The CE device and content services landscape

Opportunities and challenges for IP video distribution

By Merrick Kingston, Senior Analyst-TV Technology, IHS Screen Digest (UK)

has acquired

April 2012

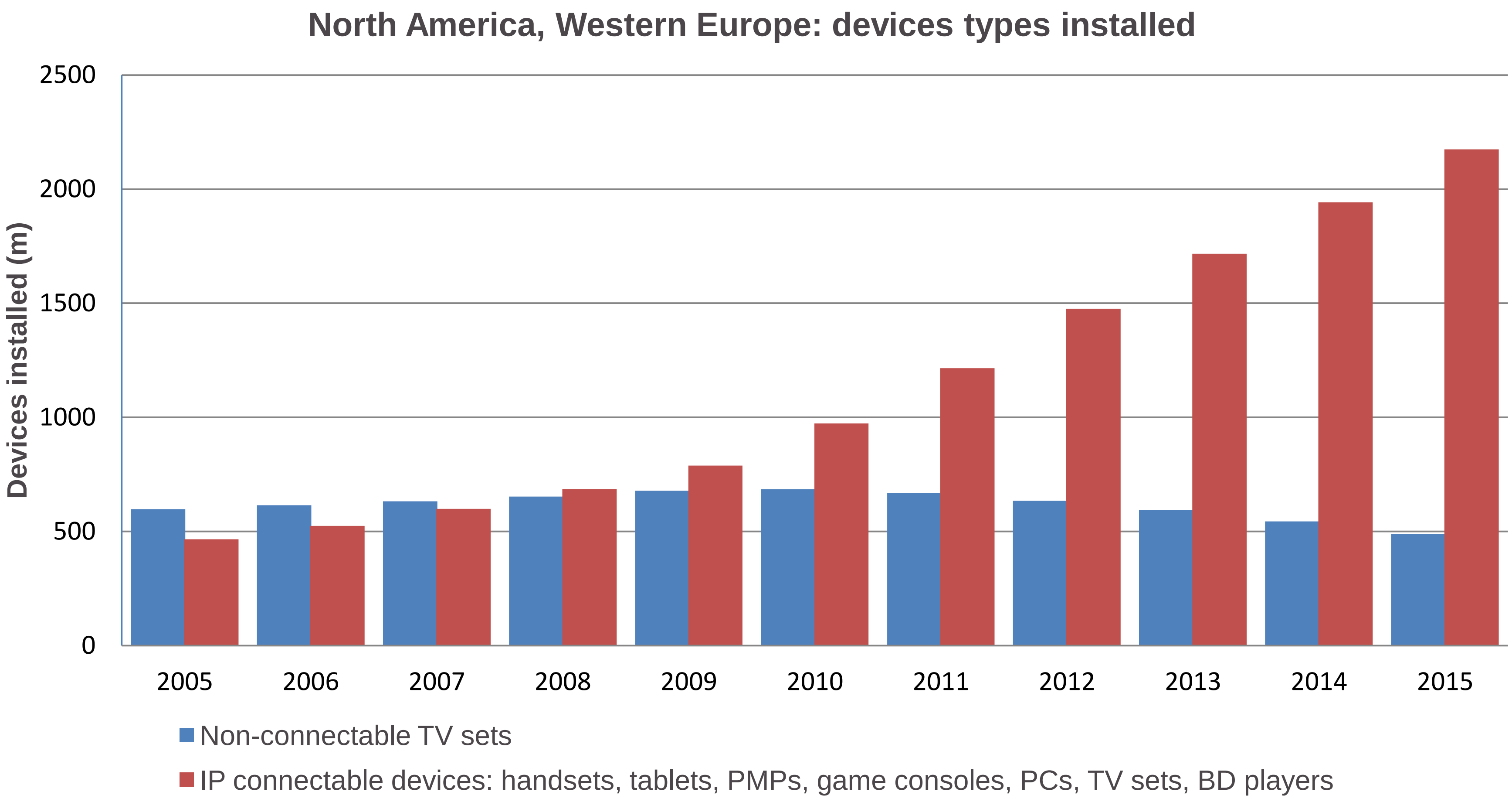
Cannes, France
www.mipworld.com

What do we want to cover?

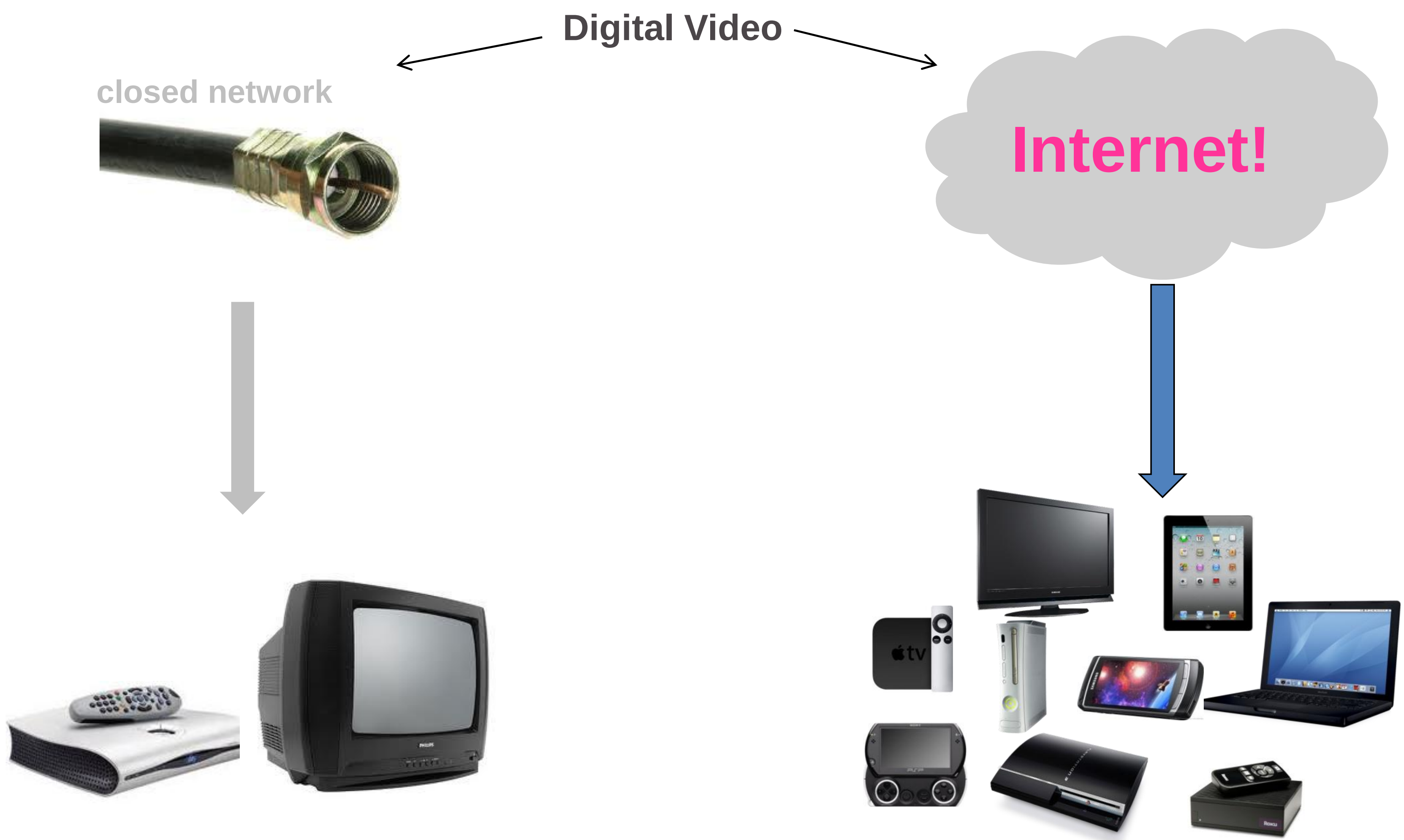
- Changes in the consumer electronic (CE) device market
- The content delivery opportunities that CE devices are creating
- The firms who are seizing this opportunity
- The challenges and economic realities that define the intersection of CE devices and content today

The Big Picture: the CE device landscape is changing

And CE devices aren't simply 'on the market' – they are rapidly starting to overtake broadcast devices

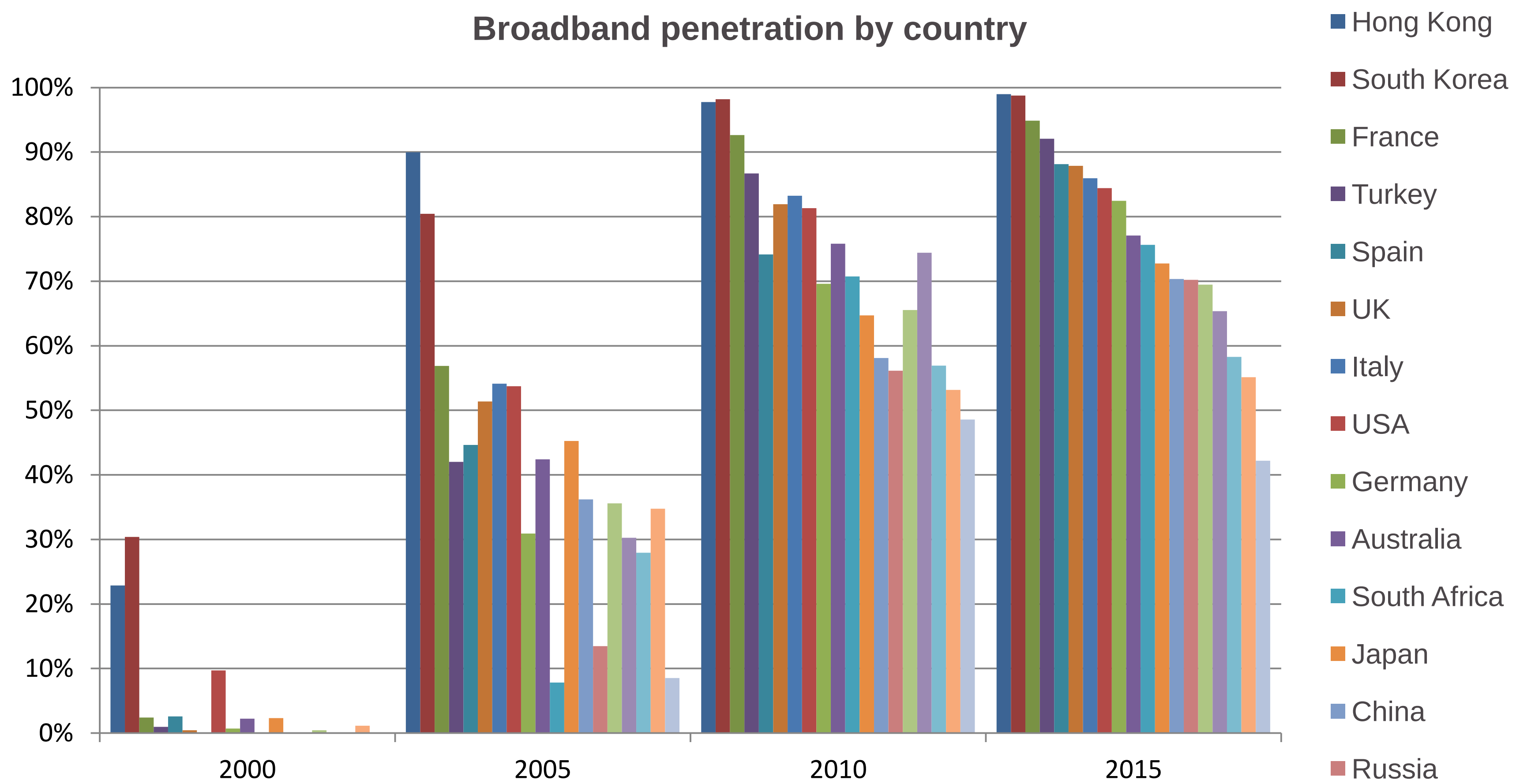


Why does this matter in the media space? Because there's an easy way to provision a connectable CE device with content…

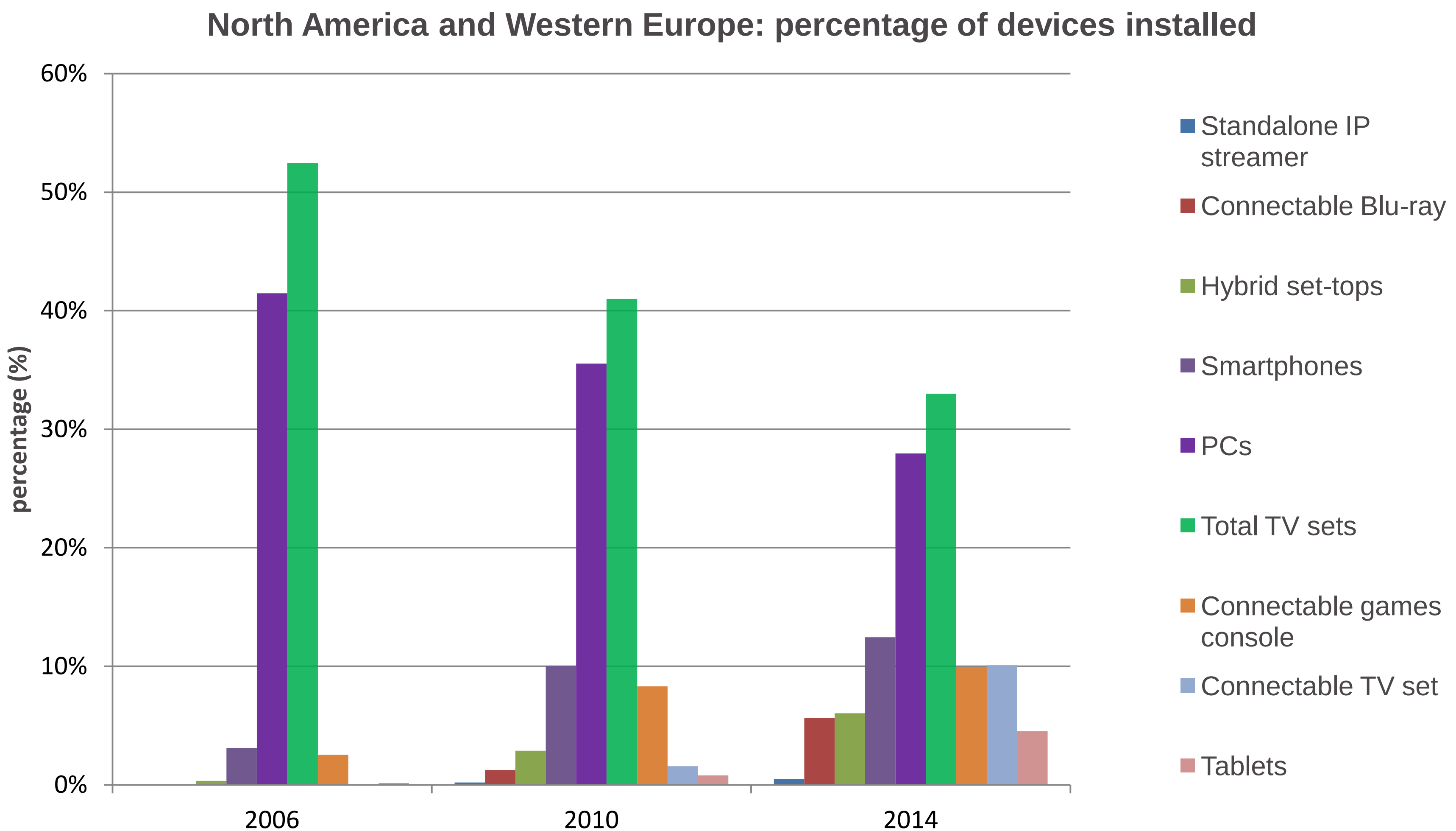


And thankfully, broadband penetration is there to support this IP delivery

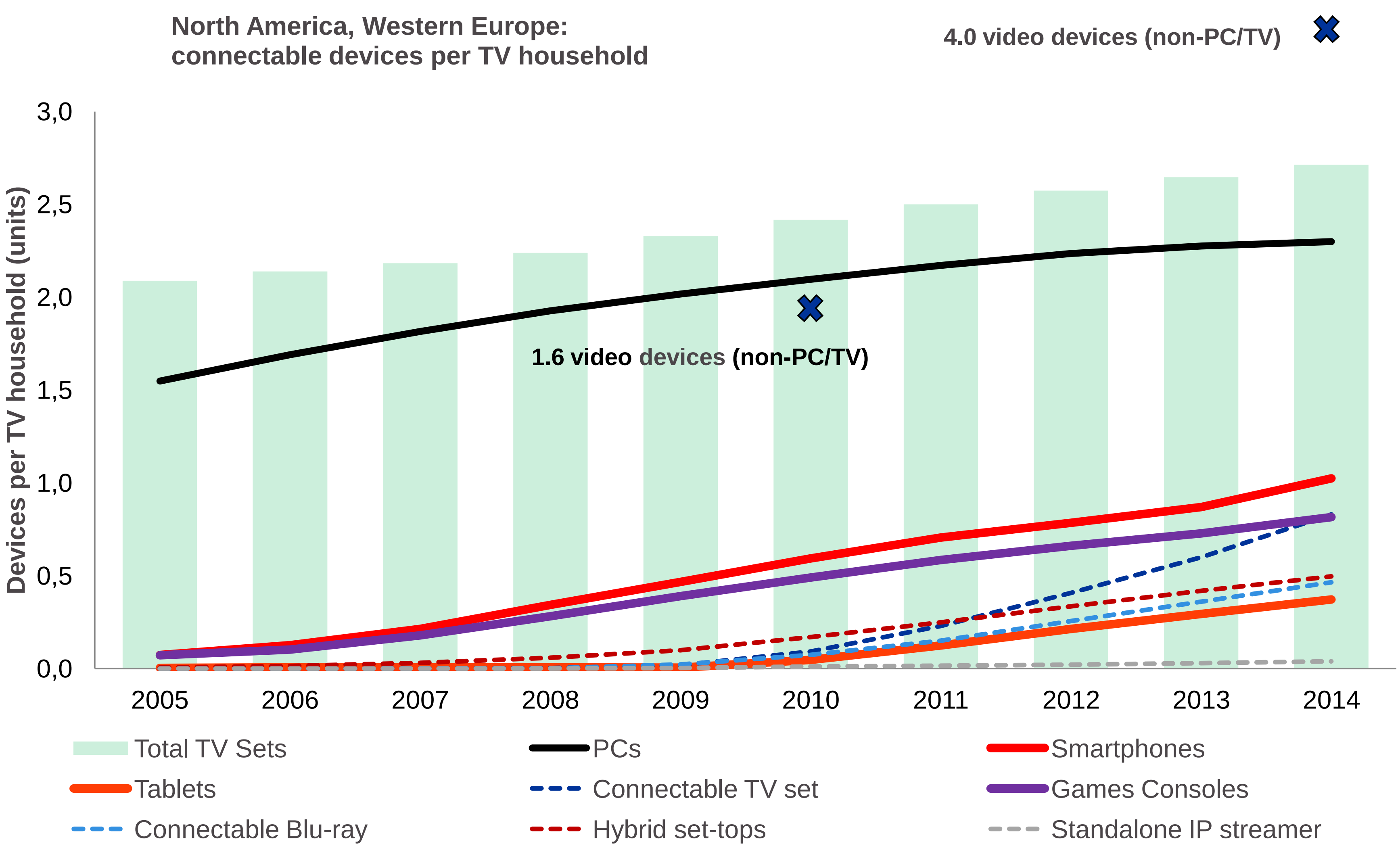
miptv
mipcom



So what happens in a world where the TV set cedes 10% of its position every 4 years?

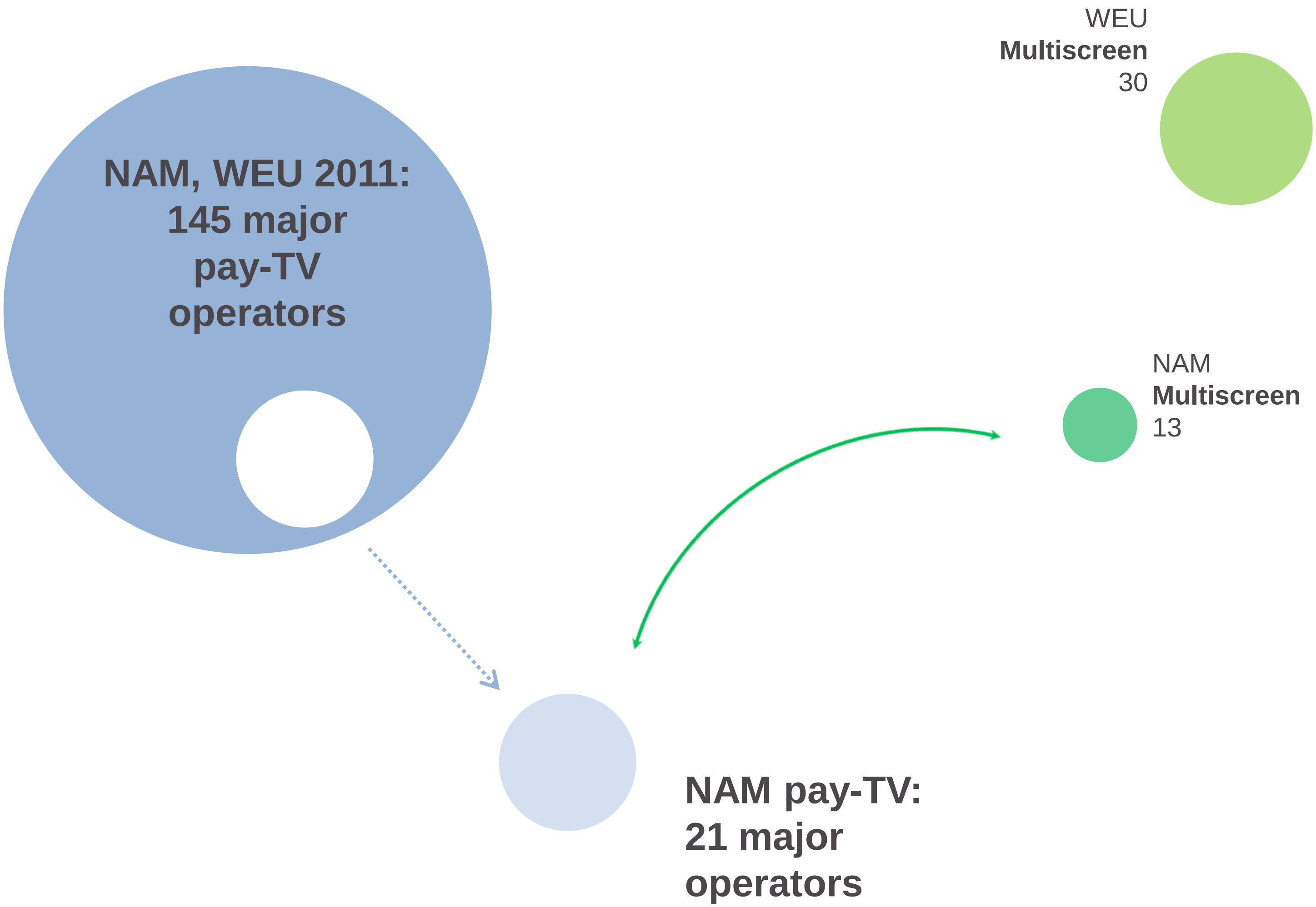


We inch toward having 4 connectable CE devices accessible per TV household…

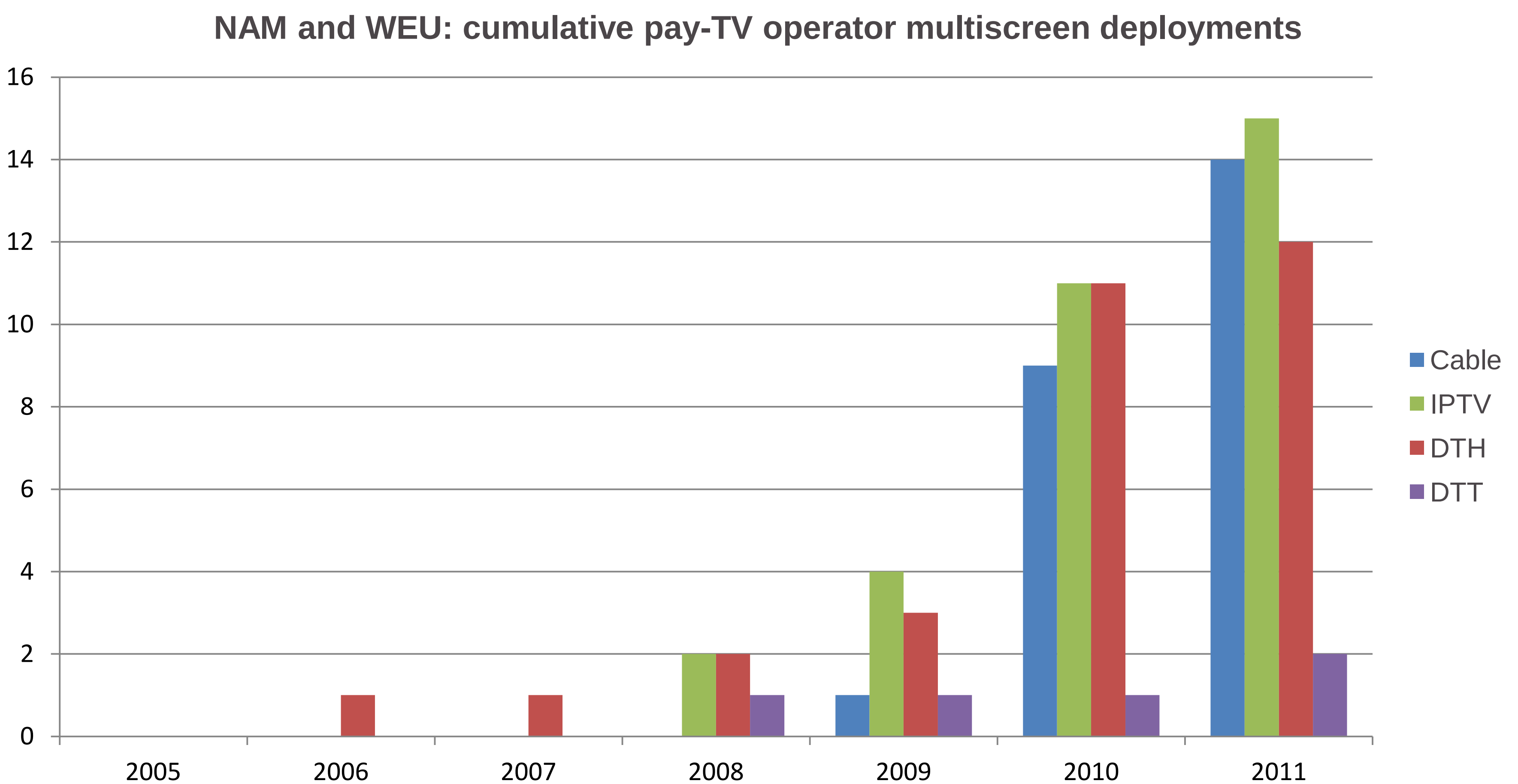


Now the usual suspects are taking advantage of this opportunity, but in different ways

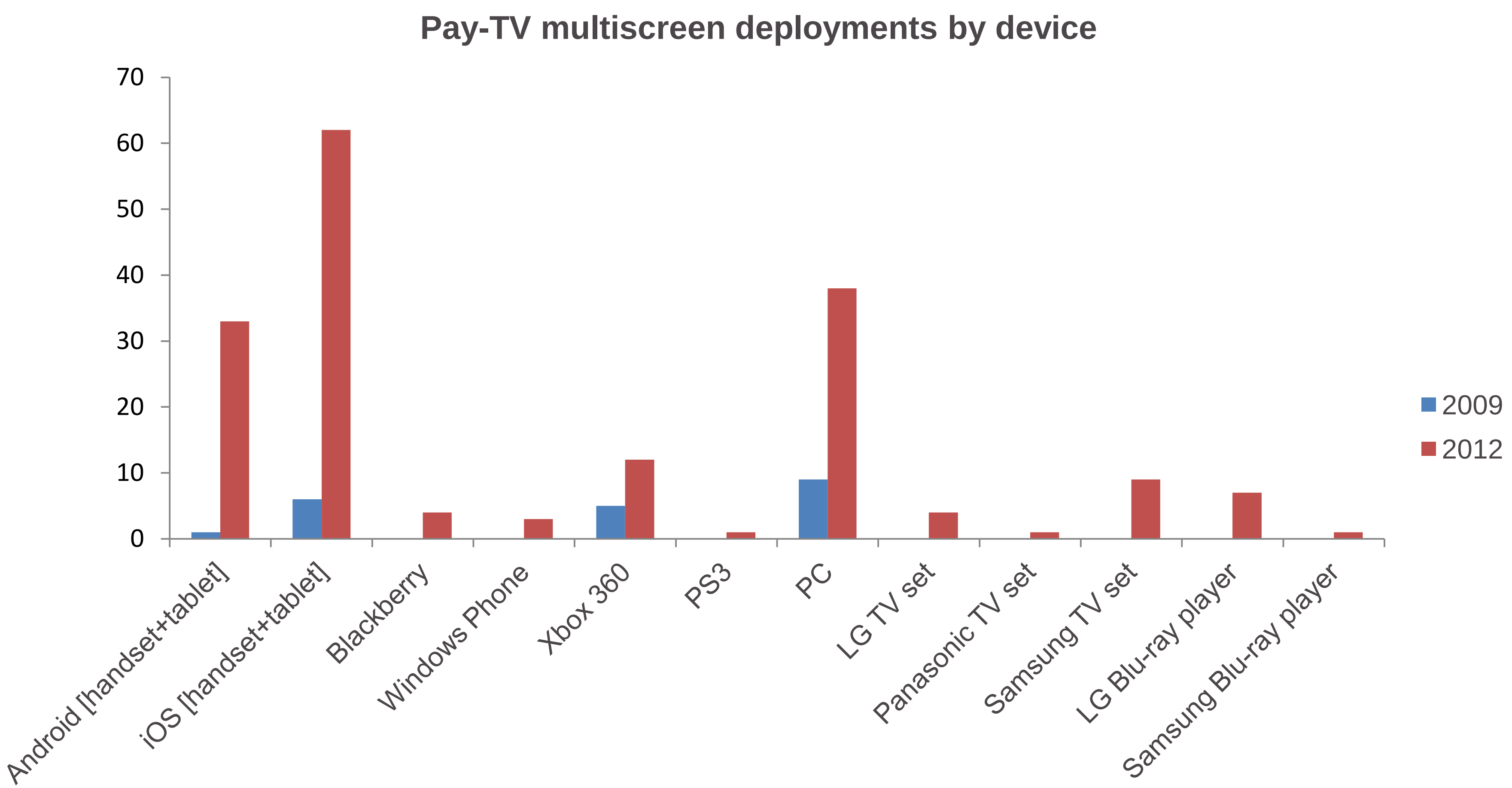
On the whole, pay-TV has not gravitated unilaterally toward multiscreen, IP video distribution



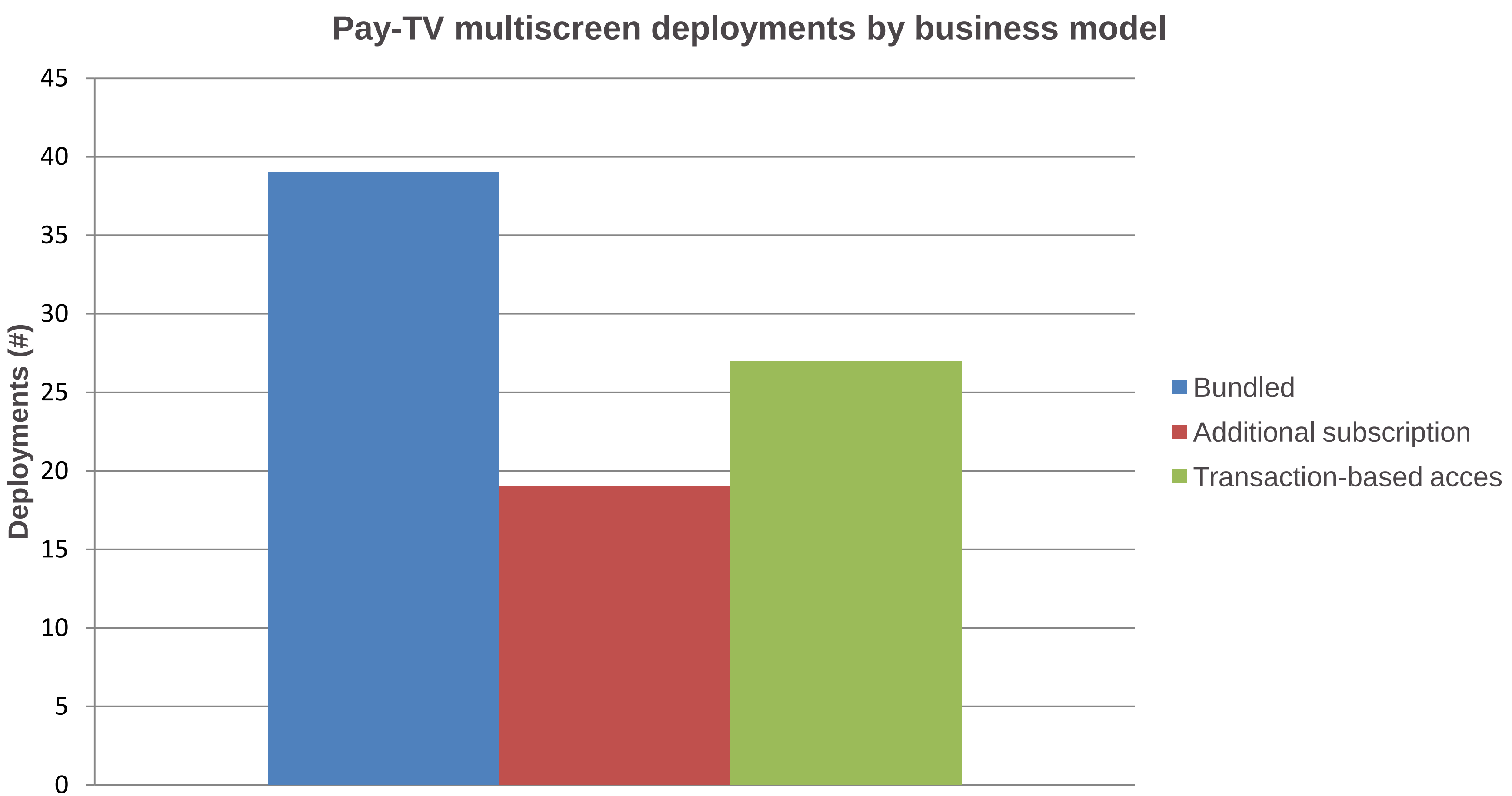
But trends are what matter; pay-TV operators are increasingly embracing connectable CE



And the portable device ecosystem – smartphones, tablets – has been a key driver of these deployments



By and large, operators are bundling multiscreen, IP-video services within their TV subscriptions



The changing CE space is also allowing hardware vendors to provision their devices directly with content – by going over-the-top

miptv mipcom

✓ **What *is* over-the-top**:

- TV delivered via open internet to PCs, set-top boxes, games consoles, etc., TVs
- this can include online services from pay TV operators

× **What it is not:**

- Delivery via a managed network (i.e. IPTV)

In effect, device vendors are becoming *virtual* operators

mip**tv** mip**com**

Can you create an app? → you can become a content provider that is *carried* on-device

Can you curate streaming apps within a blended UI? → you become a network aggregator…which makes you a virtual pay-TV operator

Virtual operators and multiscreen OTT networks in the US

	Netflix	Hulu Plus	YouTube	CBS	Amazon VoD	Vudu	Own Content Store
Sony	Con, TV, BD	Con, TV, BD	TV, BD	TV, BD	TV, BD		All
Vizio	TV, BD	TV, BD	TV		TV	TV	All (Roxio)
Samsung	TV, BD	TV, BD, T	BD, T	TV	TV	TV, BD	
Microsoft	Con	Con					All
Apple	STB, T, P	T, P	STB, T, P				All

What we are witnessing is the rise of an ‘ecosystem’ model, where vendors distribute seamlessly across multiple screens

miptv
mipcom

Does ecosystem ownership matter? Online movies sales are dominated by those who do

mip**tv** mip**com**

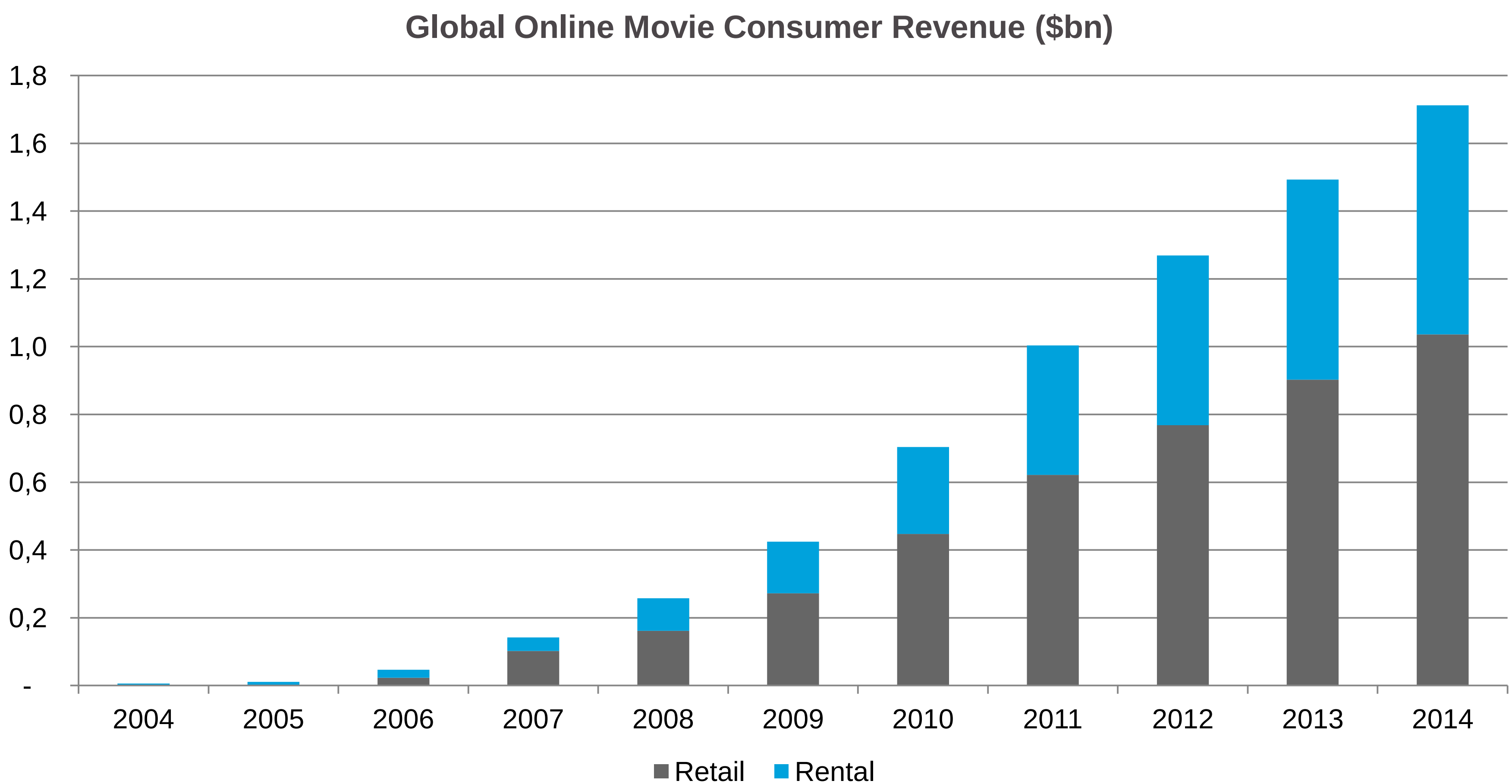
Global online movies transactions: market leaders' share 2011

- Worldwide leader
- 44.8% of transactions

- Second largest
- 10.7% of transactions

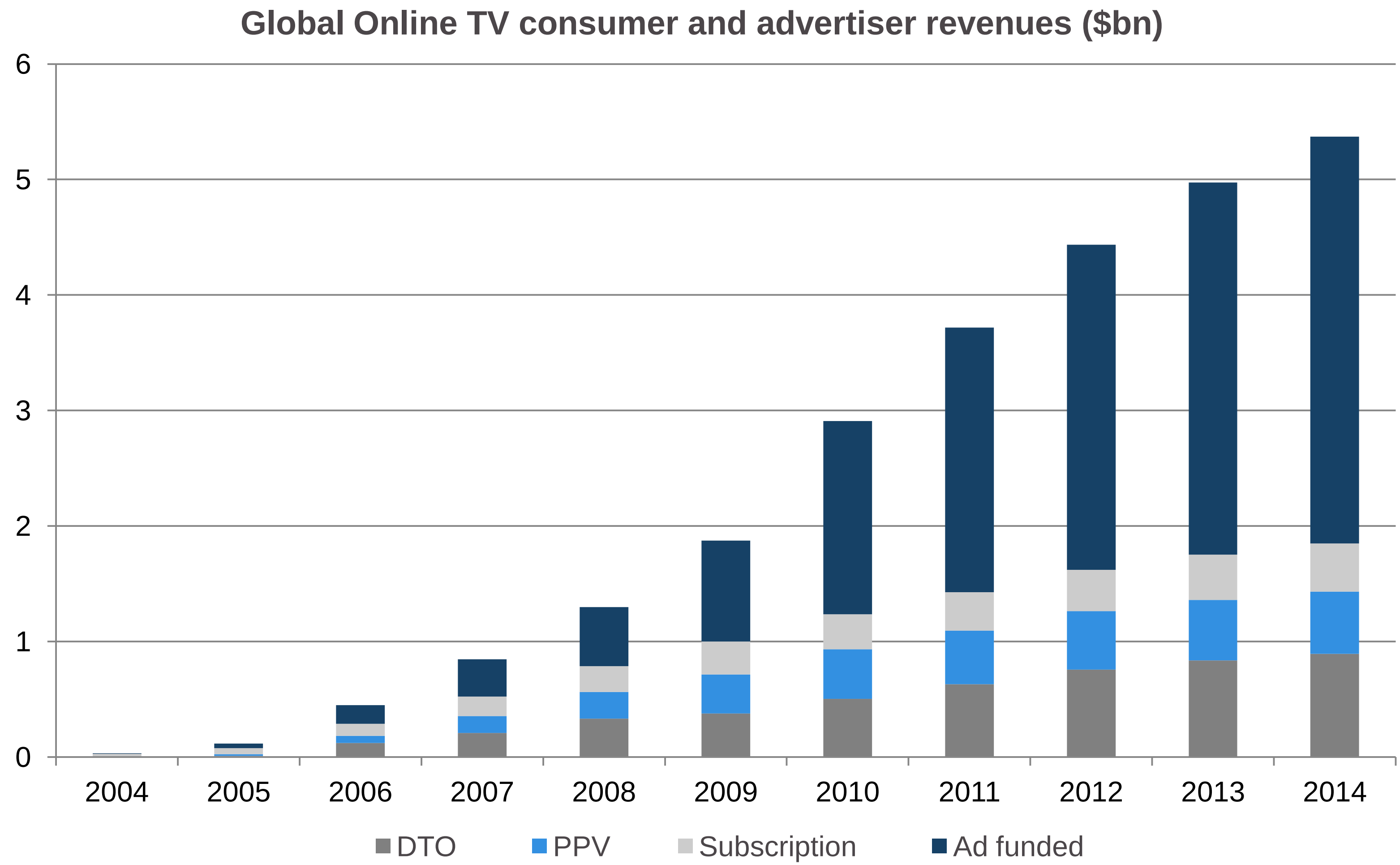
- Third largest
- 7.3% of transactions

And the online movie business generated $1bn in 2011…



How about online TV? This is a $3.7bn industry, which mostly goes back to broadcasters

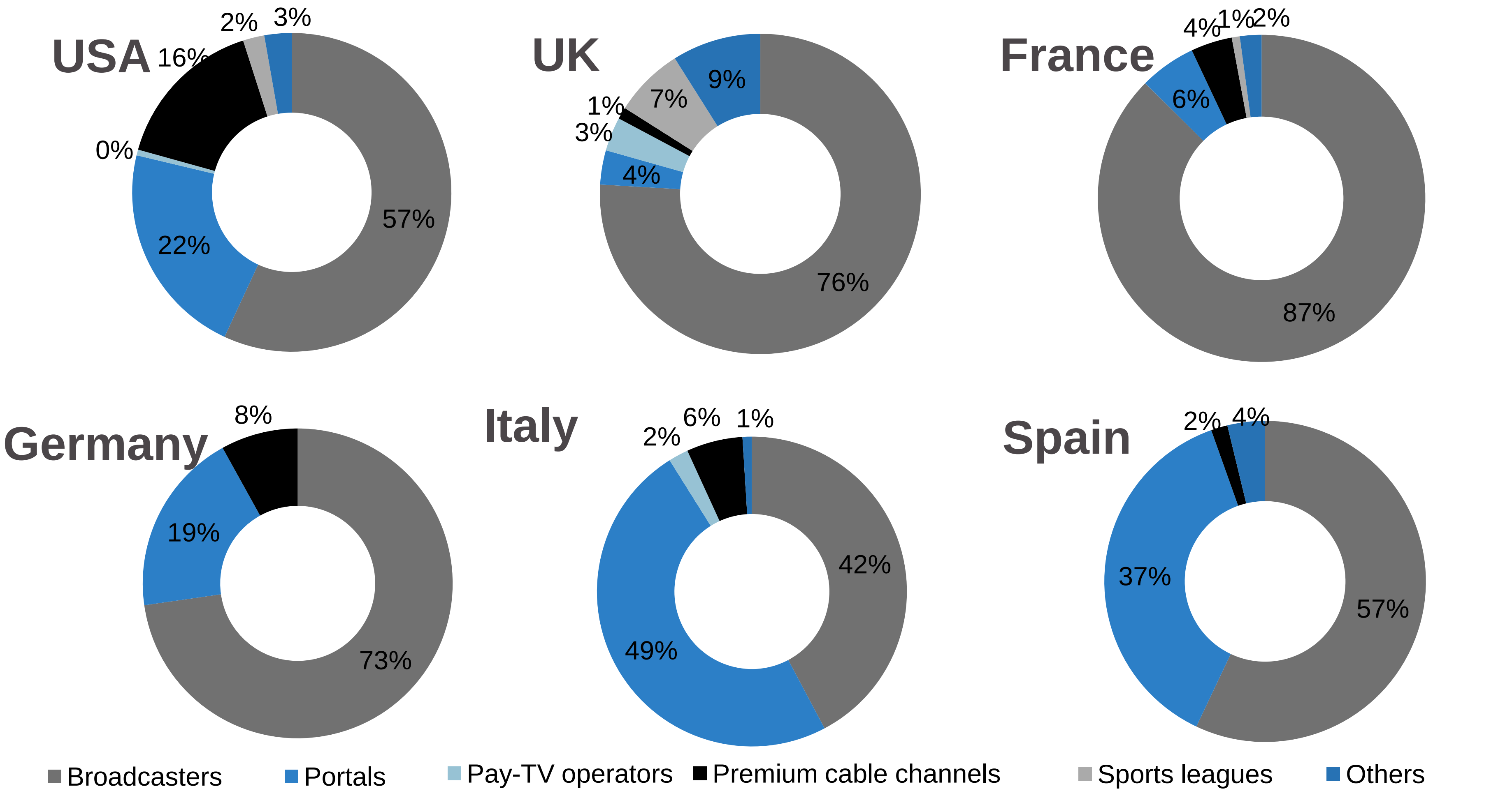
mip**tv** mip**com**



And given their realities of the advertising value chain, broadcasters are enviably positioned within this online TV space

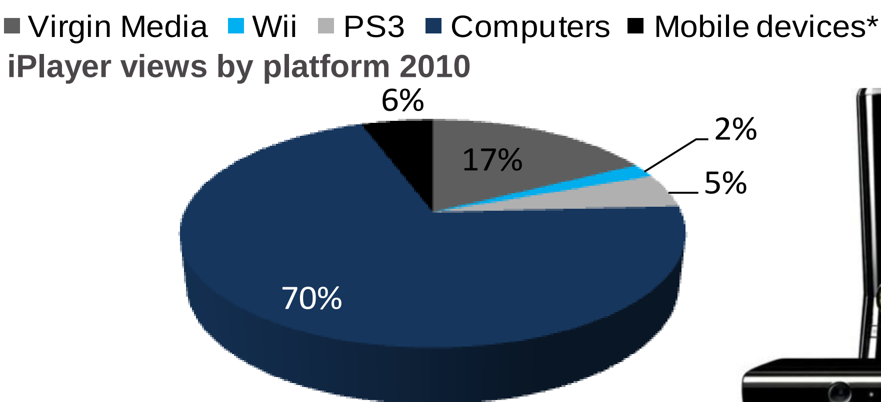
mip**tv**
mip**com**

2009 share of ad-supported online TV revenues



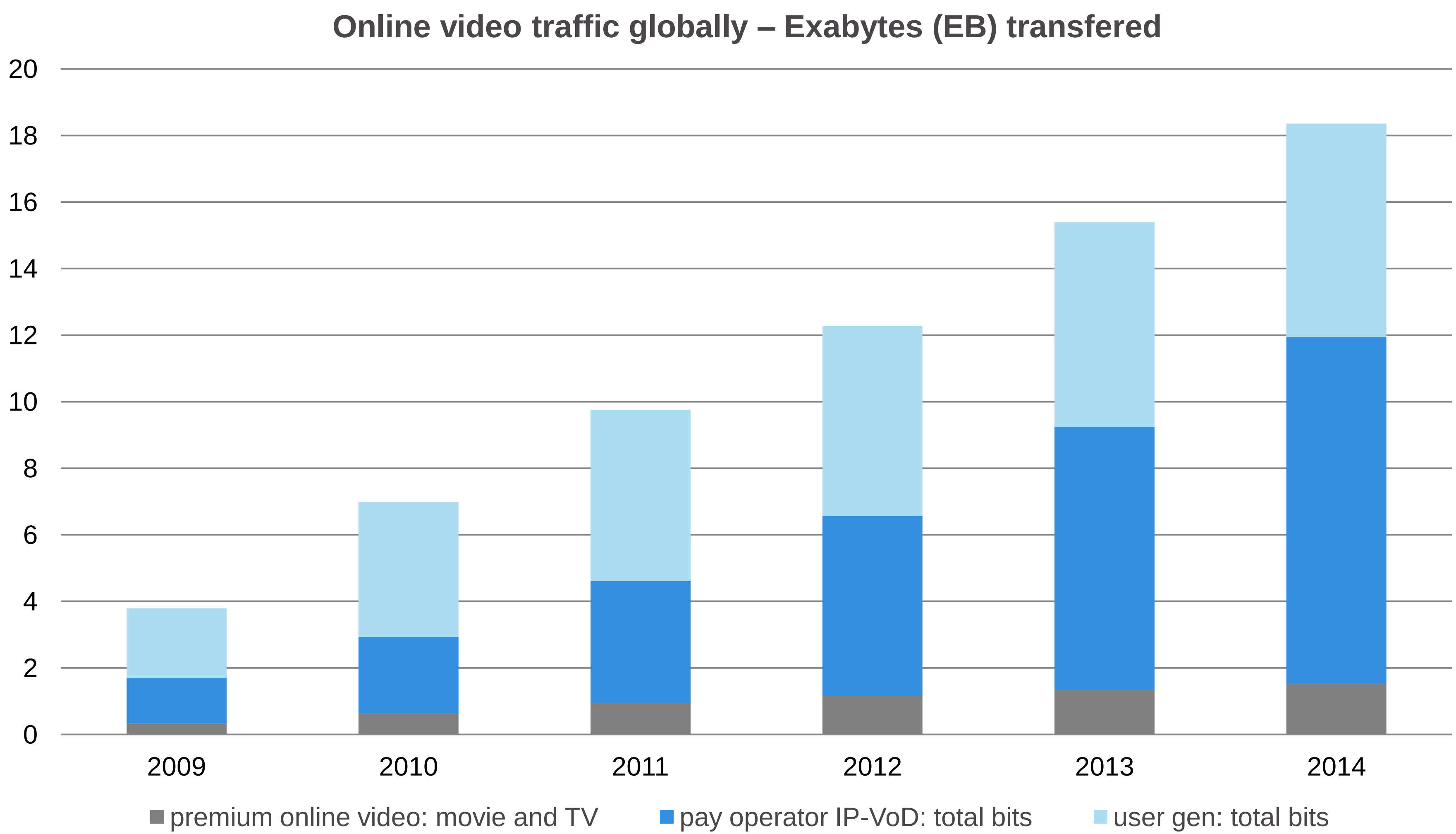
iPlayer in particular is a model to look to; it is becoming a connected devices network with few restraints

- BBC's iPlayer available not just on PC, but also via:
  - Virgin Media cable TV
  - Nintendo Wii
  - PS3
  - Xbox360
  - iPhone
  - >20 mobile devices



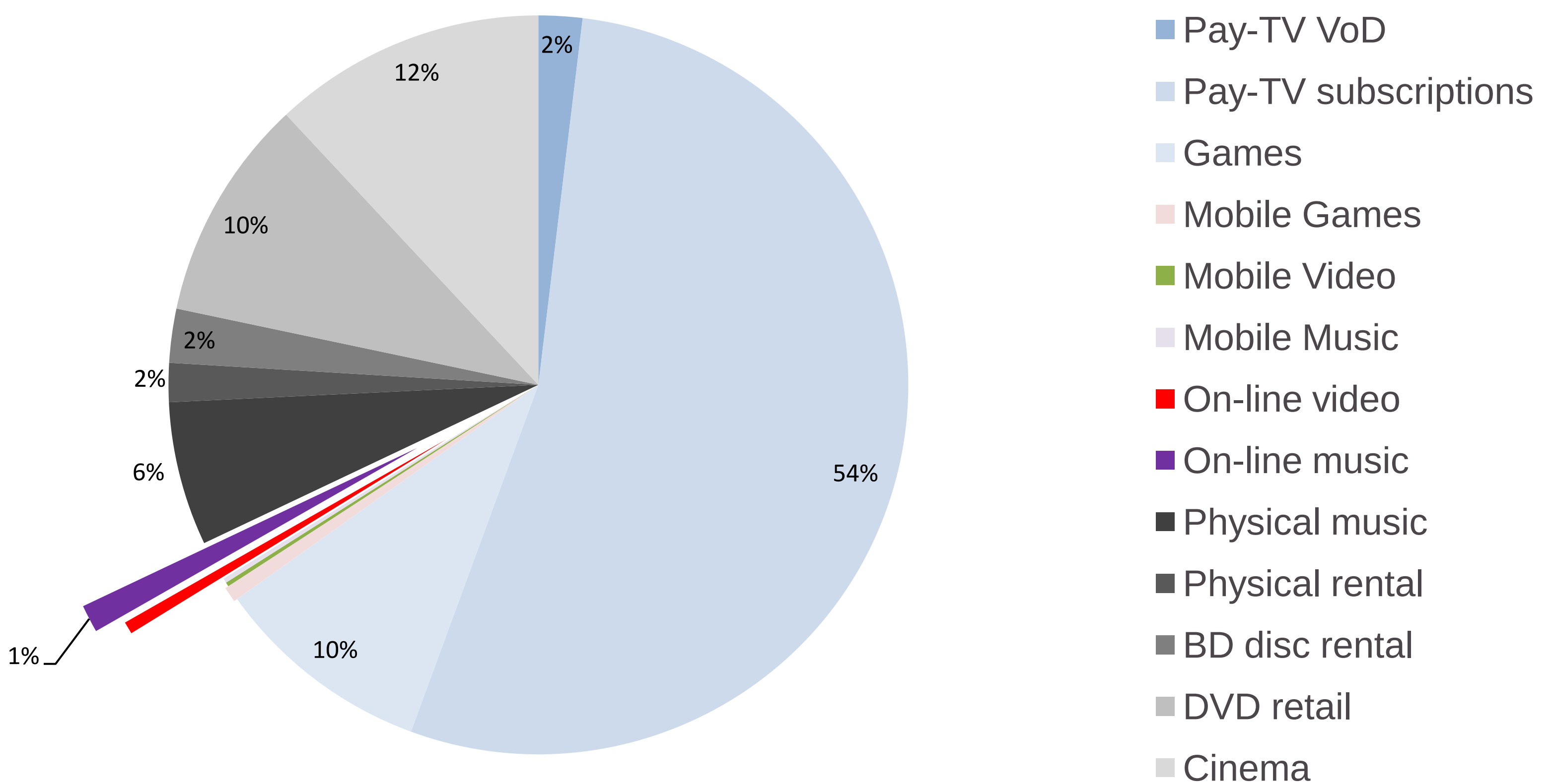
*Mobile devices includes iPad & iPod Touch

But IP video traffic isn't free, particularly for content owners and OTT aggregators who have to rely on 3rd party distribution



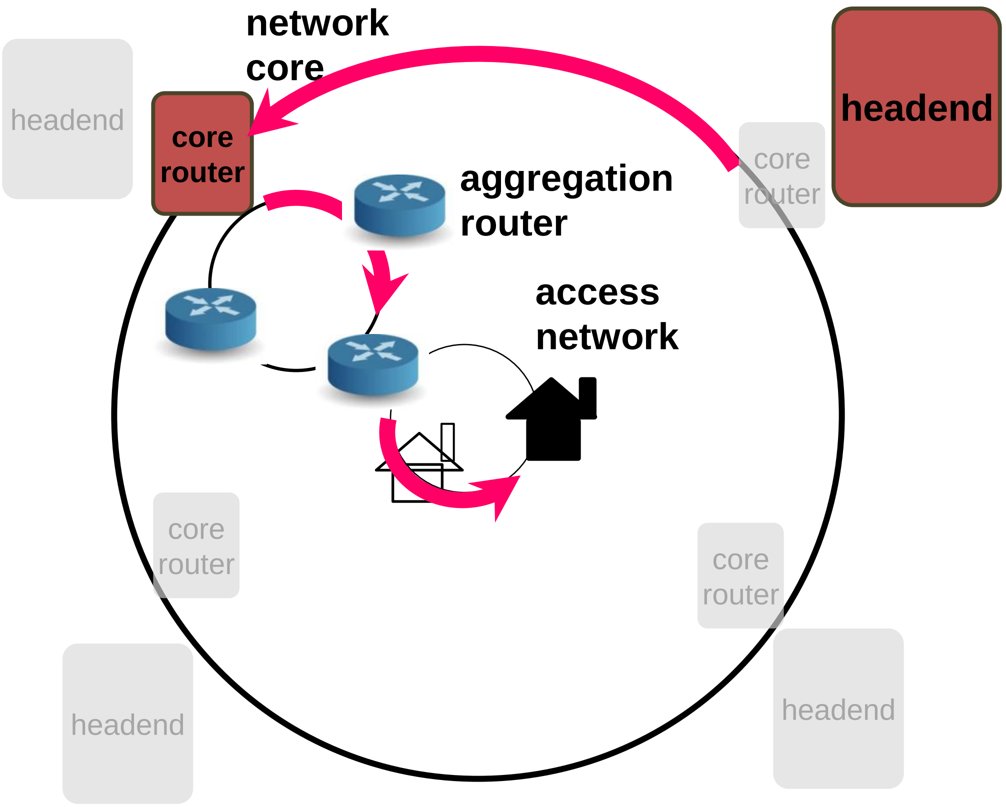
And in the grand scheme of things, online consumer media spend is still small

Western Europe 2011: consumer leisure spend

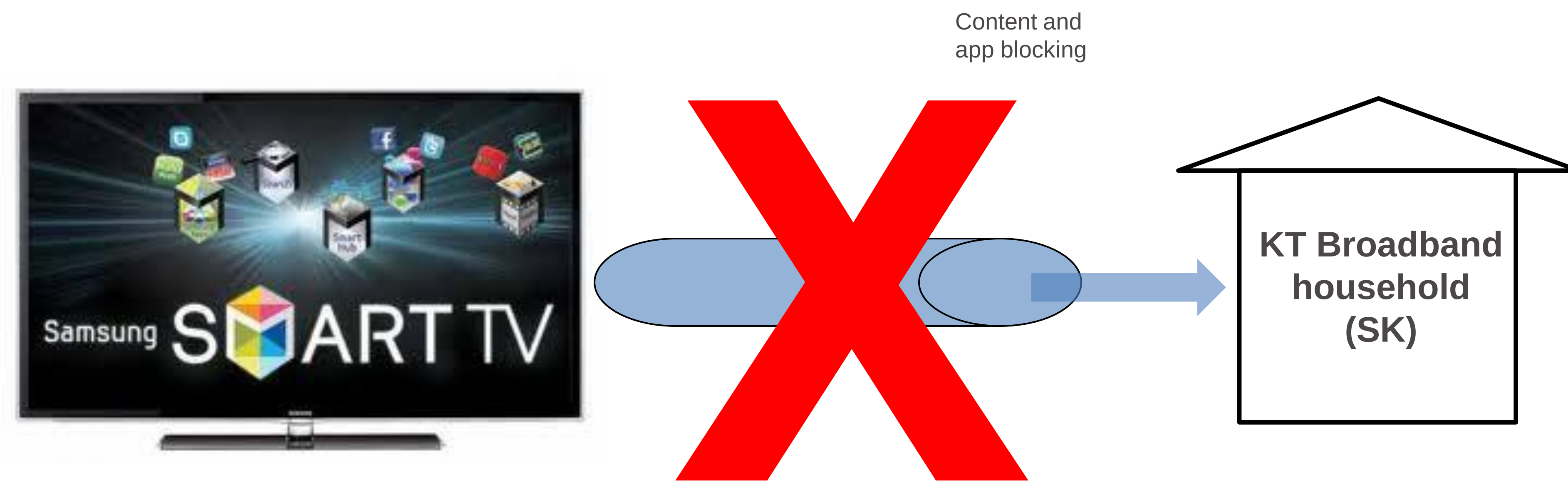


All of which makes supporting multiple devices a real challenge, particularly for those who…

…have to develop apps across operating systems, rely on 3rd party networks, aggregate content, but don't have a core CE business



The online media space becomes even less of a picnic when tensions between pipe ownership, and content distribution, flare…



Where does this leave us?

- Pay-TV has a strong position in IP video to CE – they own the last mile infrastructure that anybody's content must transit

- But can pay-TV generate revenue from IP video services that are being bundled into TV subscriptions? Advanced ad serving holds promise…but requires the cooperation of channels, networks, and broadcasters

- The broadcast world has been at the forefront of multi-device, catch-up TV delivery; however, with audiences and views moving away from the TV set – as new devices enter the picture – margins from ad-funded, online content do necessarily smooth viewership fragmentation

- Vendors have had success tying their proprietary devices into content ecosystems; but in a supposedly net-neutral world, the backlash associated with these new sources of IP traffic have occasionally been *stark*

- Purely virtual, online content aggregators are currently pricing well below many subscription pay-TV thresholds, and have done an excellent job of supporting a huge range of devices; subscription numbers are a testament to this

- Can aggregators secure more rights in a manner that's economically achievable?

- A brave new CE device world indeed!...

About the author

About IHS Screen Digest

• Largest media-focused research firm in the world with > 50 analysts covering over 65 global territories
• 40 years of experience tracking and forecasting media markets worldwide
• Continuous online Intelligence research services
• Constantly updated and comprehensive market data and forecasts
• Flow of analytical reports
• Strategic consultancy
• Recently merged with iSuppli – and both companies acquired by IHS ($1bn leader in "critical information & insight")
•170 analysts for a complete TMT coverage (technology, media & telecommunications)
•4,400 employees in 30 countries, speaking 50 different languages

Author's presentation

Within the TV Technology team, Merrick focuses on the strategies, business models, and systems that operators and service providers employ to build content-and-connectable-CE-device ecosystems. Since joining in early 2009, Merrick has helped to develop and launch IHS Screen Digest's TV Multiscreen Intelligence service, and has experience across a wide complement of work undertaken as part of IHS Screen Digest's private consulting business. He holds an MSc in Political Economy from the London School of Economics, and speaks fluent Italian, French, and Danish.

This report is brought to you by miptv/mipcom

miptv & mipcom are the world's leading content markets for creating, co-producing, buying, selling, financing, and distributing entertainment & TV programs across all platforms.

miptv & mipcom respectively take place every April and October, each bringing together over 12,000 professionals from 100 countries.

Visit mipworld website: www.mipworld.com

Follow us

http://feeds.feedburner.com/mipworld/ABNF

http://twitter.com/_mip_

http://www.youtube.com/mipmarkets

http://www.facebook.com/mipmarkets

http://linkd.in/mipmarkets

http://www.flickr.com/photos/mipmarkets

Download miptv/mipcom iPhone App: http://road.ie/mip-markets