

# The Essentials of OTT Monetisation

A GUIDE TO REVENUE SUCCESS

MaginePro

# Introduction

## The time is right for niche streaming services

Streaming continues to boom and while the giants like Netflix and Disney+ very publicly battle to achieve profitability in a mass market, smaller specialist streaming services are thriving.

Increased broadband connectivity is democratising global access to a wealth of niche content. Data gurus [Statista estimate](#) there will be 4.4 billion users of OTT video worldwide by 2028. That's 54.7% of the global population, up from 47.8 today. With a potential market that large, even the smallest niche service should be able to find a respectable audience.

Indeed, "specialty" SVOD streaming services such as BET+, MGM+, and Britbox "quietly" enjoyed a Compound Annual Growth Rate (CAGR) of +37% between 2019 and 2023, according to [research from data insights firm Antenna](#).

That's significantly higher than the 20% CAGR achieved by the big household names. When looking at the total number of customers for these specialty services in the US, Antenna counted 28 million separate subscriptions in the middle of 2023, despite much publicised global economic headwinds.

## It's daunting to go over the top

So the opportunity is there, but the challenge for the specialist video service provider is to reach, engage and retain consumers on their own journey to profitability. This requires a combination of the right content strategy, user experience, marketing and promotions. But above all else, the choice of monetisation model(s) to use is fundamental.

From SVOD and AVOD to TVOD and the increasingly popular hybrid approach, each choice of model comes with its own benefits and potential pitfalls. It's tricky for new entrants to know where to start.



Want to know more about niche OTT? Our white paper delves into all aspects of this growing market.

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How Magine Pro's customers have embraced the possibilities of OTT

At Magine Pro, we have unique insights, having built our streaming platform to power our own direct-to-consumer streaming service for several years, before opening up the technology for use by other video service providers in 2016.

In this comprehensive, foundational e-guide, we provide an overview of the key choices an OTT service needs to make when setting, and regularly reviewing, their monetisation strategy.

**Monetisation matters:  
make sure you have all the facts**

Before you choose a business model for your streaming service, you need to know the pros and cons of each. In the first chapter of this e-guide, we'll look at what is meant by the key industry terminology in this area, along with the implications of combining models and evolving your approach as your business grows.

In chapter two, we'll help you navigate the problems that come with each of the popular OTT monetisation models. Finally, we'll delve into some case studies of Magine Pro customers to see how they've deployed different strategies in their quest for growth.

**What's next? How to expand after you land**

If you're already live with your streaming service,

we think there's still plenty of thought-provoking content for you in this e-guide. But you might also want to check out our companion white paper, ***The Profit Playbook: Proven OTT Revenue Growth Tactics***

We also recommend the White Paper as required reading for those who are just starting out on their streaming journey. With so much to consider, we know it can be hard to think much further than the quest to go live, but take a moment to consider where you ultimately want to be. Too many OTT services go live with a basic platform, only to regret prioritising the needs of today over choosing a platform that offers the support and flexibility to help them grow.

If you'd like to discuss the topics covered in this guide with one of our streaming experts, [book a meeting](#) and we'll be happy to share what we've learned over the years.



**Matthew Wilkinson**  
CEO, Magine Pro

A green circular graphic containing a white document icon with a minus sign. Below the icon is text in white and green, and a white button with green text.

Want to master  
OTT Monetization?  
Read our companion  
white paper:  
***The Profit Playbook***

**LEARN MORE**

# Navigating Monetisation Strategies

Choosing the optimal model to maximise revenue and growth

Monetisation strategies play a central role in the success of streaming services. Whether you're heavily invested in content creation or acquisition, the efficacy of your revenue generation hinges on the monetisation models and strategies you choose to implement. While subscription models have gained widespread popularity, thanks in part to well-known early adopters like Netflix and Spotify, other models, such as transactional or advertising approaches, can offer distinct advantages tailored to your specific audience, market dynamics, and business objectives.

In the fiercely competitive streaming industry, the art of balancing these monetisation strategies or even forging a hybrid approach can be essential to achieve sustained growth. Here's an overview of the key monetisation strategies service providers can explore, considering the benefits and challenges associated with each.

**SUBSCRIBE**



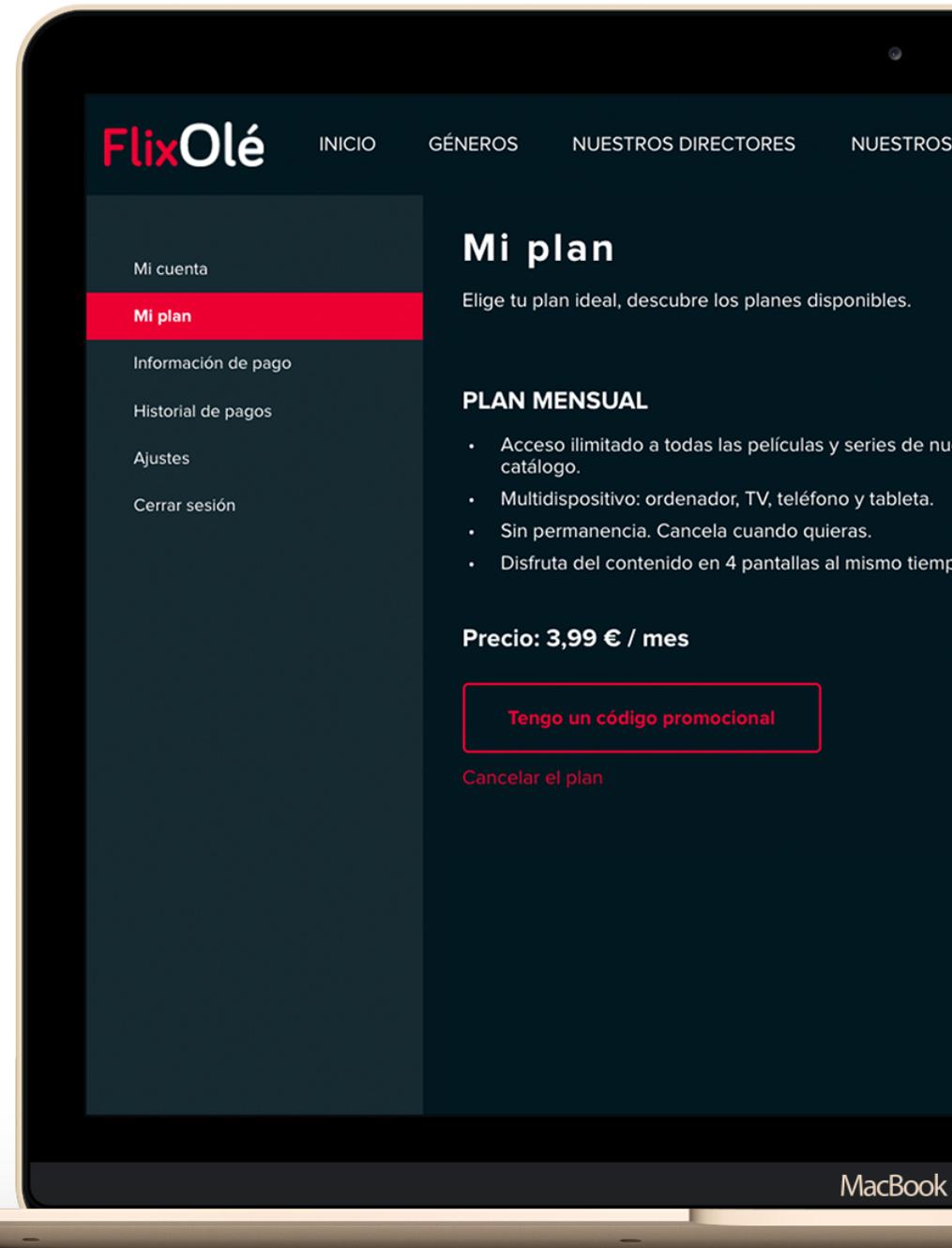
## Subscription Model

### + Pros:

- **Recurring Revenue:** Subscriptions offer a predictable source of revenue, allowing for long-term planning around content acquisition or creation and service enhancements.
- **Loyalty and Engagement:** Subscribers are more likely to engage with the content or service regularly, fostering a strong sense of loyalty to the brand.
- **Reduced Customer Acquisition Costs:** Once a subscriber is acquired, the cost of maintaining their subscription is often lower than acquiring new customers.

### - Cons:

- **Churn Risk:** Subscribers can cancel their subscriptions at any time, leading to potential revenue fluctuations.
- **Barrier to Entry:** High subscription fees may deter potential customers, especially in competitive markets.
- **Content Demand:** Maintaining a constant stream of compelling content is essential to retain subscribers, which can be resource-intensive.





## Transactional Model

### + Pros:

- **Flexibility:** Customers pay for what they consume, making it an attractive model for one-time or infrequent users.
- **Low Entry Barrier:** It allows users to access content or services without a long-term commitment.
- **Monetisation of Premium Content:** Ideal for selling premium or exclusive content on top of a basic offering.

### - Cons:

- **Revenue Variability:** Revenue is subject to user demand, making it less predictable.
- **Limited Customer Loyalty:** Transactional users may not develop a strong connection to the brand or service.
- **Higher Acquisition Costs:** Constantly attracting new customers can be costly, and impact revenue.

## Your offer

<b>Day pass</b>	<b>€3</b>
• Access to our live events • Unlimited access to original movies and series • Watch on all our supported devices	
<a href="#">I have a promo code</a>	
<b>Total:</b>	<b>€3</b>

### Select your payment method

Card

Card number  
4111 1111 4555 1142

Expiry date  
03/30

CVC / CVV  
737

Name on card  
Jane Doe

**Pay €5.00**

PayPal

I agree to [Magine Pro's Terms and Conditions](#) and [privacy policy](#).

[Skip for now](#) →



## Advertising Model

### + Pros:

- **Wider Audience Reach:** Advertising can be an excellent way to reach a broad audience, including those who may not subscribe or make transactions.
- **Free or Low-Cost Access:** It provides free or reduced-cost access to content, potentially attracting a larger user base.
- **Data Insights:** Valuable user data can be gathered for targeted advertising and user experience improvement.

### - Cons:

- **User Experience Impact:** Intrusive or excessive advertising can degrade the user experience, leading to churn.
- **Ad-Blockers:** Users can employ ad-blockers, reducing ad effectiveness and revenue.
- **Reliance on Advertisers:** Revenue is dependent on advertisers, market conditions, and consumer behaviour.



Magine Pro's OTT Platform supports a full range of advertising use cases

MaginePro



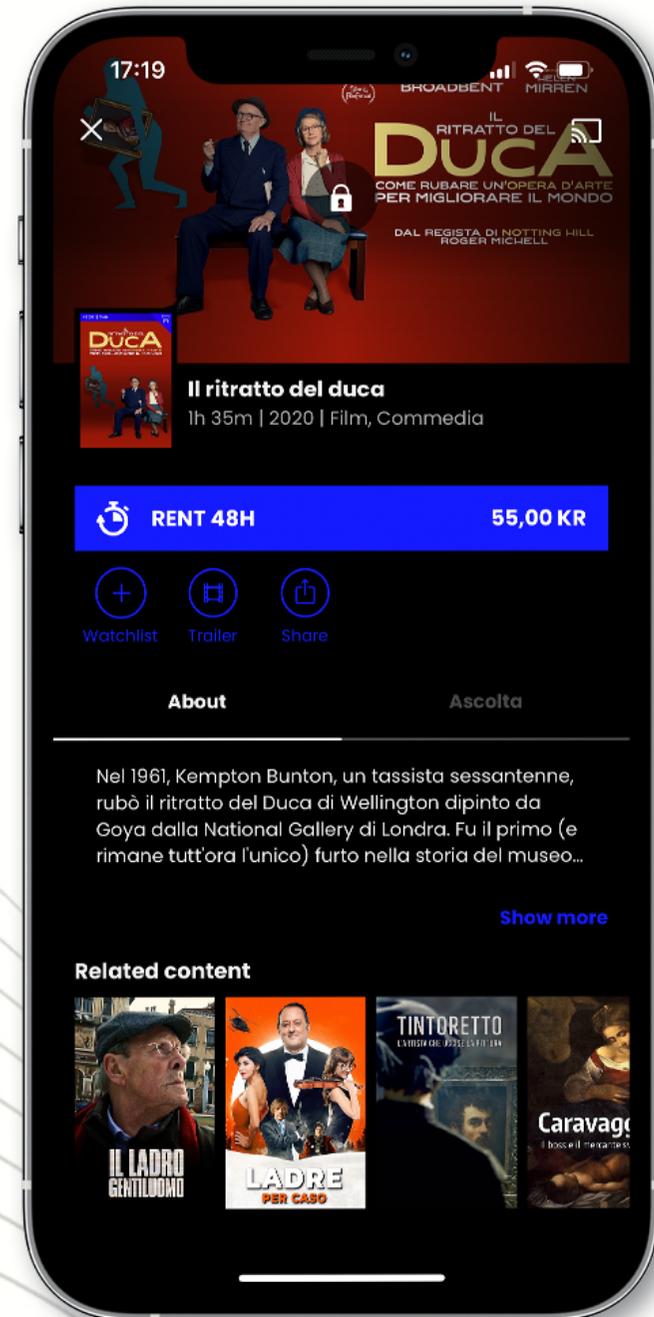
## Hybrid Model

### + Pros:

- **Diversified Revenue Streams:** Combining multiple models can provide some financial security against economic fluctuations and changing user preferences.
- **Cross-Promotion:** One model can promote the other; for instance, advertising can promote subscriptions, and vice versa.
- **Balanced User Experience:** It allows for customisation and tailoring to different user segments.

### - Cons:

- **Complexity:** Managing multiple monetisation models may be operationally challenging.
- **User Confusion:** Users may find it confusing or frustrating to navigate through a mix of ads, subscriptions, and transactions.
- **Balancing Act:** Striking the right balance between different monetisation models is essential to avoid alienating users or compromising user experience.



Imagine Pro customer, Nexo+ offers customers a choice of ways to access its content. See case study on page 13.

ImaginePro

# Unveiling Monetisation Challenges

## Hurdles in revenue generation for streaming service provider

Market saturation presents service providers with unique revenue generation challenges. Among these challenges, subscriber churn stands out as a significant concern. A high churn rate is often a telltale sign of user dissatisfaction, and its consequences impact revenue generation and overall growth considerably.





While several factors can influence churn rates among service providers, such as content availability and user experiences, it is important to consider that monetisation models and billing practices also exert a substantial influence on churn. These factors manifest in various ways, including:

## Subscription Fatigue

With the proliferation of streaming platforms, users can experience what is commonly referred to as “subscription fatigue.” When viewers subscribe to multiple streaming services, each with its own monthly cost, combined expenses quickly accumulate. This prompts users to reassess their subscriptions, leading to churn as they become more discerning about where they allocate their entertainment budgets.

## Confusing Billing Practises

Hidden fees, complicated pricing tiers, and unexpected charges can frustrate users and undermine the relationship between the service provider and its users. Customers expect transparency, fairness, and simplicity in billing, and when those expectations are not met, they are more likely to abandon the service in favour of competitors with clearer communication and billing practices.

## Invasive Advertising

For free-tier video streaming services, the primary monetisation model may involve advertising. However, excessive or intrusive ads can annoy users to the point where they consider leaving the service. Advertisements that disrupt the viewing experience, pop up frequently, or cannot be skipped easily can lead to a poor user experience.

## Price Increases

Unreasonable price hikes are a definite trigger for user churn. While it’s reasonable for streaming services to periodically adjust their pricing to account for rising content costs and other factors, sudden and substantial increases without clear benefits can lead to dissatisfaction and churn. Users may also question the service’s commitment to their loyalty.

Monetisation models and billing practices play a crucial role in the success of video streaming services. When users churn, not only do service providers lose a steady income stream, but also incur the cost of customer acquisition to replace them. For streaming services to maintain or increase their revenue, minimising churn and retaining the user base is crucial. Striking a balance between revenue generation and user satisfaction is key to building a loyal and long-lasting audience.

“

**When users churn, not only do service providers lose a steady income stream, but also incur the cost of customer acquisition to replace them.**

**47%**

**The Average Churn Rate for OTT Video Services**

[Source: Parks Associates, 2023](#)



## Want to learn advanced OTT monetisation strategies and see how we implement them in the Magine Pro OTT Platform?

In our companion white paper, “**The Profit Playbook: Proven OTT Revenue Growth Tactics,**” we provide invaluable insights and strategies to address the monetisation challenges outlined in this guide.

From managing subscription fatigue to enhancing advertising revenue amid rising competition, our comprehensive coverage equips businesses to adapt to dynamic market conditions, maximise revenue potential, deliver exceptional value to customers, and maintain a competitive edge in the fiercely contested OTT industry.

## See how our customers solve some of these challenges with the Magine Pro OTT Platform?

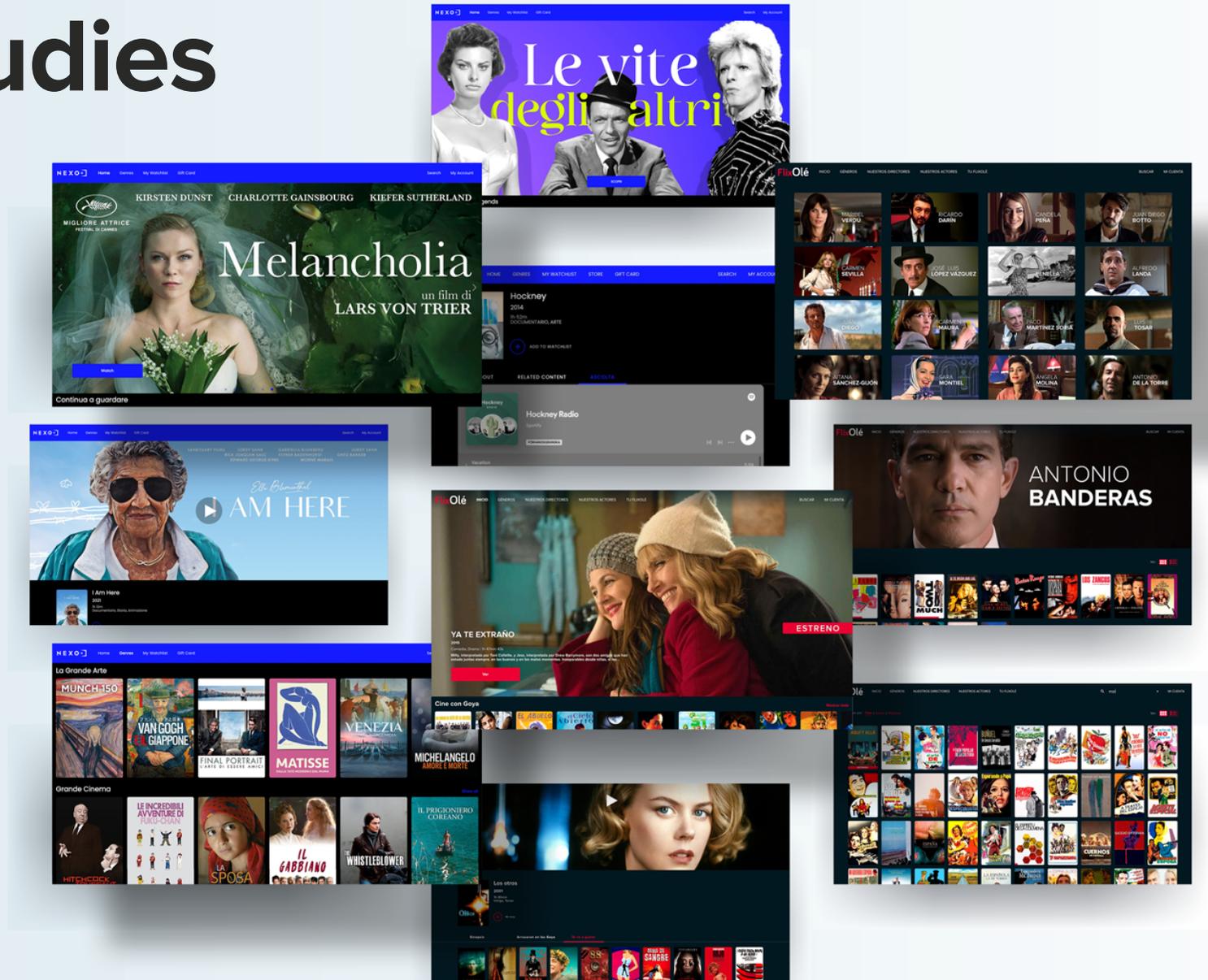
Keep reading for our featured case studies



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# Monetisation Case Studies

How Magine Pro's customers have embraced the possibilities of OTT



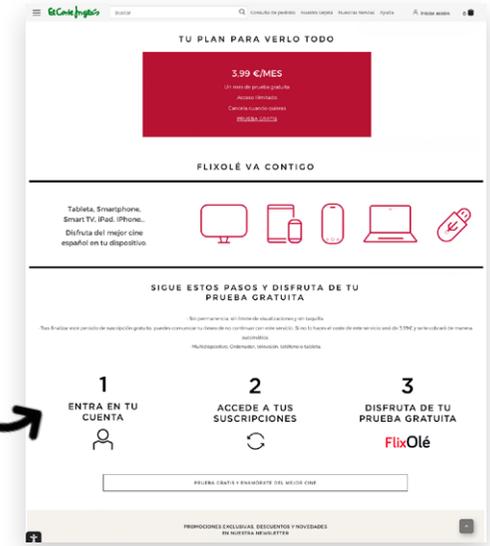
**FlixOlé**  
**NEXO+**

## FlixOlé uses innovative promotional tactics to win and retain subscribers

FlixOlé is a subscription VOD service that unites Spanish cinema lovers around the world. The service is home to an extensive library of Spanish film, including digitally restored classics, and also features a collection of European and American movies. FlixOlé is available to subscribers worldwide on web, iOS, Apple TV, Android, Android TV, Samsung Tizen and LG.

The service chose an SVOD business model, currently priced at €3.99 per month. However, it has also implemented a range of innovative pricing and promotions strategies to maximise reach and customer retention. These include:

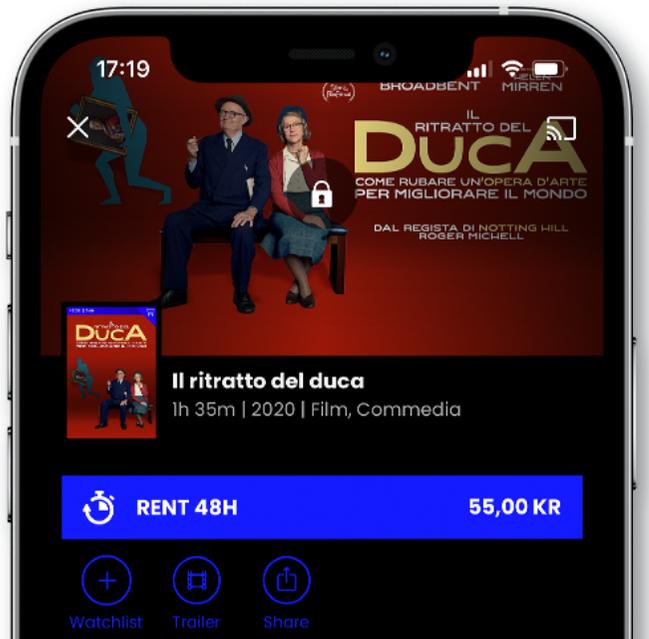
- A reduce price for annual subscribers, who pay €39.99, effectively getting two months free
- A 14-day free trial period that encourages users to sign-up
- Payments via web, Apple Store and Google Play to reduce the friction of sign-up
- In-app purchases through Android, iOS and Amazon Fire to further reduce the barriers to subscription
- An integration with the website of leading Spanish department store, *El Corte Inglés*, which enables their customers to access FlixOlé and enjoy an exclusive free promotion.
- Promotions via a major Spanish e-commerce retailer, whose customers received a Smart TV and a FlixOlé subscription at a discounted rate when signing up for a loan arrangement.



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# FlixOlé

[Learn more](#)



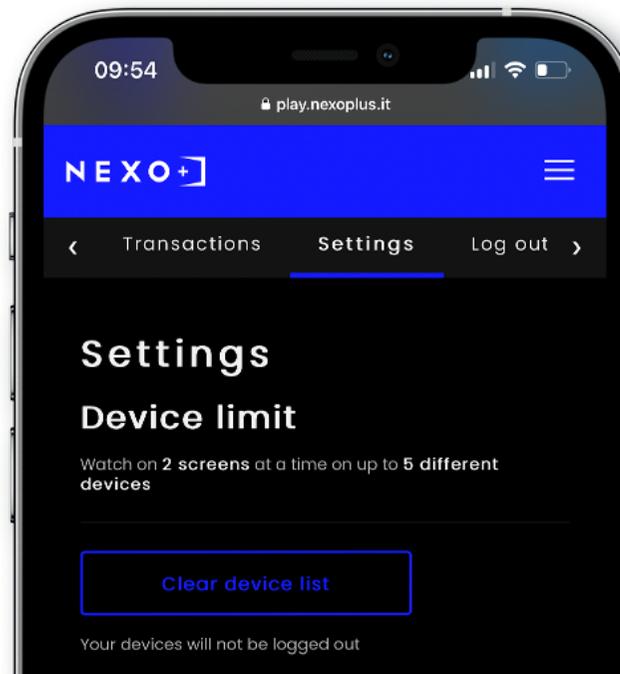
## Nexo+ adopts hybrid monetisation model to maximise revenue

Nexo is an Italian film production and distribution company. They chose Magine Pro to help them launch their SVOD streaming service, Nexo+ in 2021. The service offers a mix of movies, opera, ballet and theatre content to users in Italy, with plans to expand to other countries in the future. It is available on web, iOS and Android platforms, as well as Samsung, LG, Apple TV, Android TV and Amazon Fire. There is also support for both Chromecast and Airplay. Users on iOS and Android have the option to download some content to view offline for a maximum of seven days from the date of download.

Nexo+ offers a mix of SVOD and TVOD. Subscriptions cost €4.99 per month or €49.99 for a full year. Users get a seven-day free trial before their subscription fee kicks-in. Some premium content which is not included in the SVOD

package can be rented, with payment unlocking access for a period of 48 hours. The service also offers the chance for users to give the gift of streaming to their loved ones with vouchers for a one, three, six or 12-month subscription. The Magine Pro platform enables Nexo's staff to manage the frequency and functionality of their subscription plans. Billing is via credit card or Paypal, with payments managed via the [Adyen](#) payment platform. In-app payments are offered on iOS, Android, Apple TV, Android TV and Amazon Fire devices. Promotional codes can be used to power marketing campaigns.

To limit password sharing, subscribers can use their credentials across a maximum of five registered devices, with users able to manage their registered devices via the Nexo+ app. In addition, limits are imposed to prevent any more than two concurrent streams per app.



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Nexo+ offers a mix of SVOD and TVOD. Subscriptions cost €4.99 per month or €49.99 for a full year.

NEXO+

Nexo+ is the exclusive destination for premium art, music performances, major events, award-winning films, and documentaries.

The Italian VOD streaming service, meticulously curate and continuously evolve their platform to provide audiences with seamless access to an exceptional library of content on multiple devices.

Learn more

# Flexible video streaming services & apps

Launch an OTT service that monetises and delivers your Live, Linear & VOD entertainment to audiences everywhere.

**Data Analytics**

Month	Users (k)
Mar	~5
Apr	~20
May	48
Jun	~35
Jul	~65

iPhone
 android
 LG
 SAMSUNG
 chromecast
 AirPlay
 ROKU
 firetv
 apple tv
 androidtv
 VIZIO

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