

EXECUTIVE SUMMARY

- The Internet era of TV arrives
- Existing Pay TV services
- Towards a “better TV” experience

Introduction

- Background
- Scope of the report

The Internet era of TV arrives

- Summary
- Introduction
- The rise of Internet video

 - Viewing Internet video hits the mainstream but traditional viewing holds firm too

Web-to-TV growth

 - Connected TVs - towards mass market penetration
 - OTT TV – quality of service
 - OTT can lead Pay TV into the cloud to extend reach

Connected devices and the OTT landscape

 - Connected TV set to have a big impact on viewing behavior
 - Issue of interoperability between various standards
 - Red button ‘enhanced’ TV still thriving
 - Content convergence takes center stage
 - Multi-screen viewing experience and companion devices
 - Sony and the push for a cloud-based multi-screen experience
 - HBO and the developing battle to own the consumer
 - Google TV and the user experience
 - Need for compelling content will drive distribution co-operation
 - Samsung and the ‘Smarter Life’

Cord-cutting, cord-shaving and the consumer

 - Pay TV incumbents have the ball and it’s theirs to lose
 - Cord attachment not cord cutting in ‘Freeview’ markets
 - Netflix and Hulu making cord-cutting waves but content will cost them more
 - Cord ‘swapping’ more likely
 - Some younger age groups only watch TV online

Multi-screen content convergence

 - Drivers of multi-screen content convergence
 - Confusing the consumer is a big risk – user experience the top priority
 - Multi-room services start to utilize other CE screens in the home
 - Device control versus broadcaster control: Cablevision go with cloud-based “nDVR”
 - RVU Alliance and Remote User Interface solutions
 - Content discovery is a multi-screen experience for BSKyB
 - Telenet in Belgium also has early success with its Yelo platform

Impact on the Pay TV value chain

Roadblocks for Connected TV services may delay full impact in the near term
CE manufacturers lack of consumer marketing capability – a big barrier to market-making
Retailers moving into video streaming: Tesco buys Blinkbox, Amazon buys LOVEFiLM
Tesco deploy Trove hybrid technology across range of Freeview devices
French broadcasters lay out key engagement principles for CE manufacturers
Google and Apple and their “unique ability to scare broadcasters”
Channel brands and program brands... and second wave OTT
ITV to wean itself away from reliance on “hideously cyclical” 30 second ads
Sky, YouView and BBC iPlayer frame the issues for aggregated catch-up TV on the TV
Channel 4 distributed on YouTube
Broadcaster ad-funded models are not sustainable in this new fragmented world
New micropayment systems may help broadcasters
Netflix moves into the premium TV business with original content
Facebook and Warner Bros. stir things too
Niche content publishers and brands can take full control of their OTT distribution
Cable operators go on the front-foot
Increasingly faster broadband speeds drive both cable and OTT models
Potential for Pay TV content value chain disruption
Content management issues facing Pay TV in multi-screen video delivery
Aspera offers a new standard for moving large video files
The CDN is a vital component of future hybrid networks
Potential for migration of existing Pay TV services to OTT (CDN) delivery
Changing world for set-top box manufacturers
Common Interface Plus (CI+) allows TVs to bypass set-top boxes – a temporary solution?

Social media infusion into online and TV

Social media is viewed as entertainment, content needs to reflect this
Social gaming
Virtual goods are the most important revenue generator for social gaming
Netflix working with Facebook on deeper online integration
Integration of Facebook in the TV environment
Social network driven search and recommendation – will it work on TV?

Advertising spend

US advertising spend not (yet) following online video consumption
Growth in online video and mobile advertising
Branded content ‘engagement’ adds pressure to traditional advertising thinking
New pay models evolve for newspaper publishers
Apple enables iPad subscriptions

Existing Pay TV services

Summary

Introduction

Pay TV revenues flat-lining in Western Europe

Content owners and original (premium) content

Entertainment companies still vulnerable to disruptive force of OTT

Importance of watermarking for 'early-window' VOD

Netflix creates OTT dilemma for Showtime, Starz and others

Time Warner Cable and Cablevision go OTT with TV channels direct to iPad

"Oscar Backstage Pass" Companion App debuts

Meta-data creation / management can unlock new value: CBSSports and MLB.com

Live sports content and 'cable lite' bundles

Regulator intervenes in UK Pay TV market, takes on Sky re. premium content

The Kokott Ruling: challenging the lucrative rights model in the EU

Premium formats

CE giants push 3D products

3D TV channels set to increase in Europe, but original content lacking

3D TVs forecast to reach 91 million global shipments in 2014

Format war in 3D glasses will only further stall the consumer market

360 degree video

BSkyB

BSkyB "build your own" Pay TV bundles, pay-per-view and other pricing

Sky launches Sky Mobile TV app for iPad

BSkyB product bundling will be further stimulated by hybrid VOD service

Sky Atlantic / HBO premium content deal

Sky will strategically cover multiple platforms

"Multiplatform future is paid content"

Virgin Media

Backwards-facing EPG for 'missed TV' will drive TV consumption

Integration with TiVo

Virgin embraces OTT by going 'through the middle' with managed OTT

ComCast Xfinity TV

Re-launched with 2-screen companion app

Comcast (and Time Warner) partners with Samsung

Verizon FiOS TV

iPad app does not support streaming, even in the home

FiOS add options to personalize service bundles

Liberty Global UPC Horizon: "wonder box"

User can move content around the home

Prisa TV Digital+ a la carta

TF1

TF1 have developed 5 apps for Samsung Smart TV, but not VOD (yet)

TF1 launches social media VOD trial with Facebook

Orange

Challenge of service rationalization across multiple access networks and screens

ONO

Apple TV

Apple AirPlay: wireless streaming in the home

Apple partners with Netflix

Apple TV adds live streaming apps

Apple launches iCloud

Hulu Plus

Netflix

Netflix is a destination

LOVEFiLM / Amazon

Amazon observes that customers will pay extra to stream a movie immediately

Towards a “better TV” experience

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Content discovery in OTT TV: moving beyond the Internet search experience brought to the TV

NDS create a content marketplace for OTT channel EPG integration

Multi-room and in-home multi-screen

Content discovery and the user experience

Content discovery and metadata take center stage

TalkTalk trial Technicolor MediaNavi

Rovi Media Cloud

The EPG and content discovery

Search, recommendation and ‘enabled’ serendipity

The ‘shoppable’ EPG and contextual commerce

TV apps and the evolving hybrid TV experience

Suggested discovery and recommendation

Companion devices open the 2-screen engagement door

Personalized, real-time, synchronized TV viewing on the companion screen

Channel 4 drives participation levels and formats

PlayToTV for Germany’s Next Top Model

Junaio mobile ‘augmented reality’ browser driving participative TV in Germany

Aurasma ‘augmented reality’ app links up with Super 8 movie

Screach real-time engagement ‘experiences’ target interactive TV

Screentoo powered with real-time metadata from Snell broadcast automation system

Digital fingerprinting

iPad pushes 2-screen with audio triggering

Socially augmented TV

Couch Crew in Germany develop advanced social TV app

zeebox augmented TV

NDS Hoovu

Yahoo! moves into TV sharing with IntoNow

Content convergence

Multi-source strategies are essential to TV curation

Real-time, 2-screen content engagement will transform 'transmedia storytelling'

Brands as media – Red Bull in pole position on OTT

Content commoditization and the growing opportunity for OTT niche and local content

The future of TV advertising

Yahoo! "joining the dots" with multi-platform 'smart' ads, in context and interactive

Microsoft unveils NUads ad platform for Kinect

BlackArrow creates a unified multi-platform approach to ad management

AAMP, CEE MEE, BARB and the urgent need for ad measurement systems

Addressable advertising will create niche advertising opportunities

Sky AdSmart to extend to Sky+

YuMe Relevance Engine's 'content awareness capability'

Apple iAds drive improved engagement and 'tap through', but take up is slow

SkyLife and Kudelski JV to deploy advanced advertising solutions in Korea

Addressable advertising will challenge brands and their agencies

Ad agencies need to re-engage with TV reality or get OTT'd themselves

If data is the new oil, applied data skills and affinity for the technology will differentiate

Freedom to innovate will challenge the old ad model

OTT technology funnel for intelligent content and ad creation – the personal media moment

New type of 'agency', new type of client...

Appendix

Glossary / Abbreviations

(Untitled sub-section)

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Figure: % of consumers watching OTT TV on a PC or TV, April 2011

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Figure: How consumers view their TV paid services, April 2011

Figure: Apple, Netflix and TV access provider content costs as a % of revenues, 2009-11

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Figure: The OTT disrupted Pay TV content value chain

Figure: Pay TV content creation and management chain

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Figure: Influences on what viewers watch (% of respondents), by age-group

Figure: OTT technology funnel for intelligent content and ad creation