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Contrasting operator approaches to online video

Giles Cottle, Informa Telecoms & Media

Online TV and Video Forum, London, 8th December 2009

About Informa

- Specialist information for the academic, scientific, professional and commercial business communities.

- Leading research and advisory house. We lead by being more complete, accessible and valuable

- Enterprise analysis and data products and over 100+ annual events and training courses

- Outstanding people, including 100+ expert analysts, consultants and researchers across 14 countries

What do we track?

- The strategies of leading players across the value chain
- The individual market size, the regulatory background and key local trends
- The key technologies, including infrastructure, handsets and platforms
- Entertainment, applications and content, whether TV, internet or mobile

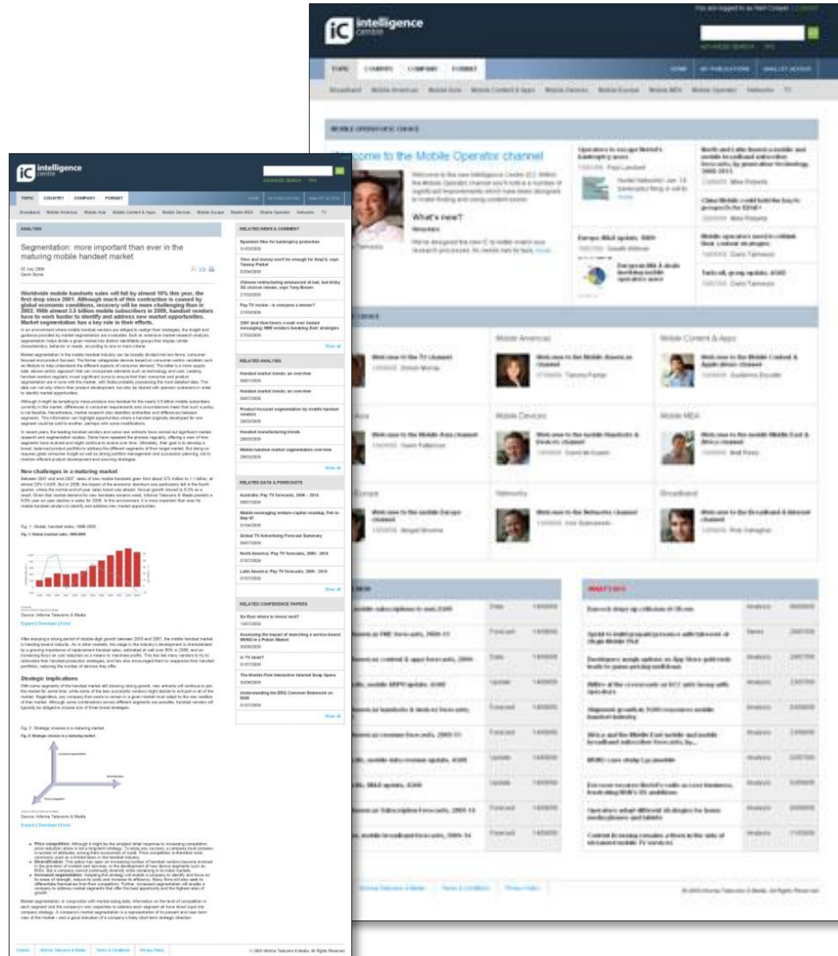
Intelligence Centre: our flagship research product

A focused online business tool for those in and serving the telecoms and media industries. Includes:

Trend and topic analysis - what key issues do players need to address, what are the competition doing and where are the real opportunities?

Dedicated company/country coverage - what is happening, what are the key players doing, how big is the market and what are the specific trends?

Dedicated and frequently updated datasets - how big is the market forecast to be, how do the markets and companies compare and what are the trends?



More and more operators are including over the top video within their strategies

A myriad of different strategies and business models

- Content
  - Own channels and content, other broadcaster channels, other third parties (typically movie studios), UGC
- Delivery
  - Download, streaming, to PC, TV, mobile.
- Business models
  - Free, a-la-carte, “freemium”, subscription, ad-funded

Four key issues for operators

- How can they make the business model work for online video?
- How do operators secure the best content for their services?
- Should operators include “over-the-top” video as part of their IPTV strategies?
- Should operators work with broadcasters and other third party video providers, or compete with them?

Offering Live TV

- **For example:** UPC (Switzerland, Netherlands and Poland), Ziggo (Netherlands), YouSee (Denmark)
- Offer a live streamed TV service, replicating their TV roles online
- Common amongst cable operators as retransmission laws mean they often do not have to do deals with the broadcasters
- Offer a limited number of channels. Cablecom in Switzerland offers 20 channels
- A very cheap and easy service to set up
- Services have some limits (no out-of-home viewing)

Services have had some success

Cablecom Web TV service metrics, May-09

- Service has 20 channels, including international content from the UK, France and Italy
- A small proportion of Cablecom's customers – estimated by the operator to be about 10% – use Live TV
- Viewers spend 12-15 minutes watching each channel
- Documentary and sports channels are viewed longer than average

Ireland: Magnet taking advantage of slow-moving broadcasters

- Live Web TV service for all broadband subscribers
- Live streaming of all four terrestrial TV providers
- First location that any channels were available online and remains the only place where all four are aggregated together
- But no exclusivity
- Plans to add further channels

Offering on-demand content

Deutsche Telekom: Tackling iTunes head-on

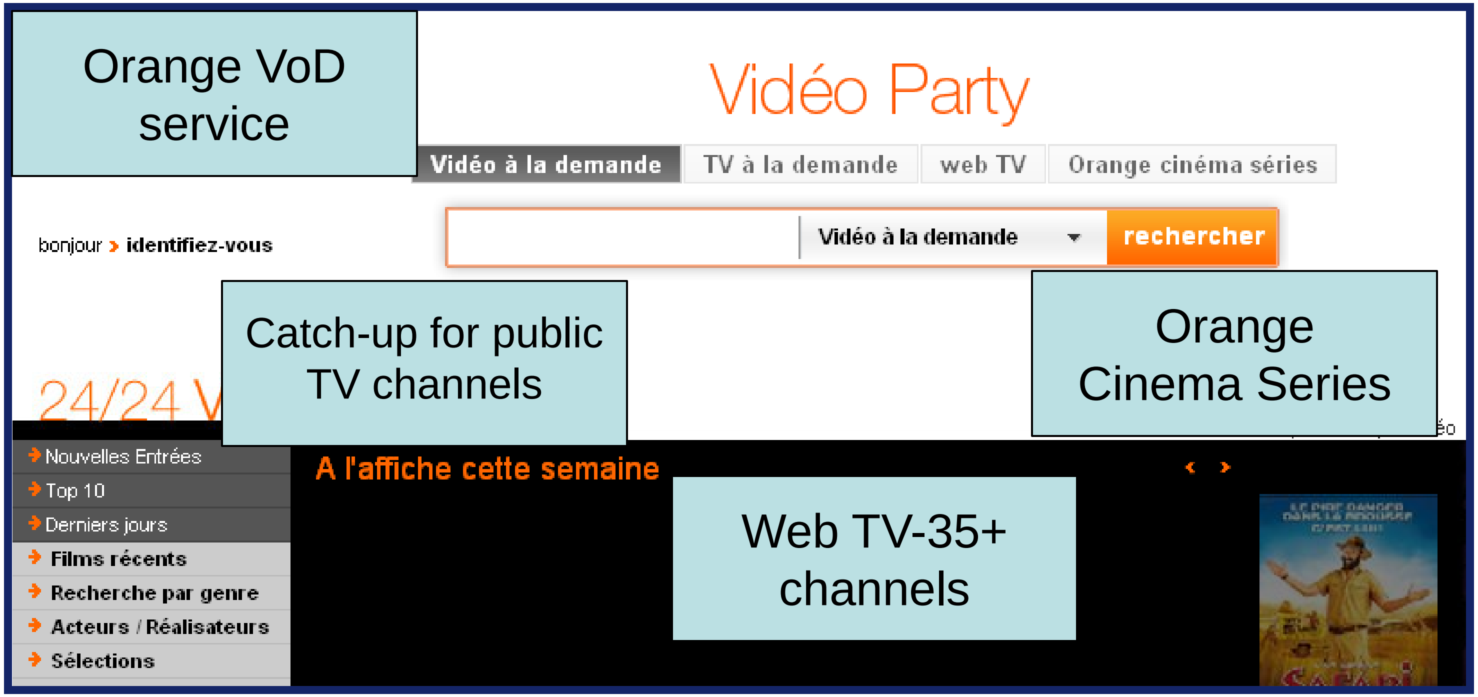
- Videoload service in Germany; Origio in Hungary
- Premium paid for movies and TV content; recently launched ad-funded VoD
- Early mover-launched music before iTunes and built on this. Remains #1 VoD provider in Germany
- Service was built from the ground up but is now part of DT's IPTV service
- A good role for an operator in markets where iTunes does not dominate (it has launched video in only three Euro markets to date)
- Potential pitfalls:
  - A very difficult business to be in
  - Difficult to enter-iTunes and other markets
  - An unlikely play to make in the IPTV era-operators look to the TV first

Offering on-demand content
Telefonica: "The Hulu approach"

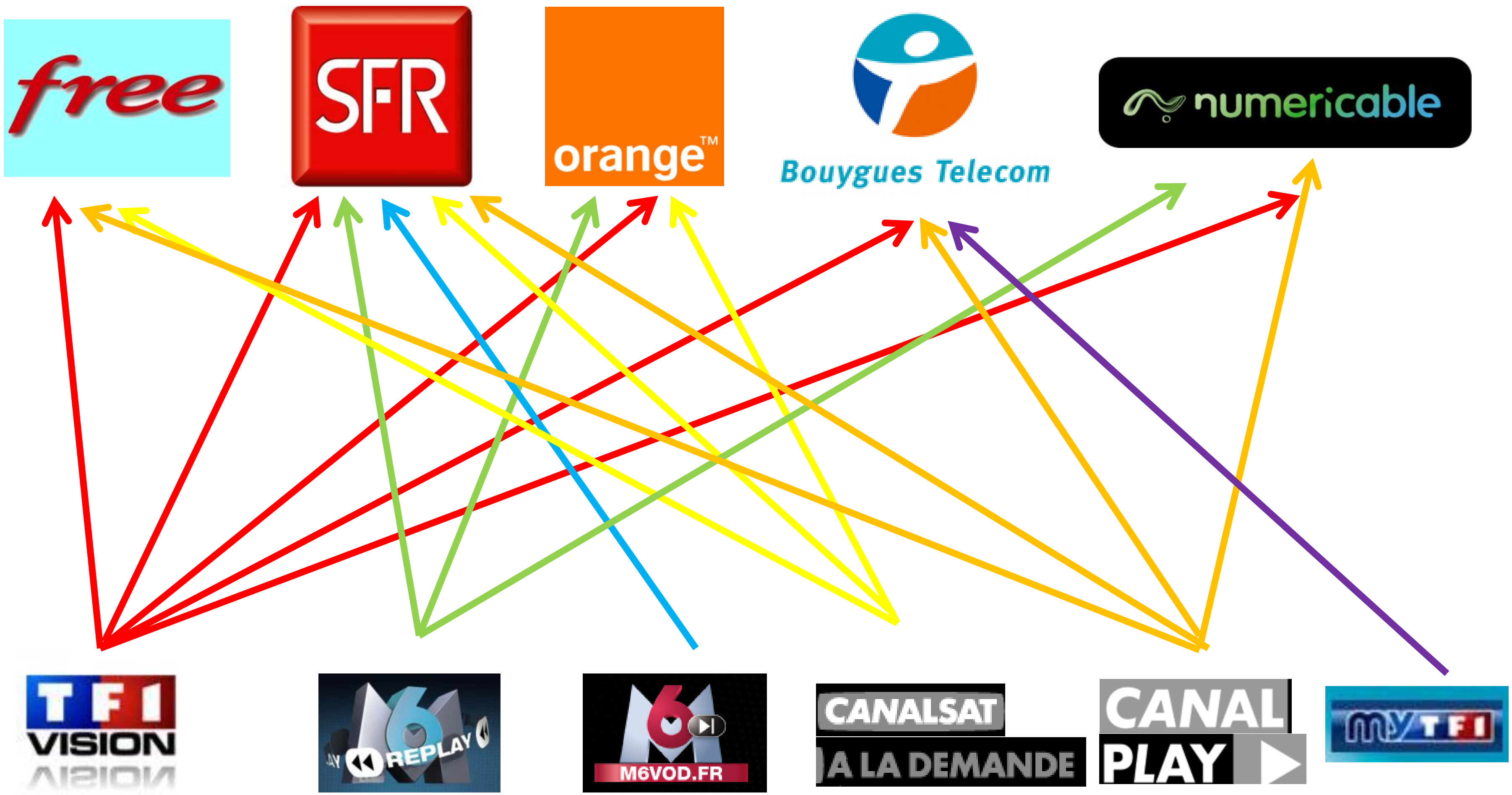
- **What:** Terra TV: A Hulu-style service that aggregates premium content from a variety of sources and shows for free, supported by advertising
- Not linked to any TV channel in particular
- Content deals – Disney, A&E, Fox, Sony, Universal Music, IOC
- "Short form premium content" such as *Chica Busca Chica*.
- **Pros:**
  - **Fulfils the role of the aggregator**
  - **Can use both long- and short-form content**
  - **Free has a crucial role to play in Spain, where copyright infringement is higher than almost any country in the world**
- **Cons**
  - **Difficult to acquire the most premium content**
  - **Cannot truly offer the "Hulu" model**
  - **Telefonica is relying on a strong internet arm to offer this**

The ideal case: one subscription, any screen

Orange attempts to make any content that users subscribe via the TV via the PC



French operators: working with the broadcasters..



..and other 3rd party video providers

IPTV operators at the centre of France's online video ecosystem

Documentaries

Live music

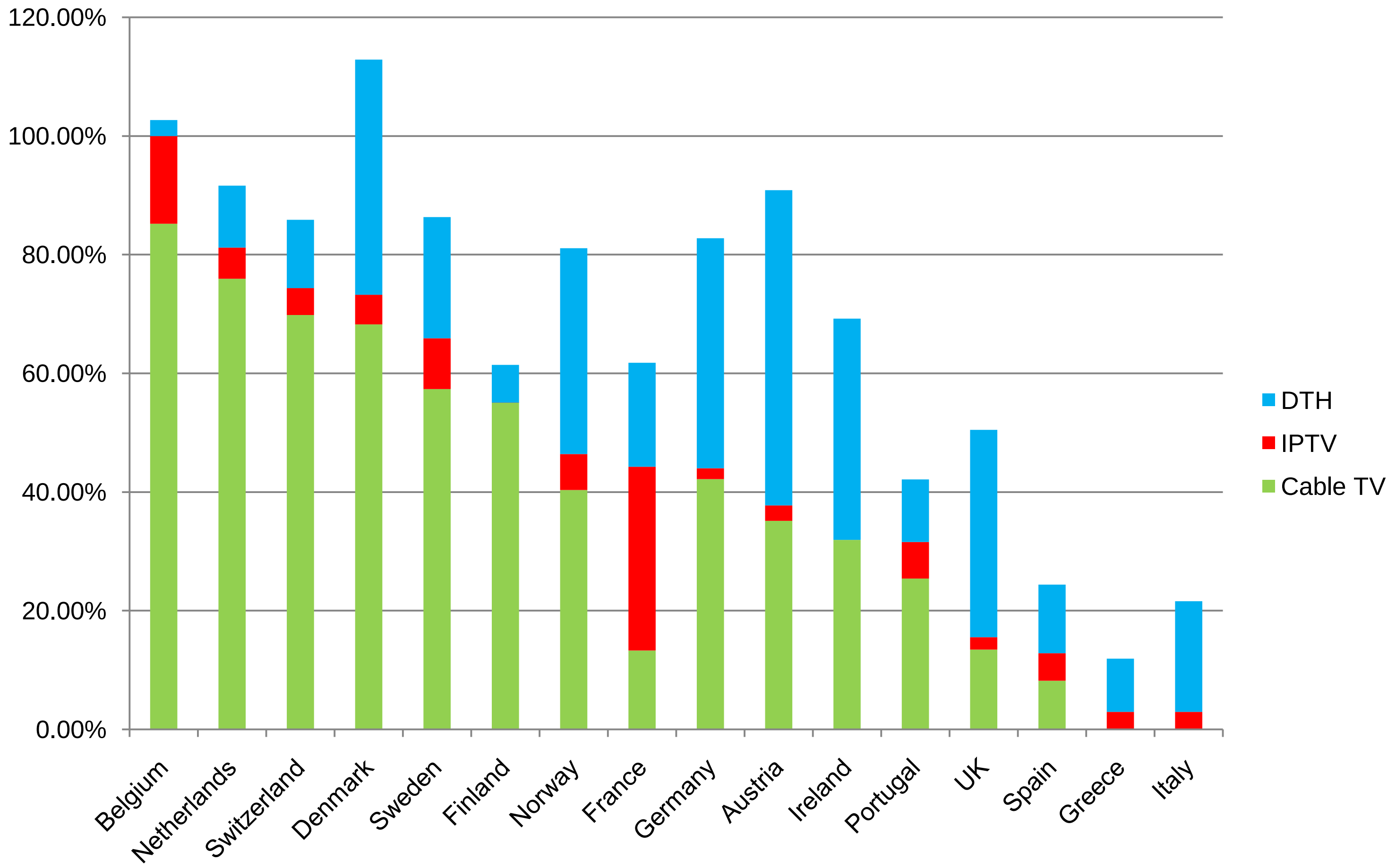
Retailer

European Cinema

DVD rentals

Where else could this happen?

Europe, penetration of pay TV platforms in selected markets, 2Q09



Video providers will have numerous other routes to the TV

(both Germany)		
Canal+ (France), Microsoft (US)	Deal	Video

Microsoft (US)	Launch	Video

Netflix (US), Sony (Japan)	Partnership	Video

Sony (Japan), MLB, LucasFilm (both US)	Deal	Video

Sony (Japan), NOS (Netherlands)	Deal	Video

The opening of the TV ecosystem

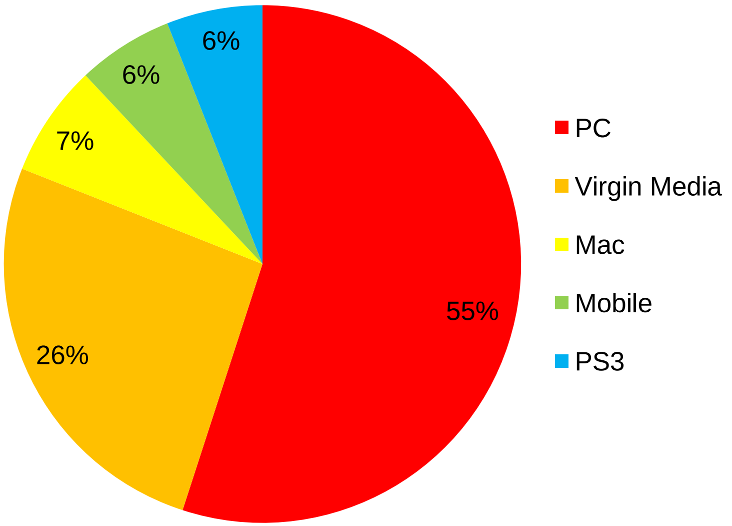
Content provider	Enabler	Platform
Third party-must do deals with operator	Operator	Operator TV platform
Third party: deals with operator not necessary	•Operator (API or direct deals) BespokeAPI provider (Yahoo!); STB; (Roku); Open spec STB (Canvas); Connected TV (Phillips); Games console (Xbox 360)	•Operator (API or direct deals) BespokeAPI provider (Yahoo!); STB; (Roku); Open spec STB (Canvas); Connected TV (Phillips); Games console (Xbox 360)

There will still be a role for operators despite the entrance of OTT players

"It (application) works much better with Verizon than Yahoo"
Feedback on widget usage received by Informa,, 2009

	iPlayer launch	Addressable base
Virgin Media	Apr 08	3.5m TV customers
PS3	Dec 08*	2.5m PS3s sold

iPlayer usage by platform, Sep-09



An unofficial iPlayer application was launched in Apr-08 and the PS3 appeared on the BBC's list of iPlayer-supported devices from Dec-08. An official iPlayer application was launched by Sony in Sept-09

5 things operators can do to stay relevant

- Open up to third party online video providers
  - For linear and on-demand content. Telekom Slovenije offers managed and over-the-top video via IPTV; little discernable difference to the customer over which is which
- Offer innovative services that improve the video experience
  - Eg CDNs, interactive/personalised advertising
- Work on standardisation
  - Eg BT/TalkTalk involvement in Canvas. Operator-specific application stores won’t work in the long-run
- Use their marketing clout
  - Sign-posting and promoting available services
- Bundle intelligently
  - Subsidising/bundling content with broadband/fixed-line to reduce churn

Closing thoughts

- Few operators will be able to develop over the top video services that match the market leading services in their countries
- Operator services most likely to succeed are those that treat the PC as merely another screen that consumers can access their content from
- IPTV and cable providers will be crucial to the continued growth of catch-up TV services
- Operator exclusivity over the TV screen has disappeared, but they will still play a crucial role in the area

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Thank you.

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