

Euroreg' 2014 – Limits to global convergence

Global contents and rights markets – New content concepts and strategies

27 March 2014 • Lluís Borrell, Roland Husson, Nico Flores

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Key questions

- What is driving TV new concepts and strategies?
- What are the key characteristics of new TV concepts and strategies?
- How are TV product development and strategies changing?
- How could IP-based TV impact the European TV industry?
- Is there any need for regulation?

This is a lot of key information for only 15 minutes!!
This presentation aims at providing some initial perspectives
to help the discussion

Key messages

- **New TV concepts and strategies are a must** to respond to consumer demand and competitive pressures from IP-based TV services (e.g. OTT)
- New TV concepts are **increasingly complex** to develop:
 - number of key characteristics
 - number of features for each characteristic
 - increasingly **software-based**
 - **Fast pace** of (technology) changes requiring new skills and talent
- TV strategies are increasingly based on **collaborative partnerships and competitive tensions**
 - business models are not settled and the value chain is not stable – often revenue share models
- However, **securing TV content (upstream) and connectivity (downstream)** continues to face the same hurdles as in linear TV
 - to support growth and innovation, ex-ante regulation unlikely

... and to respond to consumer demand and expectations in media consumption

New contents consumption trends

What I want...

Live, VOD, catch-up, UGC

When I want...

Linear and non-linear

Where I want...

TV, computers, smartphones, tablets

At the same time as...

Interactivity and augmented content

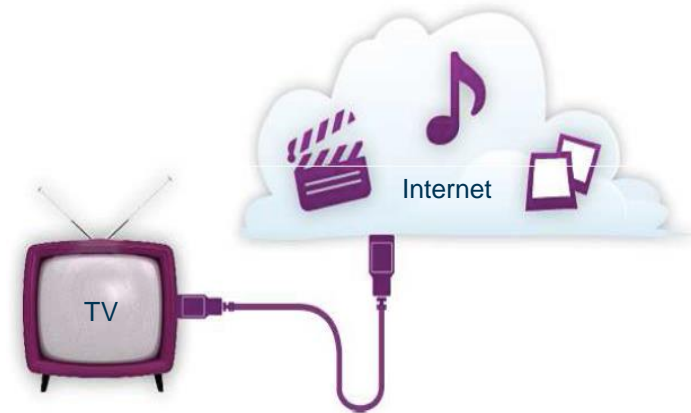
With...

Social networks, recommendations

Easily

*Pure players, operators and brands
apps, portals, widget*

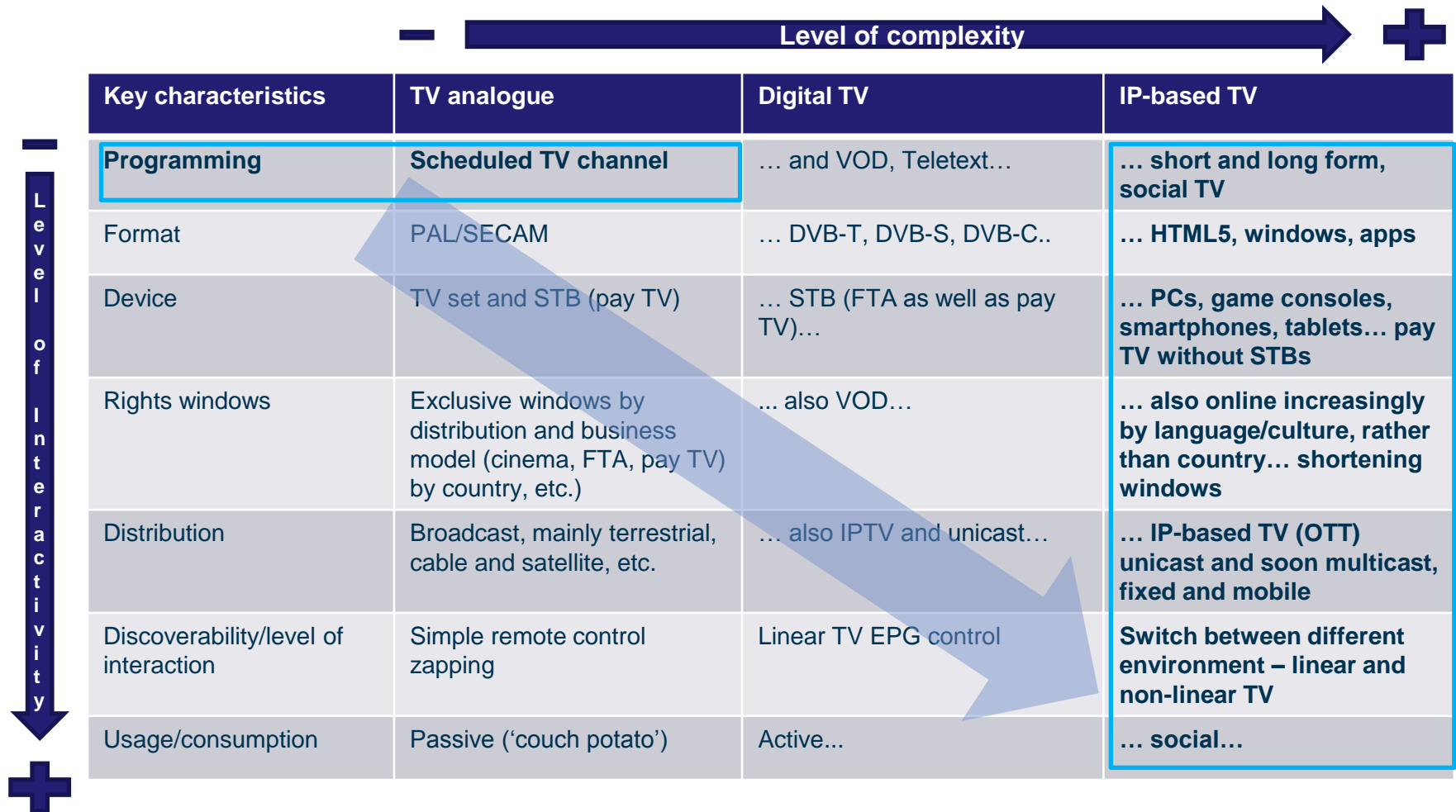
Connected TV answers these new trends



- The consumer has a choice between content
- Contents can be live or not
- Consumption is multi-tasking
- Access is easy and rich
- Usage can be individual and shared

New TV concepts are increasingly complex, both in key characteristics and features...

Illustrative conceptual framework – New TV concepts and products



... also faster (technology) developments requiring new skills and talent

Technology and commercial

- **Product development cycles shortened – years to months**
 - TV set (7–10 years)
 - STB (3–4 years)
 - new TV platforms (12–18 months)
 - smartphones (less than 12 months?)
- **Fragmentation of standards and issues of interoperability**
- **Significant R&D, increasingly software-based**
 - in-house
 - M&A
- **Rights** – changes of windows
- Copyright protection
- Metadata and privacy

Policy and regulation?

... leading to a fast growing number TV concepts and strategies over last 10 years

Launched in 2005. 15% of all peak residential downstream traffic in North America (as of H2 2012). Over 800 million unique visitor each month

Prime Instant video platform launched: 3-4mn subscribers in the US (Oct 2012)

Launch Internet VoD in 2007. Hulu and Netflix VoD introduced – 33mn members for Netflix (early 2013)

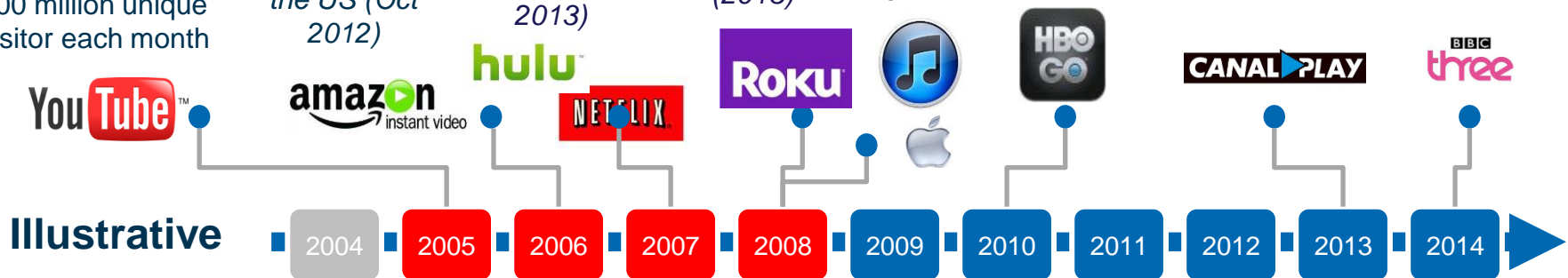
Roku launch of connected STBs – 700 channels offered (2013)

Launched in 2008. Includes content from iTunes, Netflix, YouTube, and Flickr

Launched STB: 6.5mn registered users (April 2012)

Launch of new Canalplay by Canal+ (2013)

BBC3 discloses its plan to become an online channel (March 2014)



European “incumbent” players reacting and adapting their strategies mainly over last 5 years :

- BBCiplayer launched 2008
- OTT and broadcast channels increasingly combined (e.g. Canalplay, BBC3 online in 2013 and 2014)
- Partnership with OTT (e.g. Virgin Media/Netflix in 2014)

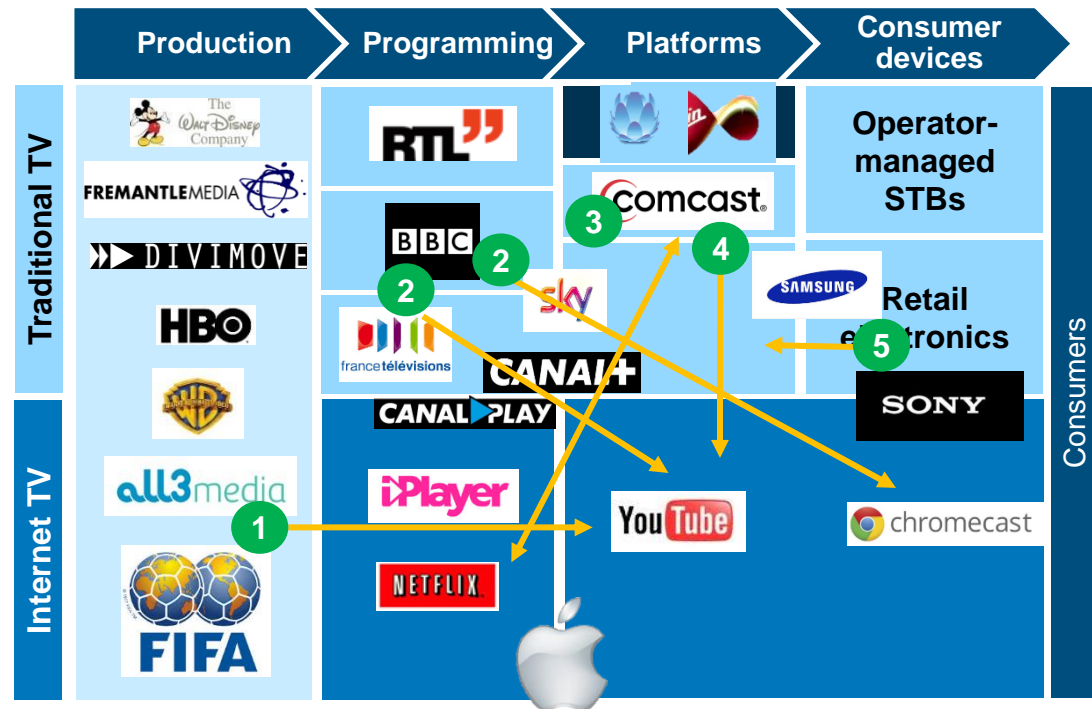
all3media

Leading independent TV studio delivering content direct to consumers (March 2014)

There are many different TV partnerships and strategies

Extended TV value chain – new global competition, selected examples

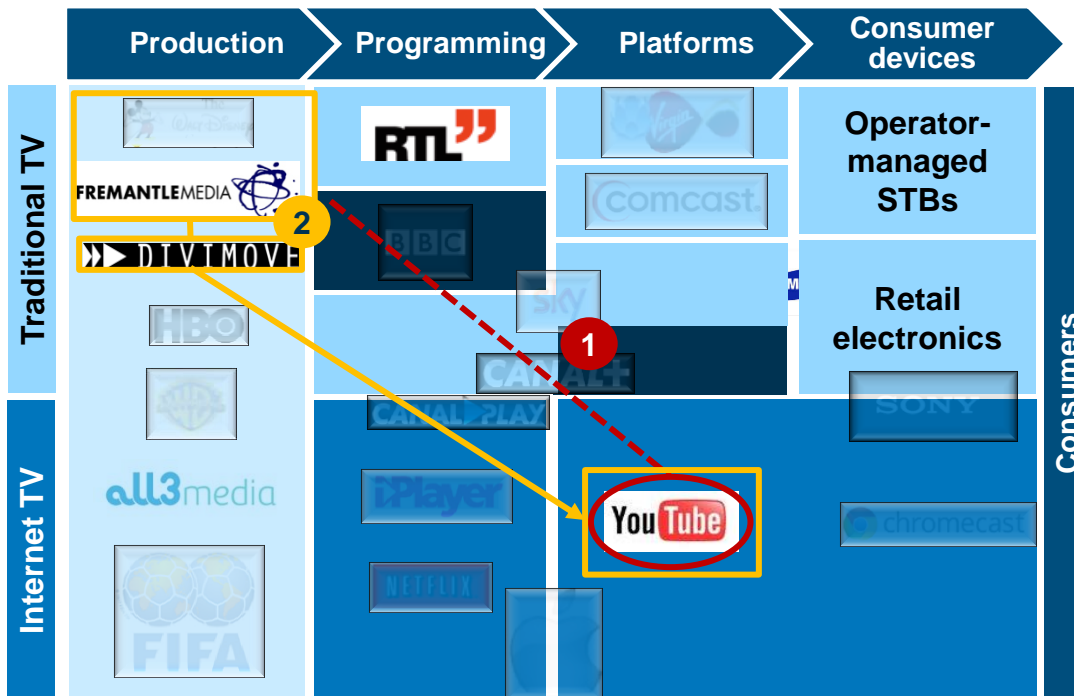
- 1 Producers go direct (All3Media)
- 2 Broadcasters go for OTT and smart TV
- 3 Pay-TV platforms embrace OTT players (Virgin Media, Comcast and Liberty and Netflix)
- 4 Pay-TV integrated platform (ie. Horizon)
- 5 Manufacturers develop platforms with smart TV (Samsung, Sony)



Business models - subscriptions, downloads, advertising, metadata .. - are not settled and the value chain is not stable – **vertical vs horizontal open platforms**

1 Partnerships and strategies: producers go direct to OTT platforms

Extended TV value chain – new global competition, selected examples



--- Potential competitive relationship

— Partnership

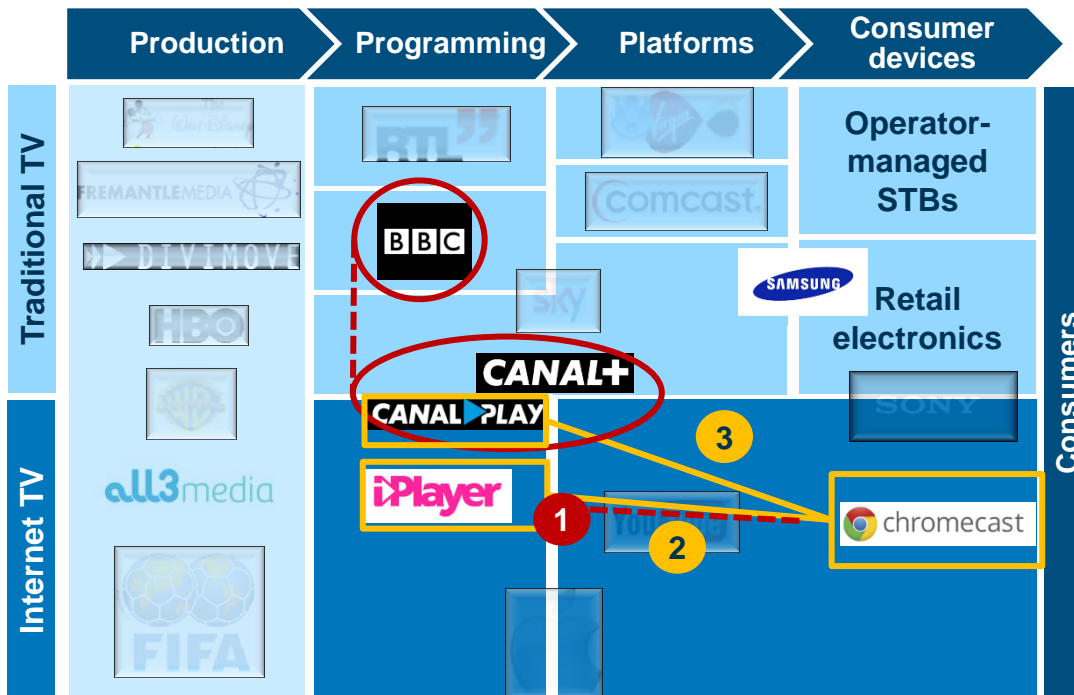
Value chain dynamics

- 1 Freemantle and YouTube compete on advertising revenue
- 2 FremantleMedia has recently started a strategic partnership with Divimove, which operates more than 950 YouTube channels that offers **access to OTT viewers**

In the USA, Disney is currently partnering with Maker Studio, one of the biggest producers of videos for YouTube's channels

2 Partnerships and strategies: broadcasters go OTT with aggregators and platforms

Extended TV value chain – new global competition, selected examples



- Potential competitive relationship
- Partnership

Value chain dynamics

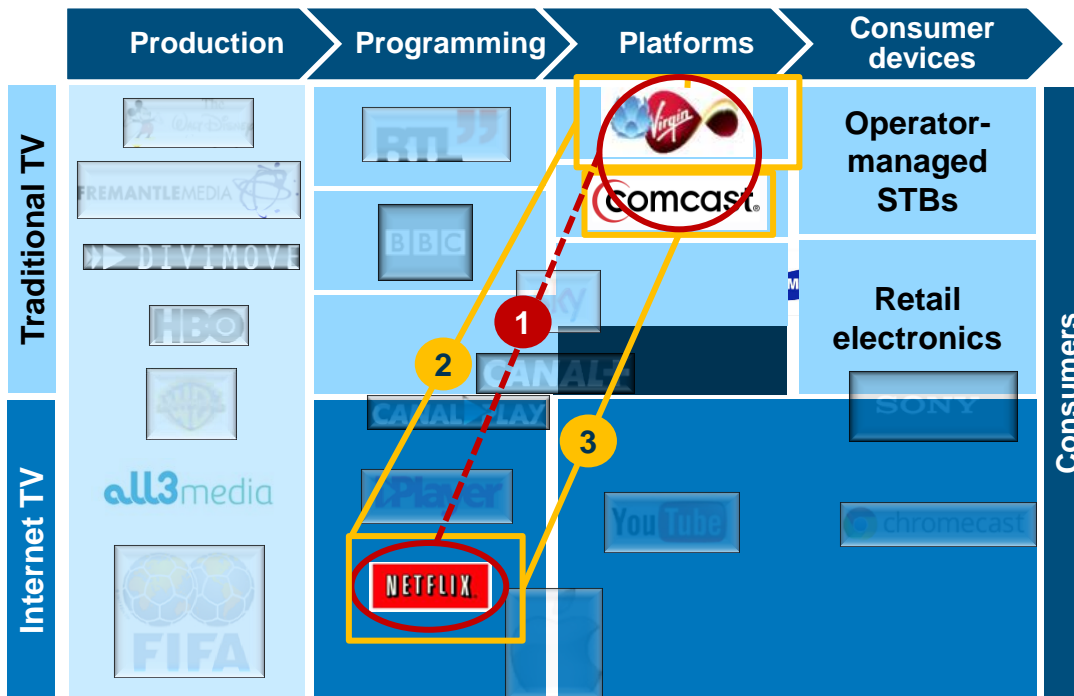
- 1 In Europe, Chromecast is currently partnering with broadcasters – **potentially competing in advertising and subscriptions:**
- 2 Chromecast's partnership with iPlayer **ensures access to BBC content through the iPlayer app in addition to own iPlayer web and youtube**
- 3 Chromecast's partnership with Canalplay gives privileged **access to VOD content from Canal+ on app in addition to own web and youtube**

* Chromecast, launched in July 2013 in the USA, has been made available by Google in 11 additional countries in March 2014 (e.g. UK and France)

3 Partnerships and strategies: pay-TV

4 platforms embrace OTT

Extended TV value chain – new global competition, selected examples



- Potential competitive relationship
- Partnership

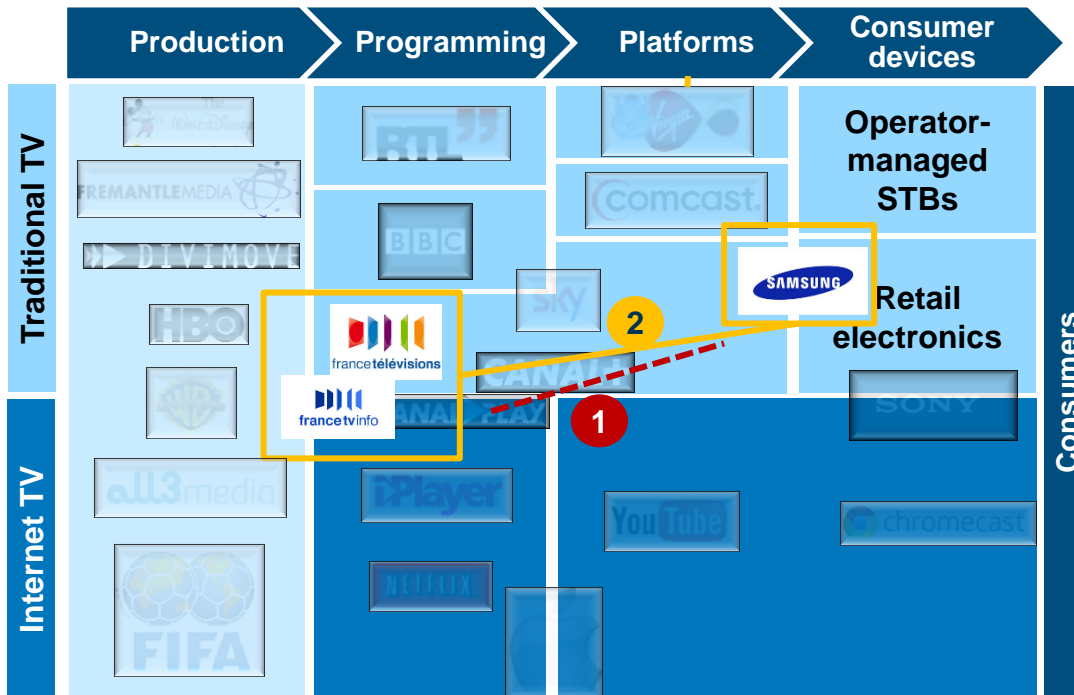
Value chain dynamics

- 1 Virgin Media and Comcast can possibly **compete** with Netflix on **content acquisition, subscriptions and owning the subscriber**
- 2 Netflix's partnership with Virgin Media: Netflix has **access to the partner's wide subscribers' base** while sharing its content
- 3 Netflix's partnership with Comcast (cable and broadband provider in the USA): Comcast ensures that Netflix provides **better quality access** to its customers*

*Paid peering agreement: transit and interconnection agreement
Netflix pays Comcast to connect to its network

5 Partnerships and strategies: manufacturers become platforms with smart TVs

Extended TV value chain – new global competition, selected examples



- Potential competitive relationship
- Partnership

Value chain dynamics

- 1 Samsung might **compete** with France Televisions on **advertising** (metada?)
- 2 Samsung's partnership with France Télévisions offers it **access to FTA viewers** using SmartTV ecosystems

March 2014: FranceTV Info on smart TVs with a specific app

"We hope we've invented a connected-TV model"

Bruno Patino, Vice President of Programming, France Télévisions



Overall, securing content and connectivity continue to face the same hurdles (1/2)

- In this context, IP based TV business models are in flux to build users and viewers, trying to monetise it typically based on revenue share
 - who **controls** the viewer/user?
 - how is **value** monetised? What is the '**currency**'?
 - how is the value **shared**?
 - '**bigger**' players get it all?
- **Securing/creating content upstream**
 - access to content: advantage to big players with purchasing market?
 - risk of exclusivities?
 - disadvantage for 'smaller' European vs. US players?
- **Securing connectivity and reaching the consumer downstream**
 - ensuring connectivity quality most important?
 - net neutrality issues and pay for managed services are likely?
 - risk of exclusive distribution models as with linear TV?

Overall, securing content and connectivity continue to face the same hurdles (1/2)

- This might require public intervention if concerns arise:
 - **competition** and consumer concerns
 - **Copyrights** and associated **metada**
 - **media** (and telecoms) **policy goals** (cultural diversity, universality) are not preserved
- But non linear market is **relatively small and fast-changing driving growth and innovation** to the benefit of consumers
 - so '**ex-ante**' intervention seems **unlikely**



It is your decision to win by responding to consumer demand and competitive pressures looking for right partnerships and business models – **despite competitive concerns, collaboration is needed, no action is not an option**

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