

The Ultimate Guide to OTT Content Monetization

The global market for OTT streaming video is expected to produce revenues of \$280 billion in 2022. Market researchers are also projecting that the OTT streaming video segment will grow at an annual rate of 11%, reaching a market volume of \$427 billion by 2026.

This projected growth of the streaming video market represents a significant opportunity for content owners and sellers to monetize their assets through licensing and distribution deals with over-the-top (OTT) streaming platforms and service providers, including "smart TV" or "connected TV" (CTV) manufacturers, an increasingly important set of players in the market.

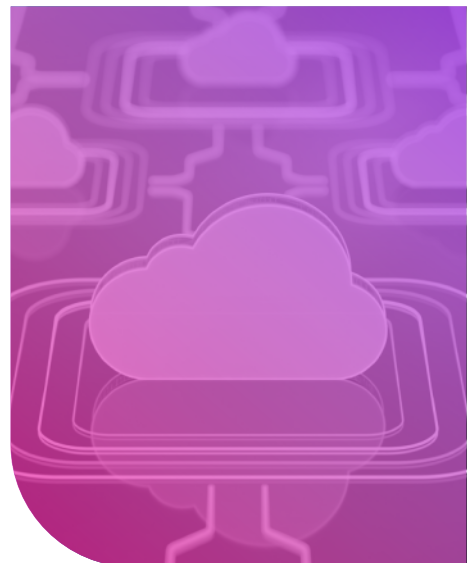
But OTT content monetization isn't as simple as signing a distribution deal with Netflix or Roku. Negotiating licensing agreements, measuring content performance, calculating revenue share payments, and auditing distributors for compliance are just a few of the many tasks undertaken by content owners as part of the monetization process.

To maximize revenue generation from their assets, content owners need to understand the main challenges of OTT content monetization, and develop strategies for overcoming them.

That's exactly why we created this ultimate guide to OTT content monetization.

In this blog, you'll discover:

-  What is OTT content monetization?
-  How does OTT content monetization work?
-  What new distribution models are driving OTT video market growth?
-  What are the challenges of OTT content monetization?
-  Strategies for optimizing your OTT content monetization



What is OTT content monetization?

OTT content monetization is the practice of generating profit from content assets that are owned, sold, or licensed for distribution via one or more OTT media platforms or video streaming services.

Unlike linear media distribution, which offers content to viewers via traditional channels like broadcast television, subscription-based cable TV, or satellite, OTT distribution allows consumers to access video content directly via the Internet, often on an on-demand basis.

Some of the largest and best-known OTT streaming services include Netflix, Disney Plus, Amazon Prime Video, Hulu, ESPN+, HBO Max, Peacock, and Sling TV.

There are several ways that media organizations monetize OTT content. To simplify a complex revenue model, these are the three primary revenue sources for streaming video:

1) Licensing

A content owner or rights holder licenses the rights to distribute their video assets to other services. Each party involved profits from the sale of the content, which is divided according to a revenue sharing agreement defined in their licensing contract.

2) Direct-to-consumer (DTC)

A streaming service sells the right to consume video content directly to viewers. The content can be an original production (such as Disney+'s Obi-Wan Kenobi), licensed from another party (such as Netflix streaming ABC's Grey's Anatomy), or acquired through a merger/acquisition (such as the WarnerMedia/Discovery merger).

The most common DTC streaming models are subscription-based video on demand (SVOD), ad-subsidized or ad-supported video on demand (AVOD and FAST), and direct rental/purchase which includes transactional video on demand (TVOD) and electronic sell-through (EST).

3) Advertising

An ad-supported service or smart TV (also known as CTV) device manufacturer is compensated by brands in exchange for displaying their advertisements to viewers. For example, Samsung's demand side platform (DSP), Samsung Ads, sells inventory to parties such as sell-side platforms (SSPs) that represent advertising brands. OTT advertising is a complex ecosystem with multiple players and specialized revenue models.

In this article, we will focus on content sellers seeking to monetize content by licensing to OTT streaming services.



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How does OTT content monetization work?

In a licensed revenue model, content owners and rights holders ("content sellers") can monetize their assets by entering into distribution agreements with OTT streaming platforms and services ("content distributors").

These licensing agreements govern the financial compensation that each party is paid; content sellers and distributors agree on a revenue share calculation that represents the value of the agreement to each party.

For example, an OTT SVOD service acting as a content distributor may pay the content seller based on the total number of monthly subscribers that view a particular asset (such as a series), while an OTT AVOD service may compensate the content seller based on the number of ad impressions delivered.

Content licensing agreements can range from simple to complex, but they typically follow one of three basic remuneration structures for content owners:

1) Fixed license fee

In a fixed license fee agreement, the OTT service provider (the distributor) pays the content owner a fixed amount for the rights to distribute a specified asset in a given territory for a specified period of time.

2) Revenue sharing

In a revenue sharing agreement, the distributor pays the content owner a percentage of the revenue generated from the content asset.

3) Revenue sharing + minimum guarantee

This type of agreement is similar to a revenue sharing agreement, but also includes a guaranteed minimum payment that the distributor will make to the content owner. This amount is paid up-front and counts against future proceeds from the revenue-sharing arrangement.

In addition to revenue shares, content licensing agreements also govern such details as when the content distributor can offer the content to its viewers in which geographic regions and what "audit rights" the content seller has to validate the payments received based on agreed terms.

5 OTT monetization models you should know

OTT video streaming services have created multiple monetization models to generate revenue from the assets they license from content owners.

In order to **choose the right OTT monetization model** and platform for each piece of content, content owners need to fully understand every modern pricing model.

Here are five OTT monetization models you should know:

1) Ad-Supported Video on Demand

Advertising Video on Demand (AVOD) is an OTT monetization model where video content is made available for free and OTT streaming service providers generate revenue by presenting audiences with paid advertisements as part of the viewing experience.

2) Subscription-Based Video on Demand

Subscription Video on Demand (SVOD) is an OTT monetization model where audiences pay a monthly recurring subscription fee for on-demand access to video content in an OTT streaming service provider's content library

3) Transactional Video on Demand

Transactional Video on Demand (TVOD) is an OTT monetization model where audiences can pay a one-time fee to either purchase or rent access to a piece of video content.

4) Premium Video on Demand

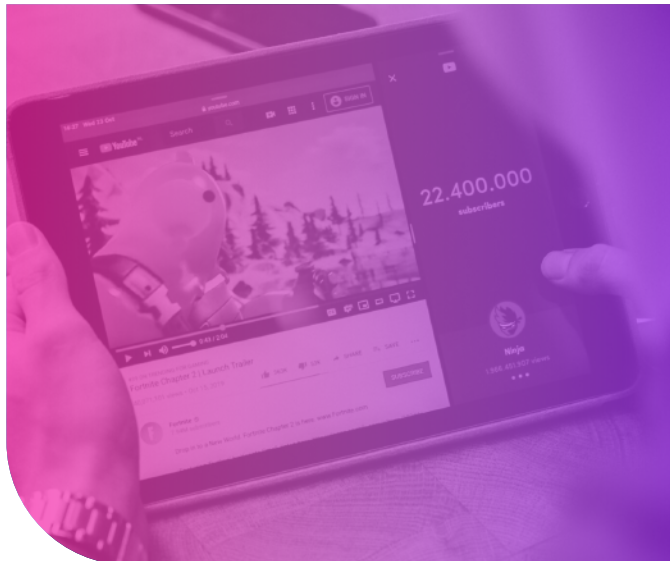
Premium Video on Demand (PVOD) is an OTT monetization model where SVOD subscribers or TVOD platform users can pay a one-time premium fee for early access to stream premium content, usually a highly-anticipated or high-budget film.

5) Hybrid Monetization Strategy

A hybrid monetization strategy is observed when an OTT streaming platform or service monetizes the content it creates, licenses, or acquires using more than one of the AVOD, SVOD, and TVOD monetization models.

For example, Amazon Prime Video offers a subscription-based viewing plan (SVOD) and an ad-supported service (AVOD), as well as allowing consumers to rent or purchase access to select titles (TVOD) and subscribe to premium channels (PVOD).

Another example is YouTube, a platform which monetizes content using all three models: AVOD (ad-supported free YouTube), SVOD (ad-free YouTube Premium), and TVOD (YouTube Movies & Shows).



What are the challenges of OTT content monetization?

For content owners, successful OTT content monetization means maximizing the ROI of each asset. There are three important tactics to keep in mind:

1) Accurately measuring the value of each asset. In order to select the best distribution deals, content owners need to first understand the true market value of each asset. Effectively valuating content usually means aggregating ratings and cross-platform behavioral data.

2) Negotiating the best possible licensing agreement terms for each content asset they own the rights to, and with each OTT service they partner with to distribute.

3) Managing distribution partnerships efficiently and cost-effectively, especially to keep track of renewals and accurately calculating and collecting distributor payments.

The streaming video landscape is growing in complexity every year. With new business models and platforms constantly emerging, it can be challenging for content owners to keep up with the latest OTT trends. Agreement terms are likewise evolving. It is not uncommon for a single title or series to be monetized through multiple OTT streaming services which individually monetize content through hybrid SVOD, AVOD, and other models.

Content owners are now discovering that the tools and technologies they use to track and manage traditional Pay TV licensing agreements weren't built to handle this level of complexity, especially at scale.

Below, we highlight seven OTT content monetization challenges that content owners are facing today:

1) Legacy systems

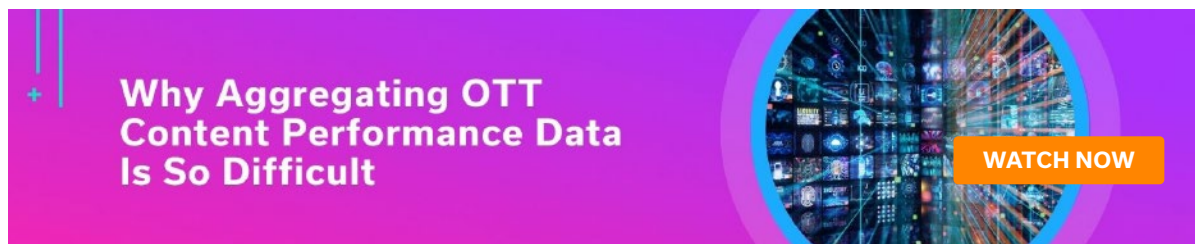
Many content owners find themselves dependent on slow, manual processes and outdated on-premise technologies to calculate revenue shares, manage licensing agreements, and undertake distributor audits. Manual data entry is time-consuming and error-prone, while legacy systems often require costly training and maintenance that eats into profits.

An on-premise revenue management system built to calculate subscriber counts on a predictable, monthly basis is no match for the speed and complexity of OTT streaming revenue models.

2) Data normalization

To maximize the value of their assets, content owners must carefully track, aggregate, and manage their data – especially content performance data, distributor revenue, and overall financials.

However, the nature of OTT streaming data is inherently complex; a CTV manufacturer may submit payments and documentation in a very different form and at a very different cadence than an SVOD service. For content owners, aggregating and normalizing this data is a hands-on, labor-intensive process. This makes it time-consuming, difficult, and expensive to extract insights from data that can support the process of selling, negotiating, and managing licensing agreement terms.



3) Disjointed workflows

Disjointed workflows are a natural consequence of managing content licensing agreements with legacy technologies like spreadsheets and email.

When data and processes are scattered across multiple systems and software tools that don't talk to each other, finance, legal, compliance, and content licensing teams struggle to collaborate. As a result, simple tasks end up taking days or weeks longer than they should.

In the worst cases, content owners can make big mistakes like approving changes to an agreement without proper authorization, or missing deadlines to audit a distributor or negotiate a renewal.

4) Distributor visibility

Distributors often report to content owners on things like content performance, audience demographics, and revenue payment calculations. However, particularly in the relatively nascent OTT space (compared to Pay TV), this self-reported data is non-standardized, which makes it time-consuming for content owners to manually aggregate, normalize, analyze, and reconcile the data.

When content owners fall behind on data entry, distributor visibility is simply lost and it becomes challenging or impossible to accurately recognize revenue.

5) Tracking content performance

Content owners can measure the performance of their assets to gain an advantage when negotiating or renewing licensing agreements, but most content owners lack the necessary tools to track performance over time or forecast future content performance.

Analyzing performance by platform or distributor can also yield valuable insights, but again, most content owners can't do this without dedicating a significant labor force to manual data entry. This makes it difficult for content owners to understand their ROI on assets and ultimately prevents them from implementing a revenue-optimized licensing strategy.



6) Complex revenue shares

With complex licensing agreements and distribution partners that use hybridized monetization models, revenue share calculations have become increasingly complex for content owners.

Sophisticated revenue-sharing agreements, hybrid OTT streaming revenue models, and shorter agreement terms than traditional 3-5 year Pay TV distribution partnerships make it time-consuming for content owners to manually verify that revenue shares are in compliance with agreement terms – especially when managing agreements at scale.

7) Managing distributor compliance

Agreement compliance is a key concern for content owners; after all, what's the use in negotiating a great licensing deal if your OTT distributor isn't following the terms?

The most important aspect of compliance is validating distribution partner performance, a task that requires verifying multiple rates, terms, and contracts. When this information is distributed across multiple systems, verifying agreement compliance becomes a time-consuming and error-ridden manual process.

Best practices for optimizing OTT content monetization

To optimize monetization, especially at scale and across many licensing agreements with multiple streaming distribution partners, content owners need to use innovative OTT content monetization strategies and sophisticated tools that enable the following best practices:

1) Accurately value content in your library

Content owners need accurate, data-driven content valuations to optimize distribution strategies, platform/distributor partner selection, and revenue models.

To get there, content owners can implement a software solution that aggregates distributor and content data in a single platform, tracks consumer transactions across multiple channels, and measures engagement KPIs for each content asset.

With these capabilities, content owners can accurately value their assets, discover which content drives the most revenue, and compare the performance of content assets across platforms.

2) Efficiently manage data and metadata

It's time for content owners to do away with legacy systems that rely on cumbersome data entry processes to un-silo data. Content owners can now use software technology to programmatically ingest critical licensing data, as well as to normalize distributor reports in a variety of formats.

These capabilities are available today and can significantly reduce the administrative burden of data management while making licensing data (e.g. rates, terms, and pricing) more available for analysis and accelerating time-to-insights.

3) Track distributor compliance and revenue performance

Once a licensing agreement has been signed, content owners should take a proactive and diligent role in tracking both distributor compliance and revenue performance.

On the compliance side, content owners need to ensure that distributors pay the correct revenue share amounts according to their licensing agreements. Content owners need revenue performance data to calculate streaming distributor data, accurately value content assets, and understand which platforms are driving the most revenue.

Managing compliance at scale is a significant challenge for content owners that depend on legacy systems, but software tools exist today that can improve distributor visibility and automatically identify sources of revenue leakage.

4) Streamline and automate workflows to save time

Content owners can save time and reduce the cost of managing license agreements at scale by streamlining or automating repetitive tasks and routine workflows.

A software solution that centralizes distributor, content, and financial data in a single platform can be used to streamline or automate repetitive tasks, including revenue share calculations, revenue verification, billing and invoicing, and payment processing. Anomaly detection for events like underpayments, miscalculation, and manual errors can also be automated to ensure their rapid detection and resolution.



5) Negotiate favorable agreement terms

Negotiating a great distribution deal is the foundation of any successful OTT content monetization plan.

Data-driven OTT streaming service providers have plenty of data indicating how your content might perform on their platform – and they'll use that data to their advantage in the licensing negotiation process. Content owners can balance the scales by leveraging content data to forecast demand, predict platform performance, or anticipate which monetization model or royalty structure will yield the most revenue.

Armed with this knowledge, content owners can enter licensing negotiations with a clear understanding of what it will take to make the process a success.

6) Securely manage agreement documents and approvals

Content owners need a centralized, searchable, and access-controlled platform where they can securely store agreement documents to support contract review, approvals, and other agreement management activities.

Purpose-built software for agreement management can auto-populate with billing and rate data (cutting down on manual data entry), segment agreements for analysis, and automatically track renewal dates so content owners never miss an opportunity to negotiate.

Choosing Revedia to maximize your OTT revenue performance

Revedia Digital is a SaaS solution for content owners seeking to optimize the revenue performance of content assets being licensed to OTT streaming platforms.

The Revedia platform replaces legacy systems and eliminates data silos by making it easy for content owners to centralize agreement, content, subscriber, and financial data from multiple sources in a single platform.

The platform acts as a single source of truth for licensing, revenue, and content management. **Revedia Digital's new capabilities** now give content owners industry-specific tools for identifying revenue leakage, ensuring distributor compliance, accelerating collections, and identifying the best opportunities to maximize revenue.

Ready to learn more?

Manage, optimize, and predict revenue across FAST, SVOD, AVOD, and TVOD within a single platform





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