



Innovative
Systems

Case Studies in Video Live
Streaming: Is it Right for You?

Real Insight into Adding Streaming Video Options

Introduction

Changes taking place in today's video marketplace are well documented. Streaming services from the likes of Netflix and Amazon are well established and present in millions of homes across the U.S. Newer streaming entrants including DirecTV Now and Sling TV are adding even more choices, some of which mimic traditional pay TV packages.

These streaming services impact the marketplace in different ways. Consumers tend to have a set monthly budget for entertainment services, and these streaming options can cut into those budgets. Consumers may choose Netflix over premium channels like HBO or Cinemax for example, or a smaller subset of customers are opting to "cut the cord" entirely and use these new streaming services for their video entertainment. Video and broadband service providers are exploring different options in the wake of these changing marketplace conditions, including potentially adding streaming services to their product line-ups.

As video service providers study these trends to help form their own video strategy, it's important that they always seek input from customers. Innovative Systems has learned through our own sponsored market research that rural customers don't always follow the same trends with video. Much of the activity reported by the press on cord cutting behavior focuses on more urban or metropolitan based subscribers. So, it's important for video service providers to do their own research with customers and get more informed data about their marketplace before implementing specific video strategies. Additionally, it's good for service providers to spend time using their own products and embed themselves with customers to get an understanding of their thoughts and behaviors. There is great perspective of the value of this in the book "Small Data" by Martin Lindstrom.

Streaming Case Studies

Skyline Telephone Membership Cooperative (SkyBest)

Skyline/SkyBest is based in western North Carolina with both incumbent and competitive/CLEC markets across North Carolina, South Carolina, and Tennessee. Skyline introduced a streaming service through the Innovative Systems' InnoStream platform called SkyBest TV Now about 18 months ago. Skyline moved to the InnoStream platform from a home-grown HLS capable streaming product. The previous platform was a bit unstable and the move to the InnoStream has been very beneficial, providing much needed quality improvements and better performance.

SkyBest TV Now, the brand Skyline uses for this streaming service, currently offers about 21 channels which are primarily local channels, for \$24.95 per month for one connected device stream. SkyBest TV Now also features a local content channel, featuring content produced by Skyline and providing differentiation over competitors. Additional streams of up to three (3) total connected devices simultaneously are charged an additional \$5 per month. Skyline recommends customers get 12 Mbps

minimum for best streaming performance, including for their DSL customers. SkyBest TV Now is primarily featured on Roku devices, but consumer device preferences may change and the InnoStream platform gives them the option of adding additional delivery devices such as Apple TV.

SkyBest TV Now gives Skyline customers more video options, including those who may only need local broadcast channels. It's also been used as a save tactic for customers who are calling in to discontinue traditional video service. Skyline says it's nice to have this lower cost option for subscribers who otherwise may drop video altogether.

Offering this package was beneficial to Skyline's broadband business as well, since streaming requires good quality broadband, meaning customers often upgrade their broadband to higher revenue packages. For Skyline, the service also fits well with a subset of customers who have second homes, giving Skyline better broadband and video packages to serve those "weekender subscribers" by adding a streaming video option.

Matanuska Telephone Association Inc. (MTA)

MTA is a triple-play provider based in Palmer, Alaska, and serves a territory about the size of Maryland. After talking to customers who said they wanted a lower-cost, more flexible video option, MTA launched their streaming product, MTA Stream, in 2015. The service is priced at \$24.99 per month for two concurrent streams and is available on Roku devices only. MTA provides a Roku device for their customers and will set it up for customers, provided they also sign up for unlimited broadband.

MTA found this price point gives their customers the flexibility to add other OTT options to combine with MTA Stream and have a well-rounded entertainment package. MTA Stream features local channels, which is important to rural customers. MTA Stream also added additional channels to their streaming line-up including popular channels like HGTV, Hallmark, and DIY network.

MTA's experience in streaming suggests that more channels are becoming available for streaming services. A key lesson learned for MTA that can apply to other providers is do not be afraid to ask for streaming rights to channels other than local broadcast channels. As the streaming industry evolves, more programmers are open to this model – even programmers who once said no.

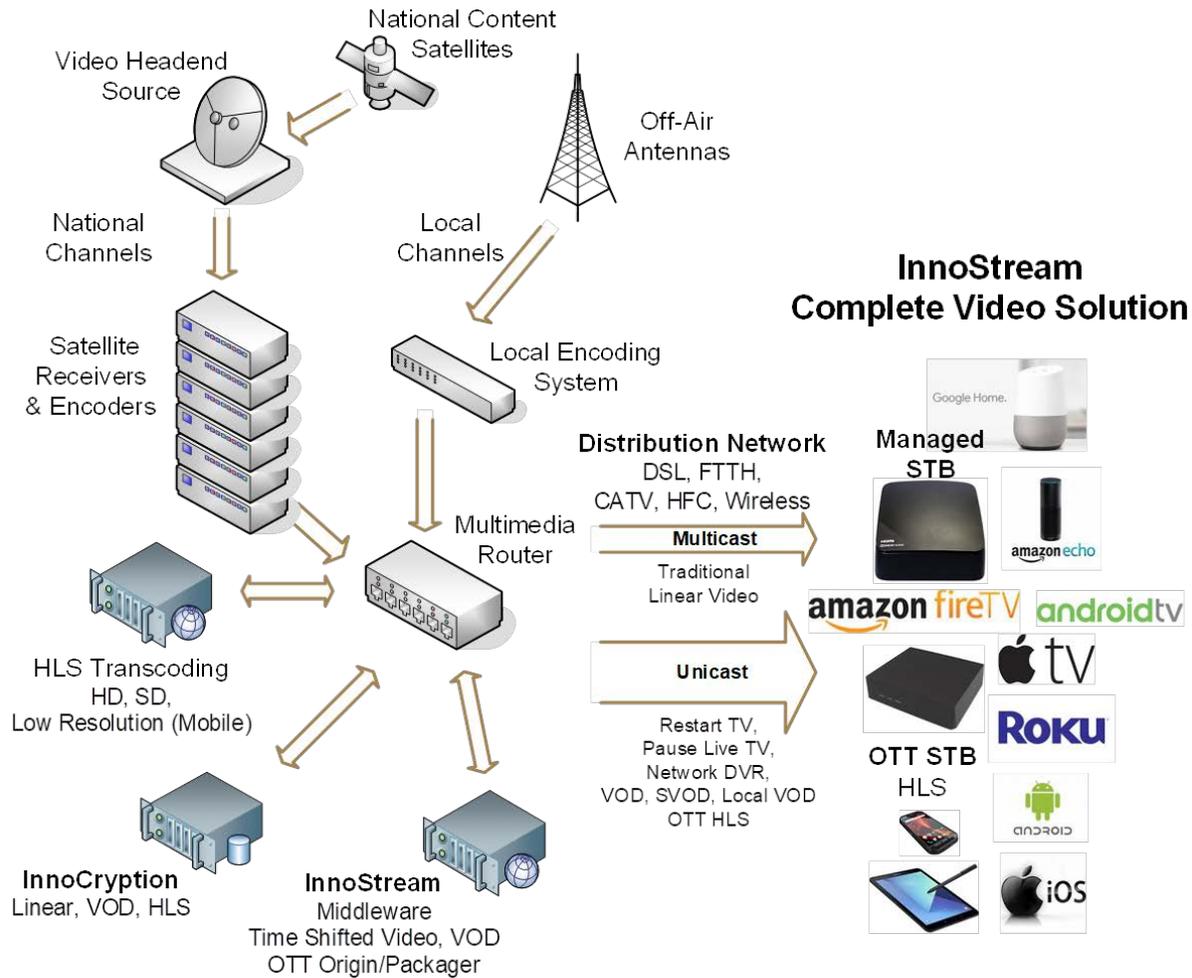
Another key lesson from MTA is the need for customer education. Streaming to a Roku device is a different experience than IPTV on a traditional STB. MTA offers classes and other customer education tools to help customers make the streaming transition.

MTA views MTA Stream as a successful product. The product continues to see growth month-over-month. Their subscriber base has nearly doubled in the past year. MTA is evaluating additional features for the service, with an eye on balancing adding features with keeping the price attractive.

Multi-Generational TV (MG-TV)

After listening to customers and recognizing the industry trends highlighted by the Skyline and MTA case studies, Innovative Systems has been adding features and planning many additional enhancements for

its video products. Since video service is a high-revenue, low-margin business, service providers need a single infrastructure to deliver video in multiple ways, meeting the multiple needs of customers. Some older customers want traditional TV via a STB on the big TV, while other younger customers may prefer streaming to devices like Roku, or even mobile. In many instances, these different video consumption preferences are present in the same home.



In the pursuit of helping our customers meet the evolving needs of their end-users, Innovative Systems recently launched the MG-TV product. MG-TV is a complete solution, giving video providers an economical path towards integrated IPTV and OTT streaming all out of the same platform. MG-TV supports any combination of existing STBs, Wi-Fi STBs, iOS & Android™ devices, Roku™, and Apple TV™. MG-TV enables service providers to meet these multiple needs from a single infrastructure, creating cost and operational efficiencies for service providers, allowing them to meet the differing needs for customers in a margin challenged business like video.