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Pay view and free view prototype service

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Abstract:

This deliverable provides the fourth and final outline of the pay view and free view (advertising based) P2P prototype services that have been developed and implemented up to a level of pre-commercial prototype during the P2P-Next project.

P2P services accompany the development of the NextShare platform and bridge the gap between research work and pre-commercial implementation. The project has devised a methodology how to develop a prototype service and has already sketched the services.

There is one main P2P-Next service that operates the NextShare platform, plus four accompanying services enhancing the core offering a) Interactive TV related services , b) Payment related services incl. Security, c) Free View related services (using the P2P-Next Targeted Ad and Editorial and Promotional content Device - TAEPCD or Next AD) and d) Pay View (Subscription and Pay per View) related Services that have been developed taking into account the legal and regulatory assessment work of P2P-Next. While the main service and the accompanying services a) – b) have been sketched in deliverable D2.5.1 the latter two services c) – d) have been detailed in this deliverable D2.5.2.

Keyword list:

WP2, free view, pay view, payment, subscription model, pay per view, advertising, sponsoring, e-commerce

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1 Executive Summary

This deliverable outlines the P2P pay view and free view services that have been developed and implemented up to a level of commercial prototypes during the P2P-Next project. P2P services accompany the development of the NextShare platform and its components and bridge the gap between research work and pre-commercial implementation.

In 2010, the project devised a methodology how to develop such services and has sketched the five services (functional specification v1.0).

P2P services are being built from the set of enhancement tools that have been developed in the RTD-workpackages of the project to which business ideas and business logic have been added.

The P2P prototype services are designed to reference ways how the NextShare platform as a whole and the set of enhancement tools may be monetised as commercial services using Open Source strategies and XaaS business approaches.

Using one, a number or all of the P2P services will always be optional to a licensee of NextShare. This means that a content producer may use the P2P-Next adserver to create and deliver online video ads alongside his content (that is delivered to consumers via NextShare) but is not obliged to do so.

On the other hand the developers of the different enhancement tools designed in the project may decide to offer basic features of their tools for free (as part of the core NextShare open source offering), but may also offer extended features as part of commercial services (using e.g. SaaS models) that address a number of platforms and networks, include NextShare but are not confined to it.

Details of how such offerings may look like (as part of the core NextShare offering and as independent commercial services) shall be further sketched in this document. The document is based on the previous versions of deliverable 2.5.2 and is a final update to these.

There is one main P2P-Next service that operates the NextShare platform, plus four accompanying services enhancing the core offering a) Interactive TV related services , b) Payment related services incl. Security, c) Free View related services (using the P2P-Next Targeted Ad and Editorial and Promotional content Device - TAEPCD or Next AD) and d) Pay View (Subscription and Pay per View) related Services that will be developed taking into account the legal and regulatory assessment work of P2P-Next.

While the main service and the accompanying services a) – b) have been sketched in deliverable D2.5.1 the latter two services c) – d) have been detailed in this deliverable D2.5.2.

As regards the advertising related parts this document sketches which features are provided for free as part of the core NextShare offering and which parts will be used to run a proprietary commercial service in the years ahead. The document also details specific business models to be applied when running such a service. As regards the free view service the document describes the two subsets of the free view service.

Subset 1 describes monetisation via adverts as part of the overall P2P-Next FairShare MediaWorld Service.

Subset 2 describes a stand alone service whereby the media planning engine (buy side adserver) and the targeted adserver (sell-side adserver) of the P2P-Next work developed in wp 2 and 5 are being used and monetised.

Monetisation of the two advertising related subservices differs as the latter service takes the view of an innovative start-up that provides a technical service based on an XaaS model, whereas the former service takes the view of a micropublisher that uses the FairShare Media Service and seeks to obtain revenues by employing adserver functionalities that work with the FairShare Media Service to deliver video ads.

As in the FairShare MediaWorld Service revenues are most likely to be derived in sufficient quantity when the major video ad industry standards are met and are being transferred to the P2P world the details of the two services must look differently.

In contrast, the stand alone service aims to provide innovative forms of advertising which are by no means standard so far to be able to grasp market share away from incumbent international player that serve industry standards.

2 Pay View Service

Most of the assumptions and details provided in the last update of this deliverable remain valid. Based upon the development work undertaken in WP4 a payment service has been developed that works with the FairShare MediaWorld Service but can also be used stand alone. The Payment Service can be used to pay for content but, naturally, can also be used to pay for other physical or digital goods.

It is optimised to be used to monetise digital content across various platforms. It is not linked to any delivery method and can be used for download content, streaming content. It works with pay view, pay per view, a la carte, fair flats and subscription models and is cross platform, i.e. can be used in conjunction with consuming content via smart devices (tablets and smartphone) connected TV, PC, etc.

It is built on the notion that digital will have to be consumed anytime, anywhere and on any device.

2.1 Introduction - The Value of Anytime, Anywhere

Several studies indicate that downloading movies and TV shows is on the rise. This is a shift in consumer behaviour driven by the convenience of instant access and the growing availability of download and streaming platforms.

For this digital marketplace to evolve into a substantial revenue generator, consumers must be convinced of the value of paying for digital movies. So far, their willingness to pay is up in the air. But consumers who expect content to be available on demand, on all devices, may be more willing to shell out for subscriptions and discrete downloads.

One of the keys to the growth of paid video content is technology integration. With consumer electronics firms launching a new wave of Internet-enabled TVs and other devices, the next decade will bring about a wholesale shift in the home video experience.

The P2P-Next project tries to position NextShare to profit from these trends. With NextShare content providers will be able to deliver paid content via NextShare applying different models. This will include pay per view content and subscription based content (channel and time).

As alternative models this will also include subscription per bandwidth and subscription per caching. A hybrid service in which the user may choose on the fly whether he wants to pay money for the content, whether he accepts to receive various forms of advertising or whether he prefers an alternative model (bandwidth/caching) will also be developed.

The services were designed in year 1 and 2 of the project and will be implemented in year 3 and 4 - with the final implementation accompanying the final NextShare release. The services mainly apply to the PC part of NextShare.

The P2P-Next pay view service including all sub-services will be based on the payment system developed in WP4 of the project. Main functionalities have been described in the various deliverables related to work package 4.

The P2P-Next pay view service will be delivered in a package from which licensees of the NextShare platform may choose which individual parts to use for their own content and service offerings.

2.2 Payment System and Models

2.2.1 Introduction

The input on payment systems, services and models bases on the M12 and M24 deliverables, but since then has received feedbacks and inputs from the consortium. The actual implementation work, mostly undertaken in WP4 allows the payment system to adopt pay-per-view, ad-supported and subscription based offerings.

In autumn 2009 a student project was set up to integrate the KTH Access Control Server (ACS) and DACC Micro-payment System. The goal of the project was to demonstrate a number of business models. The project focussed on three business models

- advertising free content
- pay-per-view
- subscriptions

The project integrated several master thesis works from KTH and the micropayment system developed by DACC. During the project it became evident that it was more difficult to make such an integration than estimated from the beginning but early 2010 the project successfully demonstrated the above prototype services and the knowledge was transferred to DACC.

In spring 2010 a follow up project with NORUT was set up where the Micro-payment System was integrated with Closed Swarms and used in a living lab test simulating a pay-per-view service.

Since P2P-Next does not have any content that can be used with real payments some other effort was necessary to be performed by the user. In this project a service was set up with the aim to provide a way to authenticate and pay with SMS to generate and buy a Closed Swarm Proof of Access (PoA).

The payment was authorised by filling in a code the user received by SMS coming from the Payment system.

2.2.2 Basic Functionalities

Input of money

Transfer of money from a personal account belonging to User A to the PS bank account including update of the User A track-account.

Payment

A User A wants to experience content and pay for it by authorising the PS to transfer money from the track-account of User A to the relevant receiver (User B). The User A track-account is reduced with the assigned amount and transferred to the User B (provider of content) that shall obtain the payment. The money is marked as “reserved” in both User A and User B track-accounts. Upon pay-

ment (still reserve status) the PS will send an authorisation code as a starting signal for the User A to commence downloading content.

The “reserve mark” is removed and payment is completed when User A and User B have agreed that the delivery is satisfactory and according to agreed quality and sent an approval to the PS. The concepts “have agreed”, “satisfactory” and “agreed quality” are flexible terms as far as the PS is concerned but should be defined, open and known by both parties. This gives the user a possibility during a reasonable time to complain and ask for money back.

Payment shall be possible in Micropayments and the PS may split up incoming money in very small amounts.

The PS shall be entitled to subtract a service fee that is subject to agreement between the PS and User B (provider).

Withdrawal of money

A User B has acquired a reasonable amount in the User B track-account (and thus the same amount is held in the PS bank account) and can ask the PS to have an amount transferred to User B personal account (not necessarily the full amount).

2.2.3 Details of Basic Service and System Functionalities

Possibilities for Input of money

Input of money via credit card

The PS will have a so called Internet Merchant Account, which is an account with a bank that allows the PS to process credit cards online. This includes necessary checks for misuse of stolen credit card details and other known fraud.

Input of money via PayPal

The PS will set up a relation with PayPal for the convenience for users with such accounts.

Other possibilities in the future if business so requires are:

Bank transfer; Google check-out and similar services.

Possibilities for withdrawal of money

- Transfer from PS bank account to User B bank account.
- Transfer from PS bank account to User B PayPal account.

Dependent of amount withdrawal of money may require a stronger verification of User B identity than for instance a username and password.

It will not be practical to withdraw very small amounts such as a few micropayments and thus there is a lower limit to how little can be withdrawn.

Some underlying properties and requirements of the PS

Generally a user that wants to pay for content does not have to be registered in the PS. The user can use the PS temporarily and deposit money for temporary use. The PS will in this case create a temporary account.

However, if the user is pre-registered and has a track-account with money to spend he/she may have advantages compared to temporarily registered users (quicker response, lower total service fees etc.).

A user that wants to withdraw money from the system must be known and registered in the PS with a valid identity. A valid identity can be an e-mail address, mobile phone number, username or e-identity. This user must be able to verify the identity on withdrawal of money. The general principle is that the requirement on the verification of the identity is higher on withdrawal than on deposit of money.

In general a user shall be entitled to only one track-account. More than one account may be considered in the future if business so requires, but then special restrictions will apply.

2.2.4 Possibilities for Payment vs. Different Content Services

The initial situation is that a User A discovers content he/she wants to experience. The User A announces this via the NextShare client software to the PS. Then

- the situation may be that the content is completely free of charge and the PS may not be involved at all.
- the situation may be that the content is free under certain conditions, for instance that the user performs a task (e.g. real time feedback (SIP based) of opinions of content or a red-button service) simultaneously with the content and the PS is involved.
- the situation may be that the content is not free at all and the PS will be involved.

In the first case (1 above) a number of situations may occur:

The content is completely free or free due to advertising, ad support, sponsoring or product placement where the payment agreements are made bilaterally between content provider and advertising etc. actors. In all these cases the PS is not involved but in special cases. Such cases could be that there are relations between content and advertising etc. requiring for instance counting how many times users have been using the content and advertising simultaneously.

Another situation is that a user may want to make a donation to the provider or creator of content. Again there are several cases that the PS can handle.

The receiver of the donation is known

If the identity of the receiver of the donation is known and registered with a track-account in the PS three solutions are foreseen:

- a. The user has a positive track-account with enough money and can thus authorise the PS to transfer the donation to the receiver. The PS will execute the request on the presentation of correct user identity and possible other parameters. This is performed in a web-service.
- b. The user has a track-account but not enough money. The PS will ask the user to top up the account with the possibilities to input money as defined above and continue as above.

- c. If the user does not have a track-account in the PS the user will be asked to set up a track-account. The user may choose to skip the donation or set up a temporary account or an ongoing account and top up the account as defined above and continue as above.

SMS “tip jar”

Another solution for donations may be that the PS sets up a general “tip jar” service based on Mobile Web technology. The user can use a mobile phone and send an SMS to the PS with the request to donate a certain amount to a provider or a creator.

An immediate solution to this is to cooperate with an established provider of such Premium SMS services. Such providers have already set up necessary agreements with mobile operators for billing the users mobile phone subscription. Unfortunately more than 50% usually stays with the operators and the Premium SMS service provider. If it turns out that such a service becomes popular and shows to be a viable business, it is possible for a Payment Service provider to set up similar services. The way forward here is to set up an own SMS Center (SMSC) and conclude all necessary agreements with mobile operators. The SMS service can be set up both as mobile phone originated or mobile phone terminated solutions.

The receiver of the donation is not known

If the receiver of the donation is not defined to the PS the user will be informed about the situation and the PS may offer to set up a temporary track-account for that specific receiver including some code-words the receiver of the donation is supposed to refer to later when he/she wants to withdraw the donation(s).

In the second case (2 above) the payment for content will be drawn from a track-account not belonging to the user but from a third party having an account in the PS. The track-account of the user will not be charged as long as the user performs the requested task but as soon as he/she terminates this task the user track-account will be charged if it is positive. If it is zero the user will be asked to top up the account to continue or the content will be terminated.

In the third case (3 above) there are several situations

Pay per view (on demand)

The user has a positive track-account with enough money and can thus authorise the PS to transfer the payment to the receiver. The PS will execute the request on the presentation of correct user identity. This is performed in a web-service¹. Upon payment (reserve status) the PS will send an authorisation code as a starting signal for the user to commence downloading/streaming of content. The Pay per view situation is very similar to the basic functionality as described above under payment.

Subscription

A subscription service may contain free content, Pay per view content, as well as different advertising models. As described above the PS has capabilities to handle all these situations. However a provider of a subscription service may from time to time offer special arrangements, for instance special price during a certain period, special content for loyal users etc. This may require a closer relation between the service provider and the PS.

Other subscription models are time based models and volume based models. Time based models are possible for the PS to handle as a service to the subscription provider. The PS can for instance re-

¹ http://en.wikipedia.org/wiki/Web_service

mind the user to top up accounts regularly and transfer the subscription fee to the provider. The PS keeps track of Internet time and can thus handle different price models vs. time. The PS needs only to know where to find the price model. A reference to price models in the content metadata will be enough.

On volume based subscription models, the PS can interact with content metadata available for different service providers. If content metadata contains volume data then the PS can remind the user to top up accounts when a specific volume is about to be reached. The PS is specified to have several track-accounts not only for money but also for other parameters.

Circular content

In this model a user (provider) is authorised by the “real” owner to sell and distribute content on behalf of the “real” owner. As long as the user acting as provider can refer to a valid license for selling and distributing content the PS can provide payment services also in this case.

Note:

However it needs to be discussed if the PS shall perform a check each and every time that a user acting as provider has a valid license to sell and distribute content. The PS web-service designed for payment is capable to perform this, but so far there has been no request for this.

2.2.5 DACC Approach to Mobile Micropayments

DACC has filed a patent application based on that no identity check is necessary and that no check is made of card security code. In brief the patent application is a method and system for a secure transaction using a mobile terminal where the parties are protected against fraudulent behaviours among other using at least two amounts of information – information fragments – stored in different physically locations. The information fragments hold severally necessary information to perform a transaction but each information fragment do not hold enough information to perform a full transaction but the complete combination does. Information fragments are supposed to be parts of credit card data arranged in such a way that if a fragment goes astray it is impossible to guess the missing data. To perform a micropayment the information fragments are assembled at the payment service provider.

3 P2P Free View Advertising Based Service - Market Developments and Business Rationale 2012 - 2015

The bulk of content delivered on the Internet is free view content. This is not supposed to change in the future. The main monetisation scheme is free view advertising based.

In P2P-Next, we have developed a free view advertising based service that assists publishers in monetising their content, especially video and rich media content using the FairShare MediaWorld System).

The service is based around the P2P-Next adserver (Next-AD) that has been developed in the project. It is based on the notion that ad exchanges will play a vastly more important role in monetising online (video) content and that buying and selling of media and ad inventory will resemble trading stocks in the future.

We have also developed a second service in which a start-up acts as a technical solution provider on the basis of a XaaS model (here specifically SaaS - Software as a Service). Agencies (Buy Side) and publishers (sell side) may use the adserver provided by the start-up - paying a set up fee, a monthly rent and a revenue share or scaling factor to place ads and sell ad space.

The differences between acting as an adserver company and acting as a video ad network are blurring and shall also be described in more detail. In this deliverable and in the deliverable D2.5.3 this second service is called A-2.

3.1 Online Video and Video Advertising in the Post PC World

It is probably not correct to talk about online video any more when describing digital video delivery today and in the next 3 - 5 years. IP-delivered video was born on the PC but has now moved out of that environment to be device and platform agnostic.

The audience expects their favourite content and services to be available on all their devices, be it on their TV, on their phone, tablet or PC. This expectation is increasingly being met as broadcasters and publishers have recently started to establish their services on non-PC devices.

This shift will be the key challenge for the industry moving forward answering the question of how do we make not only our content offering, but also our business work in the new multi device world?

In 2010, nearly 100 % of video ads were delivered on the PC. As of Q4 2011, close to 10% of all video ads have already been delivered on non-PC devices. There is huge growth in post-PC devices and advertising usually follows reach with a time lag of 2 years.

As of now there are more than 15 devices and platforms that matter in terms of audience where video ads can be delivered. By 2013, a company such as Videoplaza from Sweden (major independent video adserver) expects that more than 50% of the ad traffic will be on non-PC devices.

In 2011 and 2012, Netflix and Hulu have also seen much usage occurring on Post-PC Devices like Tablets, Consoles & TVs.

According to a recent report by the OVK (Online Vermarkter Kreis) the German online video ad market grew 115% in 2011 and is expected to do €184,2 million in revenues in 2011². The German video ad spend market is the largest in Europe and in many ways is rich and unique. Smartclip was an early player who managed to sign up a huge portion of the inventory, using a traditional ad network model, but now it's clear that the German sales house model has caught up.

While the French market is dominant in IPTV, the German market is more focused on HBBTV and Smart TVs and it is already seeing a higher adoption of these platforms.

Where Germany is ahead is on the syndication side with a number innovative start-ups like Clipkit, Castaclip and Snack TV, all successfully building up attractive supply.

The lack of supply has also recently led in Germany to a larger discussion around in-banner vs. in-stream video and how/if they are different. Companies like Voodoo Video are active in the space with a focus on in-banner. Currently, there are not many US companies active in the video adserver space in Europe, except one or two in London.

Sales-wise, the main challenge, therefore, is to convert the approximately 90% of the market that are still being served by conventional display platforms and their internal development team.

A main issue for video based adserver companies is whether to expand their services to become an ad network and take a route akin to Adap.TV and Tremor Video - providing both an adserver as well as a market place and ad network or to stick with providing technical solutions.

A further issue is whether to focus on one side of the business and position oneself on the sell side or on the buy side or whether to offer a solution that targets both sides of the market.

Given this, having control over one's content and inventory is still key for premium publishers, something that historically has pushed them away from content syndication. Publishers want to make sure that only they can represent their valuable audience and make sure advertisers are coming only to them to buy ad space.

The control and limitation of sales channels may be key to maintaining value and attractive CPM levels. Empowering publishers to syndicate their content to third parties and making sure they can sell, book and track their own campaigns directly from their adserver account as well as figure out the different revenue share deals in place is an attractive proposition.

This means that even though content is available on third parties, publishers will still be in control and advertisers can only buy from them.

Few publishers have a clear syndication strategy today and can sometimes act too conservatively not understanding the actual opportunities available to them. There are clear unexploited revenue opportunities here, even if it's not a fit for everyone.

Further, with the rise of new devices and services, new business opportunities arise. The Samsung Smart TV, Sony Playstation, Boxee, Windows Phone, Google TV etc. are all desperate to fill their devices and services with high value content. This will increasingly push publishers to build a sustainable syndication strategy.

² <http://www.ovk.de/ovk/ovk-de/newsansicht/article/ovk-online-werbemarkt-waechst-in-2011-erstmal-auf-623-milliarden-euro.html>

3.2 Business Rationale and Details FairShare MediaWorld Monetisation Service

The main features and components of the P2P-Next adserver (Next-Ad and A-2) and its optimisation component have been detailed in the deliverables D2.5.3 and D.5.1.2.

The FairShare MediaWorld Monetisation Service (monetisation via advertising) has primarily been made to accompany four types of editorial video content:

- **Journalistic Video** – primarily news and documentary content but also sports, entertainment, music that was shot, edited and sold to the publisher by the actual producer.
- **User-Generated Video** – video content created by the public at large, including prosumers often not professionally edited, and directly uploaded to a publishing site.
- **Sourced Video** – content generated by a third party (typically professional) with a product view. An example may be a new car review.
- **Syndicated Video** – content sourced from a professional third party, and usually also shown on TV. Examples may include syndicated television shows, news footage, etc., and distributed through a multitude of outlets observing strict ownership rights.

The service has been designed four types of licensees, mainly:

- a) **Original video producers** that want to sell so called “dirty” feeds (including adverts) as opposed to clean feeds (no adverts inside)
- b) **Web site publishers** that market their website and that want to add adverts to syndicated, user generated, journalistic or sourced video as defined above
- c) **Ad agencies** that market different websites, often bundling them to thematic channels that want to add adverts to videos that can be watched on those websites or network of websites
- d) **Prosumers** – non professional consumers - that either want to take existing video content and use it as part of their own video productions or engage in the distribution of videos ads through engagement, widget and self generated viral ads.

The monetisation service (Next-AD) will be delivered in an open source version available under the LGPL license.

It will offer all ad formats as defined by the IAB in 2008, plus a number of basic analytics functions especially suited for online video as suggested by the IAB. It will focus on industry standards rather than innovative ad formats as the bulk of revenues may be derived from industry standards rather than from advertising innovations. Details of those ad formats have been laid down in former deliverables.

Combining the adserver with the payment system and service developed in P2P-Next is a special option for FairShare Media Licensees. (If enabled by the content owner) Making use of this hybrid service it is (always) left to the user/consumer of a piece of content how he wants to pay. In a (per view/session) mode he can switch between pay models, free view advertising models and engagement models, choosing to watch a specific show without advertising and paying for it, or accepting adverts and not paying for it or engaging with the promotional and editorial content selecting from a list of engagement and not paying for the content and not having to watch the standard set of advertisements. Different ways of payments as developed in the project have been included.

The concept of the service is based on the notion that content needs to be paid for but that there must be different ways of payment that accommodate different needs and objectives of producers and consumers ranging from direct payments to indirect payment (accepting ads) to triggering other actions (donating bandwidth, forwarding recommendations, providing cache, etc.), which can be quantified by a third party (clearing instance) as far as their value is concerned.

The user can then select his optimal and preferred way to “pay” switching between different modes depending on preferences, monetary considerations, etc.

The business model rationale has been developed using the methodology derived by Alexander Osterwalder and Yves Pigneur “Business Model Generation. A handbook for Visionaries, Entrepreneurs and Game Changers, Self-Published 2010. IT is composed of the following building blocks:

1. Customer Segments

The Customer Segments Building Block defines the different groups of people or organizations an enterprise aims to reach and serve.

2. Value Propositions

The Value Propositions Building Block describes the bundle of products and services that create value for a specific Customer Segment.

3. Channels

The Channels Building Block describes how a company communicates with and reaches its Customer Segments to deliver a Value Propositions

4. Customer Relationships

The Customer Relationships Building Block describes the types of relationships a company establishes with specific Customer Segments.

5. Revenue Streams

The Revenue Streams Building Block represents the cash a company generates from each Customer segment (costs must be subtracted from revenues to create earnings).

6. Key Resources

The Key Resources Building Block describes the most important assets required to make a business model work

7. Key Activities

The Key Activities Building Block describes the most important things a company must do to make its business model work

8. Key Partnerships

The Key Partnerships Building Blocks describes the network of suppliers and partners that make the business model work.

9. Cost Structure

The Cost Structure describes all costs incurred to operate a business model.

Efficiency			Value	
Key Partners <ol style="list-style-type: none"> Strategic alliances with non-competitors Coopetition Joint ventures Buyer-supplier relationships Reaching <ol style="list-style-type: none"> Optimization and economy of scale Reduction of risk and uncertainty Acquisition of particular resources and activities 	Key Activities <ol style="list-style-type: none"> Production (designing/making/delivering product in quantities + quality) Problem solving (knowledge management, training, problem spotting) Platform/network (platform management, service provisioning, platform promotion) Key Resources <ol style="list-style-type: none"> Physical Intellectual Human Financial 	Value Proposition <ol style="list-style-type: none"> Newness Performance Customization Getting the job done Design Brand/status Price Cost reduction Risk reduction Accessibility Convenience/usability 	Customer Relationships <ol style="list-style-type: none"> Personal assistance Dedicated personal assistance Self-service Automated services Communities Co-creation Channels <ol style="list-style-type: none"> Own vs. partner Direct vs. indirect Channel Phases <ol style="list-style-type: none"> Awareness Evaluation Purchase Delivery After sales 	Customer Segments <ol style="list-style-type: none"> Mass market Niche market Segmented vs. diversified vs. multi-sided platforms (markets)
Cost Structure <ol style="list-style-type: none"> Cost-driven vs. value-driven Fixed costs Variable costs Economies of scale Economies of scope 			Revenue Streams <ol style="list-style-type: none"> Asset sale Usage fee Subscription fees Lending/renting/leasing Licensing Brokerage fees Advertising 	Pricing Mechanisms <ol style="list-style-type: none"> Fixed Pricing - List price, product feature dependent, customer segment dependent, volume dependent Dynamic pricing - Negotiation of partners, Yield management, Real-time market, Auctions

Figure 1: Business Model Generation Methodology

Based on this methodology the following business rationale had been worked out in 2010:

Efficiency		Value		
Key Partners 1. Strategic alliances with non-competitors a) ISP's b) CDN's 2. Coopetition - none 3. Joint ventures - none 4. Buyer-supplier relationships a) Prime publishers b) Primer agencies c) Prime producers Reaching a) Optimization and economy of scale b) Reduction of risk and uncertainty c) Acquisition of particular resources and activities Issues a) Link with Content b) Own Acquisition of Ads	Key Activities Platform management, service provisioning, platform promotion B2B sales (Publishers + Agencies Sell Side Media Agencies + Marketers Buy Side, Producers + Prosumers – Hybrid) Key Resources 1. Physical 2. Intellectual 3. Human 4. Financial	Value Proposition Publisher/Portals 1. Flexible Monetization scheme composed of Advertisements, Traditional direct Payments and Engagement values Marketeers and Agencies 1. A new way to stay in touch with customers that are not reached via traditional ads 2. Direct engagement of customers (Followthis Model) Content Producers 1. Flexible Monetization scheme composed of Advertisements, Traditional direct Payments and Engagement values	Customer Relationships 1. A hybrid model composed of a) Personal assistance b) Dedicated personal assistance c) Self-service d) Automated services in the future potentially e) Communities f) Co-creation Channels 1. Primary Own channels, partner channels (ISP, CDN) 2. Direct channels Channel Phases 1. Awareness (Fares, PR, Free open source installation of base version) 2. Evaluation (Demo, Free Test) 3. Purchase (Discounts first) 4. Delivery (QoE, QoS)	Customer Segments 1. Publishers + Site marketing agencies (sell side) 2. Media Agencies and Marketers (buy side) 3. Prosumers and Direct video producers selling dirty feed video content 4. Digital Video ASP and AggregatorsVideo
Cost Structure a) Cost-driven b) Fixed costs + Variable costs c) Economies of scale - yes d) Economies of scope - yes		Revenue Streams 1. Set-up Fee + 2. Monthly Rent + 3. Usage fee 4. Optional – Advertising Rev Share Main instruments a) B-2-B sales Funnel b) Scaling + Usage Factor Calc.		Pricing Mechanisms 1. Fixed Pricing - with List price, product feature dependent and volume dependent 2. SaaS Approach 2. To do Conjoint Analysis a) to find out right pricing structure and customer segments to start selling b)

Figure 2: Business Model of FairShare MediaWorld Monetisation Service (Pay View + Free View Service)

Using this business approach for the FairShare Media Service the following modifications need to be put in place:

1. Pricing Mechanisms

This is left to the licensee who must be able to make use of a number of pricing mechanism, incl. the hybrid scheme as described previously in this document. All industry standard pricing mechanisms for video ads must be ready to be used.

2. Revenue Streams

Revenues for the publisher will be CPM, CPC and CPO.

3. Cost Structure

There will be fixed costs and variable costs. When video ads are hosted by the publisher costs increase proportionally.

4. Channels

Primary Own Channels

5. Key Resources

Bandwidth, Personnel

6. Key Partners

Media Agencies and Brands

7. Key Activities

B2B Marketing

8. Value Proposition

Industry Standard Online Video Advertising applied to P2P delivery

9. Customer Segments

Mainly Micropublishers

10. Customer Relationships

Direct

11. Channels

Primary Own Channels

3.3 Business Rationale and Details Stand-alone XaaS Ad Service Next-AD

The proprietary A-2 XaaS service will firstly start to position itself on the sell side, thus assisting publishers in monetising their ad inventory.

In a second step it will add the buy-side working for brands and their media agencies to place ads with publishers.

Having completed the second step it will be decided whether to continue as a technical solution provider or as anticipated and planned to move forward becoming a video ad network (as described in D2.5.3). The universe of market participants is detailed by the next figure:

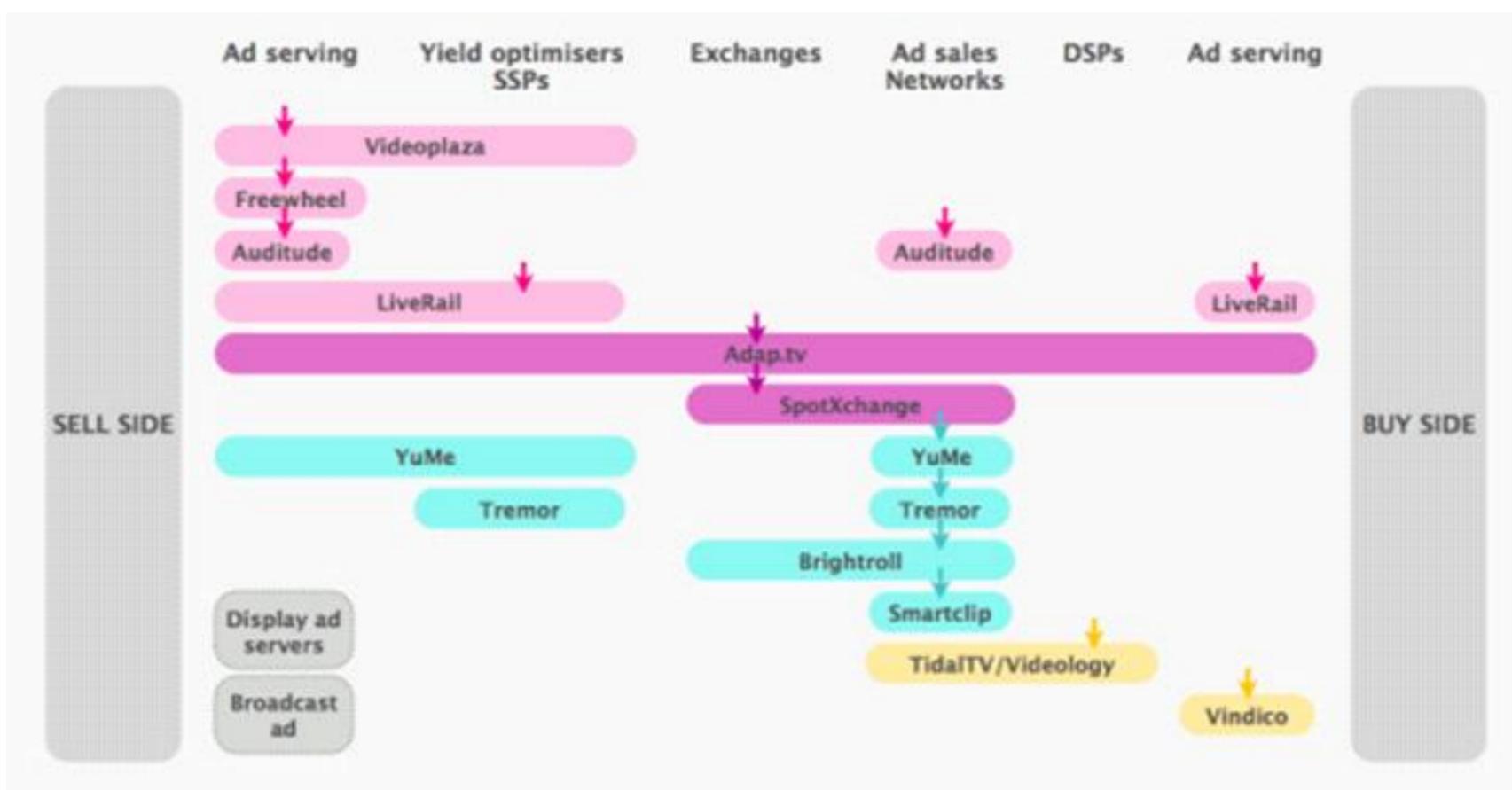


Figure 3: Ad Serving Ecosystem

The initial value the A-2 service is to offer to publishers comes in three ways:

- 1- Increased revenue,
- 2- Increased operational efficiencies,
- 3- Long term strategic support.

The actual value that can be created varies between different clients and their ambition levels, as there are many ways to increase revenues. It boils down to helping clients either increase their inventory or the value of that inventory. So the service will work actively with the clients helping them to find the optimal ad load, and answering the question of “how can we deliver as many ads as possible without annoying the users too much?” Here, one also needs to look at best practices from other clients and markets while having a flexible tool to test what works and what doesn’t for which client.

The service also is designed to help clients developing their ad format strategy, offering a variety of formats, both standards and premium. This usually helps publishers differentiate themselves while achieving higher CPMs.

Non-PC devices is another area where the service will help publishers go to market faster. This is important not only to cover some of the wasted inventory out there, but also to help the publisher form a consistent multi-device advertising offering. In many ways doing this, they can further differentiate themselves from their single platform competition.

The A-2 service is to differentiate from existing technology solutions such as the ones from Google DoubleClick and AOL AdTech in a number of ways.

DoubleClick and AdTech are efficient platforms to manage display inventory. They are strong on campaign management, targeting, forecasting and reporting but as of now completely lack understanding and functionality for video. As a publisher, one needs to build this functionality on top of these platforms. As the Next-AD platform is built up for video from the ground, video capabilities have been built into the core of it.

A key differentiator in this respect is time awareness. This means that A-2 understands the video duration, the grouping of ads into commercial breaks, the sequence of ads and the ad duration. Time is built into the core ad serving functionality; into the campaign management, the targeting, reporting, and forecasting etc.

Secondly, the service is natively Content Aware. It understands where a publisher or portal have sourced the content from, where it's being viewed and in detail what genre or category it belongs to. This allows it to make decisions on this, set up ad rules and in other ways manage the monetisation and business rules around content.

Thirdly, A-2 is Device Aware. There is client-side code simplifying integration and building intelligence into the video player, be it a flash player, an app or a (mobile) browser making use of HTML5. All this makes the ad delivery more robust and offers increased capabilities in terms of ad formats, sequencing, measurement etc.

The main reason why A-2 strives not just to be another feature is that the key difference lies in the actual core, having designed it to understand the three dimensions that are relevant to video.

This is not something one can just add as it complicates the functionality exponentially. The decision to show a static display ad on a web page is a simple one; how to monetise a 30 minute video over time on different devices is fundamentally different.

The business model is based on the following assumptions as regards pricing. The idea is to liberate video companies from the pain of trying to predict where users are going to be and let them focus on delivering content.

It is intended to let media companies more easily incorporate and serve ads across a wide range of different platforms - whether it's smart TVs, Flash-based systems, HTML5 or something else entirely.

For using the service a set-up fee ranging from 3.000 Euro up to 5.000 Euro will be charged. For each (interactive) pre-roll, mid-roll and post roll video ad delivered (that is not hosted) a fee of 5 % of the CPM rate that the publisher can obtain will be charged. For all hosted ads hosting costs will be added.

Instead of this dynamic pricing scheme the publisher may opt to apply a fixed scheme whereby a fixed commission will be charged for every video ad served.

It has not yet been decided upon whether to charge different fees for different ad formats. Furthermore it has not yet been decided upon whether to offer discounts for home ads (ad messages from the publisher itself and not from third parties) and run of network ads.

Clients are allowed to cancel the subscription of the service on a three monthly basis. Alongside the ad delivery process in-depth analytics will be provided as part of the package. As an option that needs to be licensed individually certain innovative ad formats can be delivered. A decision on which ad formats will have to be paid individually will be made during 2012.

As a further option that needs to be subscribed to individual optimisation functions will be offered that serve to increase revenues. A-2 will charge a revenue share of 25% for this service but no fixed fee. A hosted video ad serving account may have the following pricing and features:

- \$750 one-time set-up fee for player code alteration.
- Monthly cost is based on volume of ad impressions served.*

- Free training and technical support.
- Free video player configuration assistance.
- Adserver bandwidth and content delivery network (CDN) is included in the monthly rate.**
- Service Level Agreement (SLA) is included.***

<u>Delivery Volume</u>	<u>Price</u>	<u>To Purchase</u>
Fewer than 500,000 ad impressions/month	\$500 per month*	
500,001 - 750,000 million ad impressions/month	\$700 per month*	Video Ad Serving \$750 set-up fee
750,001 - 1,000,000 ad impressions/month	\$900 per month*	
1 - 2 million ad impressions/month	\$1,200 per month*	
2 - 3 million ad impressions/month	\$1,400 per month*	
3 - 4 million ad impressions/month	\$1,600 per month*	
4 - 5 million ad impressions/month	\$1,800 per month*	
More than 5 million ad impressions/month	negotiable	Enterprise Account

*Pricing is for a hosted video ad serving account on a shared adserver. A-2 also provides custom turn-key [dedicated \(non-shared\) adservers](#) for video advertising or A-2 [adservers can be installed and managed on client machines](#).

**A-2 provides a partnership with a high-performance third-party content delivery network (CDN) to ensure that the video ad, rich media and banner ad downloads are fast, from multiple worldwide sources.

***The SLA guarantees an adserver uptime of 99.9% and specific adserver response times. SLA monitoring, reporting and enforcement is provided by an independent third-party technology provider. If SLA terms are not met, clients receive a reduction in monthly ad serving fees, based on the third-party reporting and the terms of the SLA.

4. Next Steps

The two services are currently in the state of pre-commercial prototype services. Integration of the service running in conjunction with the FairShare Media has been accomplished. Work on the A-2 service will continue after the completion of the project. A commercial launch is expected for 2013.