

Unlocking the potential of TV

by Geoff Thomas, General Manager, Asia, Communications Sector, Microsoft

Online video promises to become a major supplier of content in many markets. Online video offers a series of advantages that enhance the quality of the viewer's experience including video-on-demand, time shifting, personalize channel lineups and much else. IPTV viewers find the TV viewing experience is more than just price and channel line-ups. New IPTV value-added services create new opportunities for service providers, content providers, advertisers and consumers alike, and begin to shift viewing away from other media.



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Online video viewing is more ubiquitous than ever, Gartner identified video as the fourth strategic technology during the Gartner Symposium/ITxpo, which highlighted the top ten technologies and trends that will be strategic for most organizations in 2011. The research firm predicts that over the next three years, video will become a common content type. In fact, predictions indicate that by 2013, 25 per cent of content viewed in a day will be dominated by video.

Quadruple play for telcos

Until recently, the TV set has been a useful but unconnected island of technology in the home with a limited ability to connect with other devices, users and services. But when you give the TV a strong back channel and

connection to the world through IP, it opens the door to an amazing number of content choices and services.

Today, the TV can be personal and connected. The experience of watching TV is much more engaging: viewers have complex remote controls, menus to navigate, and electronic programme guides (EPGs) that can help them find content on hundreds of channels. The availability of video-on-demand (VOD) content helps personalize the TV viewing experience, so that a viewer can choose the content they want to enjoy whenever they want it. DVR (*digital video recorder*) technology gives them this same measure of control over scheduled broadcast content. With IPTV, service providers can offer consumers a more compelling, personalized TV experience.

The IPTV (digital TV) market will continue to grow rapidly, as Chart 1 shows. Based on the average of five industry analyst predictions, an overall IPTV (connected TV) household penetration of almost 60 million is forecast by the end of 2011. This is still only a small fraction of the total addressable market for connected TV.

The changing TV landscape

The TV landscape is changing rapidly and dramatically. Over the next decade, consumers will be enjoying entertainment in totally new ways:

- Time-shifted TV will become the standard, rather than the exception;
- Portable devices and the Internet will

become essential to TV viewing;

- Consumers will demand entertainment that is available on the PC and mobile devices, as well as on the TV, and the ability to move easily and seamlessly between devices;
- High-quality entertainment services will be available over many types of networks, not just managed networks; and
- Content and advertising will be packaged to take advantage of these shifts.

IPTV markets

If you map out and predict the evolution of the IPTV market, you can discern three distinct phases, each of which will take us one step closer to unlocking the potential of TV and creating new connected and personalized experiences. Each of these three phases will drive gradual changes in telecommunications, entertainment and advertising, the three industries most impacted by IPTV:

- Phase 1 - Shift the purchase criteria from price and channel line-up to overall user experience;
- Phase 2 - Change the rules by introducing value-added services that create new opportunities for service providers, content providers, advertisers and consumers; and
- Phase 3 - Create new business models that grow the TV market in new ways and shift share from other media

Phase 1 - The shift to overall user experience

We are in the midst of the first phase right now, as service providers worldwide are successfully deploying IPTV and delivering better TV experiences.

Even at this stage, IPTV is beginning to redefine the TV experience with advanced capabilities such as more high-definition live and on-demand programming, next-generation digital video recording (DVR), fast channel zapping, integrated search across live and on-demand programming, and remote DVR management. Consumers exposed to these features begin to recognize that some TV services do in fact stand above the rest. They expand their purchase criteria to include the overall user experience and not just how many channels are available at a certain price point. They value an experience that helps, rather than hinders them, to find something of interest to watch. They look for services that include content that is central to their interests. They want value-added features that give them more control of their own entertainment experience.

This is also the phase where the entertainment and advertising industries begin to understand how they can benefit from IPTV. IPTV's inherent two-way connection enables advertisers to launch interactive, personalized campaigns similar to what consumers are used to via the Internet. Another advantage inherent in the IP network is the ability to provide 'connected' entertainment. This not only gives consumers the ability to experience content across different devices, but also gives content providers and advertisers the opportunity for multiple touch points to the same consumer.

To move into phase two, service providers will need to have perfected (1) the delivery of IPTV services and (2) the ability to streamline the delivery services in a way that ensures maximum profitability for the company. For the service provider, this means that the optimal approach to managing IPTV operations is one that focuses both on securing quality of service (QoS) and on optimizing the delivery of the services that ensure QoS.

Phase 2 - Value-added services for new opportunities

The second phase will take this service differentiation a step further, as IPTV providers begin to take advantage of their intelligent, two-way IP network and begin deploying 'beyond TV' experiences. Consumers will be able to enjoy TV on their own terms with personalized services such as the ability to self-provision their own channel lineup or service tier, join community groups with their own interests (i.e., cooking, car repair, home improvement), access VOD multi-view (i.e. view different camera angles, watch several games at once), customize channel lineups, use interactive TV content, play games remotely, view recommendations and easily find and explore long-tail content.

At the same time, the television experience will become more connected with cross-device TV services, as well as the integration of television with gaming, mobile and PC platforms. Some of these scenarios include getting caller ID on your TV screen, the ability to remotely program your digital video recorder using your mobile phone or personal media sharing on your TV can already be seen in phase 1 services around the world. In phase 2 this expands so content providers can seamlessly transfer entertainment and information programming from television to online or mobile devices, creating multi-device communities around programmes and advertisers.

Phase 3 - New business models shift share from other media

As IPTV begins to reach maturity, service and content providers will promote new services and consumption models that grow the TV market in new ways - shifting share from other entertainment options. In this phase, the consumption of entertainment and information is almost entirely on-demand with painless and simple integration of content and services across devices and over both managed and unmanaged networks.

Advanced targeting technologies will allow content providers and advertisers to deliver highly targeted content and advertisements to viewers, and have the ability to measure their effectiveness and impact in much finer ways. The business models that surround and support content creation and delivery will change and expand, as will opportunities for commerce applications on the TV and portable devices. In this phase we will not see traditional advertising as the primary way to fund the delivery of entertainment. It will be one of several choices including direct purchase and a la carte subscriptions. We may see channels dedicated to what we think of today as commercials emerge around specific interests and demographics.

In this phase, advertisers can implement advanced methods such as more sophisticated VOD storefronts, targeted ads, ad telescoping, ad bumpers, speed bumps, request for coupon/request for information and 360 reporting. All these are being explored today and those that survive will be fully integrated into the experience by phase 3. And we don't discount the importance of T-commerce, which may come into its own as IPTV matures.

Service providers should not ignore video and they should consider quadruple play service offerings for their customers. To date, more than thirty world-class telcos such as AT&T, Deutsche Telekom, SingTel and most recently Vee TIME Corp, are betting their subscription TV businesses on platforms that unlock the potential of TV and create exciting new commercial opportunities for themselves and their partners. ●

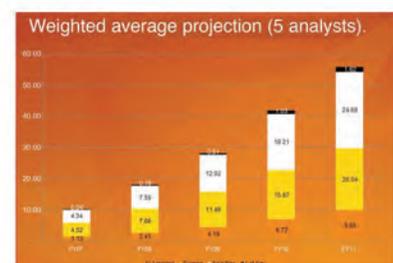


Chart 1: The Rapidly Growing Digital TV Market