

TV EVERYWHERE:  
IF EVERYONE IS RUNNING  
THE 100 METER DASH...

WHO IS RUNNING  
THE MARATHON?

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The history of premium content tells us that if content has value and is not restricted in access, the opportunity to monetize that content is lost. It's a simple, sensible principle, but one that has not yet been fully applied to media consumption online – a startling phenomenon, particularly as broadcast and cable companies quickly migrate toward broadband distribution. Today, we see a cable company like Comcast acquire NBC for the simple reason that Comcast sees a future in content distribution – one where they'll be granted the exclusive ability to exercise more business models on NBC's content. In doing so, Comcast can extract more value (money) from this premium content over the long term.

Comcast's deal with NBC and the launch of their TV Everywhere initiative, Xfinity, signals the start of a race that over the next couple of years will result in new technologies, corporate ownership changes, strategic alliances and new market entrants - all in an effort to capture the broadband opportunity. Already, telco brands like AT&T and Verizon FiOS have purchased mainstream content rights and are building out competitive offerings, serving notice to the cable and satellite industries that a new threat has arrived. Consumers are also playing a pivotal role. Based on strong demand, consumer electronics manufacturers have expressed a strong interest in capturing market share around this new opportunity. Companies like Apple are showing an early market advantage with proven business models like iTunes and Internet giant Google is well-positioned to attract TV viewers, thanks to its success with YouTube.

Clearly, online video broadband distribution will be a hotly contested arena, and at this point it's anyone's race to win. **However, in order for cable to succeed with TV Everywhere in the long term, these four critical challenges have yet to be met:**

- 1. Scalable Publishing and Rights Management**
- 2. Monetization**
- 3. Flexibility**
- 4. Content Production Costs**

At the Starting Line – Cable's Late Start

For many years now, cable operators have been deeply entrenched in the post-consolidation era of the U.S. cable industry. Territories have been well established by large operators like Comcast or Time Warner and all show limited differentiation, carry most of the same content offerings and have similar price points and subscription models. Overall subscriber bases have stayed relatively stable and routinely ebb and flow with competition from satellite services, and to a limited degree, new telco video offerings.

Over the last ten years, cable operators successfully thwarted competition from emerging Internet Service Providers (ISPs) by up-selling premium broadband services to existing cable subscribers and dramatically increasing their Average Revenue per Subscriber (ARPU) in the process. But while cable operators locked up the broadband connection to the home, they failed to connect with their subscribers with relation to core content distribution services. Cable did little more than act like a utility company providing power or water to the home, in exchange for a small fixed fee.

As broadband services flourished, a series of disruptive side effects boomed, transforming almost every industry across the globe in one way

or another. For traditional media companies like newspapers and music labels, a complete overhaul of the business model was necessary to stay solvent.

For cable, risks associated with unprecedented access to mainstream programming via legitimate vehicles (ad-supported Web portals like Hulu, AP, Yahoo, YouTube) have triggered a revelation - the value of the subscriber-broadband relationship. Due to this existing subscriber relationship, cable operators have found that if managed correctly, they can fend off competition from Over-the-Top (OTT) and telco models in much the way they did over emerging ISPs in the late 1990's.

Another advantage maintained by cable operators is that content creators stand to extract more value for their content by monetizing it through existing subscriber relationships rather than attempting independent advertising initiatives or their own direct to consumer initiatives. To amplify subscription-related revenue, they can further engage viewers through Web exclusive programming and branded social media offerings over the Web.

## **AND THEY'RE OFF! THE RACE TO TV EVERYWHERE**

When the concept of TV Everywhere entered the equation, the starting gun essentially went off. TV Everywhere was defined as an offering that would provide access to Cable Network programming on any Internet connected device, conditioned upon the consumer having an existing subscription relationship with the TV Everywhere-enabled cable operator.

Currently, the industry is centering initial TV Everywhere trials around a solitary solution controlled by industry titan Comcast – first named On Demand Online and now called "Xfinity." On the surface, it appears that other industry players are acting defensively by consolidating around a Comcast solution - rather than seeking a way to differentiate themselves in the market. To quickly establish a market presence, this may be the best way to approach an early deployment. If other cable companies view TV Everywhere as a long term opportunity, however, they are going to have to start behaving much differently than they are now.

To create a truly compelling service, operators will need to look beyond the short term launch of Xfinity and implement a service that prepares them to execute and compete in the race ahead. In order to do that, cable must overcome four critical challenges facing TV Everywhere in the long term: Scalable Publishing and Rights Management; Monetization; Flexibility; and Content Production Costs.

## **SCALABLE PUBLISHING AND RIGHTS MANAGEMENT**

The concept of TV Everywhere is just as the name implies. Under its premise, one should be able to access his/her TV from "anywhere." In theory, this sounds great, but it is unlikely that anyone fully understands what it will mean from a content workflow and publishing point of view. In a fully featured TV Everywhere world, this could mean multi-platform variants for content consumption happening **every minute for every channel, 24 hours a day**. Already, companies are struggling to take existing linear digital content and slice and dice it into many different versions for many different platforms. For example, one media company

must publish sports and news highlights in abbreviated form on mobile and outdoor advertising no more than 20 seconds after the event aired on the television channel. Apply this across an entire digital offering and you have a good sense of the scaling and diversity needed to cater to the daily consumption needs TV Everywhere consumers will demand.

To further complicate things, content that is served to multiple platforms will require a very flexible rules-based engine allowing multiple methods of payment, packaging and rights to access the content. It's easy to imagine a scenario where on a Saturday afternoon, highlights for goals or touch downs would be sold to consumers on mobile phones for a subscription fee. If this service needed to be packaged for all sports on a network on a minute-by-minute basis - and then instantaneously published on different platforms with different business models - it would create a very intense and fast moving environment. A consumer's consumption habits on the Internet have often been likened to "snacking." As such, companies who want to flourish in this environment must have the operational capacity to provide for digital snacking in all its many derivatives and flavors. As such, preparing for TV Everywhere means looking beyond the very early initiatives and building a system that will accommodate future needs.

## MONETIZATION: TO PAY OR NOT TO PAY?

Unfortunately, the ad-supported versus pay model debate has still not been settled, and companies lose money (and relevance) every day that digital media content is produced without payment.

It is therefore very important to identify content and quickly establish if it has potential pay value from the beginning. **The monetization advantages of TV Everywhere are the bi-directional nature of the Internet and the diverse platforms that content can be consumed on.** Content that had no pay value on one platform could now have pay value on another platform. Adding interactivity or social aspects to programming has also proven to be very successful, and programs like American Idol generate millions of mobile phone interactions per episode. Essentially, while a base program may be exploited by an advertising model on television, it can also be augmented with other pay models on other platforms.

Reaching the consumer on a platform by using the Internet allows you to break away from the traditional linear television model - allowing for on-demand content and servicing niche needs. Providing for as many of these opportunities as possible, in as flexible a manner as possible, is fundamental to capitalizing on the long term value of TV Everywhere. Securing these various pay packages on a number of different platforms will require a system that can apply multiple distribution formats, multiple digital rights systems and multiple payment gateways. All these variants should be able to be very simply applied to the content and presented to the consumer in a rapid and easy- to-use manner.

## FLEXIBILITY

Consumer habits and interests are constantly changing, so in order to capture the TV Everywhere opportunity, it is imperative the systems can accommodate change as rapidly as the consumers themselves. Programmers of the successful TV Everywhere systems of the future need to be aware that the most important factor will be change - and it will be constant. That constant change is being felt already today: no one would have known this month that the media would be captivated by golf -- and that the event that had them enraptured would not take place on a course.

These types of changes present a number of opportunities for TV Everywhere that can only be harnessed using an underlying infrastructure that can accommodate them in a **short period of time and in an automated fashion.** The TV Everywhere operator of the future needs a tool that can search, retrieve and compile packages of content on various platforms using meta data and archiving tools that can reuse valuable content when the opportunity presents itself.

## CONTENT PRODUCTION COST

Fortunately, moving to the Internet brings with it a number of technologies that can be specifically applied to automate and scale processes with little or no human interaction. It's always amazing to do a search on Google knowing that everything on the Internet is catalogued and indexed with little or no human intervention. TV Everywhere systems need to be able to do the same with video as well as adapt to different platforms and apply different business rules to monetize the content. In short, it must include an interface as simple as Google's for consumer access.

Costs are the fundamental reason for automated processes, as once the transition has been made to TV Everywhere, the cost of producing every variant of content will play a very important role. Unlike conventional television targeted towards mass audiences, where the production cost is distributed across many, TV Everywhere is distributed across a fragmented "snacking" audience, making cost per consumer much higher. The production and preparation cost of a piece of traditional broadcast content could be thousands of dollars, but it is done once and distributed to many.

With the fragmented distribution across broadband and multiple devices, however, publishing technology is needed that can automatically take that content and distribute across platforms. Any human interaction in the process, with the exception of case-by case editing, would never work for providing near real-time content. Imagine if every broadcasted touchdown in the above sports example was manually done by a person for distribution on every platform? The economics would outweigh the opportunity.

The same is true for TV Everywhere, and therefore it behooves those entering this business to look beyond the basic initial deployment and create from the outset a system that can economically support future business.

## **DO NOT GET DISTRACTED BY SPRINT STRATEGIES – TV EVERYWHERE IS A MARATHON**

It is fundamentally important that any content providers wanting to benefit from TV Everywhere, broadband and online video opportunities find a versatile, long-term solution that can overcome these challenges. It is never beneficial to let one or two companies do the leg work for the entire industry – innovation is bred from competition. The four challenges described above – Scalable Publishing and Rights Management; Monetization; Flexibility; and Content Production Costs – have not been fully addressed by any TV Everywhere initiative. It is here that other cable companies have an opportunity to differentiate themselves and simply “do it better.” The next few years are going to be formative, so I ask of the entire industry – understand the limitations, explore your options and simply start running. With a robust, flexible system with the experience to overcome all four challenges, companies stand a better chance at finishing – or even winning – the TV Everywhere race.

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