grow their customer base. And here comes the ultimate question: what is the best OTT monetization strategy... Pay-per-content (TVOD), subscription (SVOD) or ad supported (AVOD)? Learn about the characteristics of those three models and find the best fit for your business.

TVOD

« Transactional Video on Demand » is a **pay-as-you-go model**: customers will only be charged for the content they want to watch (may it be a movie or a sports game).

The TVOD model can be subdivided in two categories:

- **Electronic Sell-Through**: Consumers “own” the content (much like a digital DVD) and have permanent access to it in their video library.
- **Download-to-rent**: Consumers rent the content and can access it for a limited time period.

This model offers great revenue opportunities for **popular on-demand content and live events**. Your catalogue doesn't have to be exhaustive to attract customers, as long as you have **premium content people are willing to pay for**.

However, **getting recurring revenues is hard**. You need to keep consumers coming to your service to buy more content, even though they are not bound by any subscription plan. Therefore, **editorial animation, promotions and customer relation management** are extremely important to increase your sales.

According to Statista, worldwide TVOD sales growth is getting weaker, estimated at 1.4% in 2023 against 8% in 2018.

Apple, which operates iTunes, the biggest TVOD library, is also moving to SVOD and will soon launch its own service, just as it did with Apple Music for music streaming. Nonetheless, the TVOD model is still a model **worth exploring for live events and popular premium VOD content**, which appeal to a large audience.

SVOD

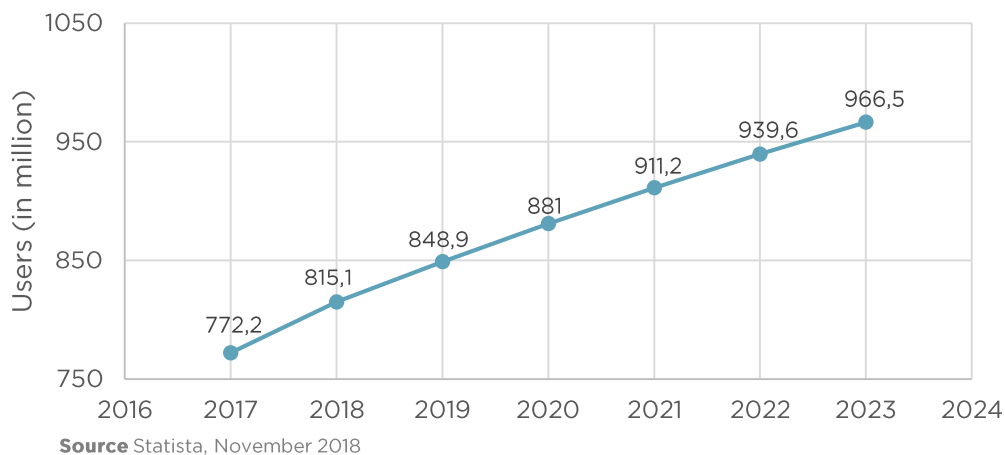
SVOD, which stands for « Subscription Video on Demand », refers to services which customers **subscribe to, generally on a monthly basis, to access an unlimited video library**. While customers pay for the service, they can watch as many videos as they want without any additional fee.

The biggest advantage of SVOD is the **recurring revenue** provided by subscription plans (usually renewed automatically). But subscription revenue models also come with challenges: in an increasingly competitive market, **customer retention is a real hassle**. To maximize subscribers retention time, you need to ensure that they always have relevant content available and easy to discover, which means regularly refreshing your catalogue and constantly optimizing your user experience.

SVOD is **currently driving global VOD market growth**, with a worldwide 16% profit increase in 2018. According to recent study, global SVOD market should be worth 25 billion dollars in 2023, with almost 1 billion subscribers (Statista).

While Netflix and Amazon dominate the market, there is a **real opportunity for niche services** that wish to cater to specific interests with high quality content and experience.

SVOD Users - Worldwide



AVOD

“Ad-supported Video on Demand” is, as the name suggests, based on advertising revenue. With this model, your content is accessible free-of-charge to customers and is **monetized through ads paid for by advertisers**.

It offers a viable alternative to SVOD but comes with **challenges to maintain consistent and high revenue**. Indeed, OTT advertising is still premature compared to broadcast television. Brands and ad agencies still have a hard time assessing digital ads effectiveness and profitability. This means AVOD **only works successfully at scale**: because of low CPMs, you only get significant revenue with a substantial **audience**. But building, maintaining and growing a large and sustainable audience can be quite expansive and hard to achieve.

However, **many advertisers are looking to reach segmented audiences**. The ability to deliver hyper targeted ads with precise performance metrics can increase the value of your ad spaces and attract more advertisers. You can **rely on an ad platform partner** such as DFP or Freewheel to implement AVOD on your own platform quite easily or distribute your content on platforms such as Youtube which already provide a large audience.

Choosing the right revenue model for your service depends on global market trends but more importantly on your core business characteristics, meaning your content offer, your target audience and your marketing expertise. Define those clearly and you will be able to determine which revenue model fits you best. Whether you choose TVOD, SVOD or AVOD, it is imperative to have access to robust data on user's consumption and behavior to inform your business decisions and adapt your monetization strategy.

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