informa
telecoms & media
Your global research partner

The Future of TV:

Strategies for Becoming Connected, Social and in the Cloud

www.informatandm.com

informa
telecoms & media

Contents

Working with Informa

Informa Telecoms & Media's strategic insights, key market data and forecasts have led the market for more than 25 years. We have 65 analysts in nine research offices offering pragmatic and actionable advice to the leading global players in the telecoms and media sector. Our clients represent all parts of the value chain, from telecoms operators to pay-TV providers, from content providers to device manufacturers. Our syndicated research and comprehensive databases provide vital data and analysis focusing on the global telecoms and media markets, and are widely used and valued by industry professionals and thought leaders. We also provide a range of consultancy and bespoke research services, including white papers, webinars, strategy sessions and executive presentations.

For more details on Informa Telecoms & Media and how we can help your company identify future trends and opportunities, please contact dominic.offord@informa.com

The outlook for IP&TV

Don't let change happen to you

Rob Gallagher
Head of Broadband & TV Research

The impact of the Internet has been so great that it's hard not to blame some industries for feeling apprehensive about its onward march into our lives and businesses.

Take the music industry. To some, the 'Net's greatest contribution has been to allow unscrupulous individuals and entrepreneurs to share music without permission.

But it can't be denied that it has also allowed a much greater variety of artists to reach more music lovers worldwide. Only recently have some in the music industry started to treat this fact as an opportunity rather than just "the best of a bad situation".

It is heartening then that the results of our 2012 Future of TV survey appear to paint a fairly optimistic picture about the outlook for the TV industry as it stands on the cusp of major change. A clear majority of the TV, telecoms and Internet executives who answered the survey predicted that overall subscription and advertising revenues would increase over the next five years or at least stay the same (see fig. 1).

It soon becomes clear, however, that many in the industry believe that some players will fare better than others. Less than half of all respondents thought that IP-delivered video would have a positive impact on traditional TV businesses in the years up to 2017 (see fig. 2).

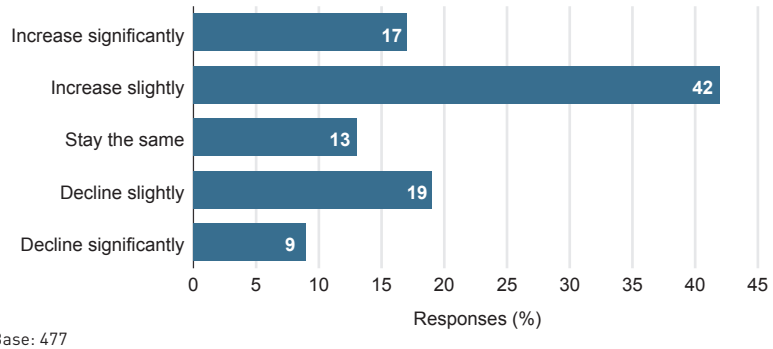
Dig a little deeper and you find the least amount of optimism for those most traditional of TV firms – the operators and broadcasters (see fig. 3). Relative new entrants to the TV world – the Apples, the Googles – scored the highest.

Respectfully, we at Informa Telecoms & Media disagree. It's easy to see why types of company built on old business models might be threatened by new Internet players, but there's no reason why any individual firm can't use the same technology to its advantage.

The Internet has wrought a dramatic change on industries because it lowers barriers to entry – and not just to start-ups. Meanwhile, very real –

Six out of 10 expect TV revenues to grow

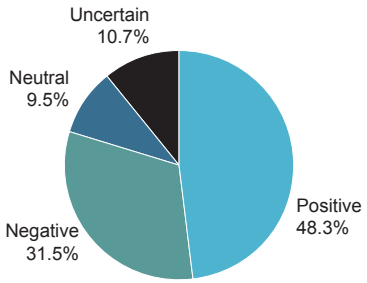
Fig. 1: How do you think overall TV revenues will change over the next five years?



Base: 477
Source: Informa Telecoms & Media

Industry split on the impact of IP on traditional TV

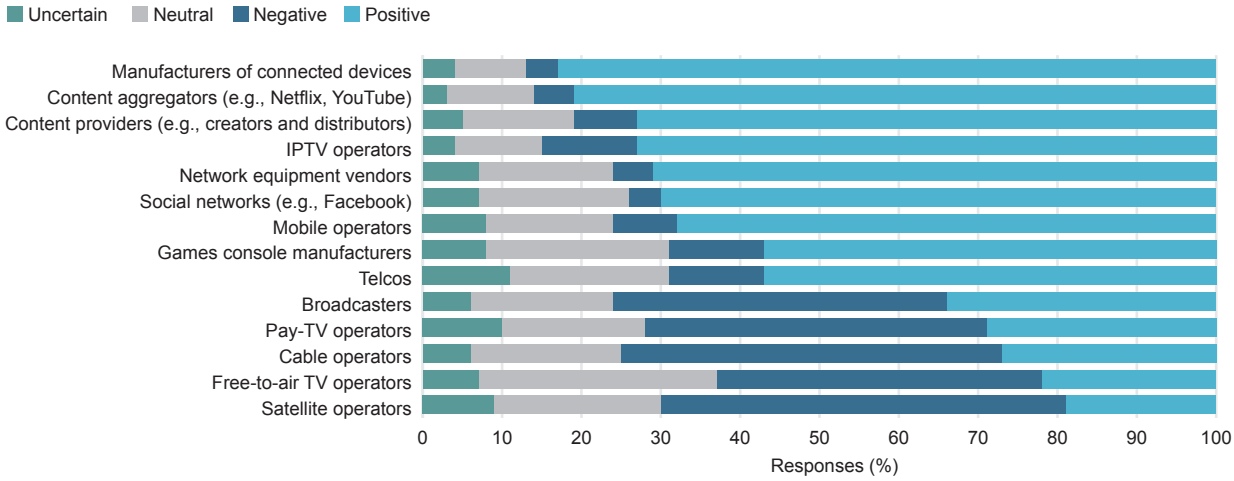
Fig. 2: What impact will IP-delivered video have on traditional TV businesses in the next five years?



Base: 477
Source: Informa Telecoms & Media

Greatest pessimism reserved for TV's old guard

Fig. 3: As consumer adoption of IP-delivered video grows, what will its impact be on the following groups of companies in the next five years?



Base: 477
Source: Informa Telecoms & Media

and very high – barriers continue to exist, such as the ability to secure the right content, create a great user experience and get customers to pay. The connected-TV market is a pertinent example of where Apple and Google have yet to surmount two or more of these obstacles.

But no barrier is insurmountable. Informa Telecoms & Media has identified four key areas that players from across the industry should focus on in order to remain relevant: cloud TV; content delivery networks (CDNs); connected TVs; and social TV.

The Internet will undoubtedly change every segment of the TV market from content and services to networks and devices. But the future of TV will lie in the hands of those who can change their thinking to master the business of next-generation TV, and not just the technology.

Why cloud TV matters

Maybe not today, but tomorrow and for the rest of the operators' lives

Giles Cottle
Principal Analyst

Cloud is among the most maligned and misused terms in today's telecoms and media worlds. For clarity, Informa sees two key opportunities for pay-TV operators to use the cloud:

- Using a third party's infrastructure, rather than their own, to deliver services.
- Shifting all processing and CPU-intensive activity into the network, and delivering services to a variety of low-powered devices, or "thin clients".

Why should operators be considering this? Because the cloud has the potential to solve some of pay-TV's biggest challenges:

- **Multiscreen services:** Moving to the cloud makes delivering true multiscreen easier, especially for out-of-home services.
- **The OTT threat:** OTT services might lack content but they have shown up pay-TV in terms of the user interface and experience, and device availability. Moving to the cloud can enable operators to compete more effectively in these areas.
- **Technical fragmentation:** Pay-TV operators must deliver services to devices based on a multitude of standards. Processing

services in the cloud allows operators to address a wider range of devices more easily, including a plethora of low-powered devices.

- **Device capex and opex:** The cost of buying devices is a big capex drain for operators, so being able to produce less costly equipment is naturally appealing. There can also be considerable opex savings if operators have one network-based platform, rather than several platforms targeting different devices.

Market status

Most operators are so far taking a softly-softly approach to the cloud: The most widely-deployed element of a true cloud TV service is the network DVR, which is still of questionable legal status in several countries but has been rolled out extensively in certain regions (see fig. 1)

- Operators like Time Warner Cable, Cablevision and PCCW use a cloud-based app platform from vendor ActiveVideo.
- Several vendors offer cloud-based companion guides and metadata to operators.
- A few white-label online-video platforms have successfully signed major operators as customers. ThePlatform works with Sky New Zealand, Liberty Global in Europe and Telstra in Australia – and even handles live TV for the latter.

Informa also knows of at least one European IPTV service from a tier-1 provider that is truly cloud-based. The operator was able to develop and launch the service in just 10 weeks by using cloud-based infrastructure. The service is pure OTT, without any network management element at all.

In the clearest indication that big operators will embrace the cloud, Mike Fries, CEO of Liberty Global, also revealed the operator UPC's cloud ambitions at Informa's Cable Congress event.

Fries revealed that many features of UPC's next-generation set-top box, Horizon, would eventually migrate to the cloud, making the device far cheaper.

However, many operators have yet to embrace the cloud at all for a number of reasons:

- **Technology:** Operators that are still running big services in-house

Network DVR launches, once heavily clustered in Eastern Europe, are starting to happen globally

Fig. 1: Global, selected network DVR offerings

Source: Informa Telecoms & Media

A huge range of factors determine whether operators should embrace the cloud or not

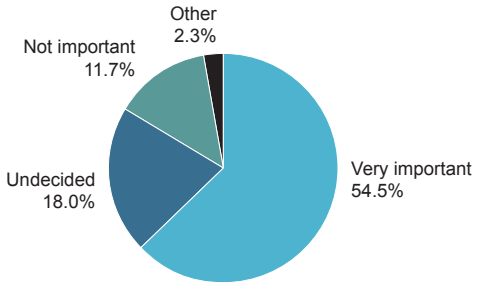
Fig. 2: Cloud TV scenarios

Thin client/network processing: better for …	Thick client/home processing: better for …
Larger operators with CPE or smaller operators without CPE (mainly OTT players)	Smaller operators with CPE
Operators for which out-of-home is important	Operators for which out-of-home is not important
Operators that have upgraded to FTTx or DOCSIS 3.0; operators that don't have any fixed infrastructure	Operators with older networks; cable operators still delivering linear TV via DVB-C
Operators with older set-top boxes	Operators that have rolled out new CPE - or plan to
Operators investing heavily in OTT/multiscreen	Operators still experimenting with OTT/multiscreen
Operators less wedded to managed networks	Operators still wedded to managed networks
Operators in countries where capacity/backhaul is cheaper	Operators in countries where capacity/backhaul is more expensive

Source: Informa Telecoms & Media

Respondents to Informa's survey see a cloudy future for TV

Fig. 3: Informa's 2012 Future of TV survey, attitudes to cloud TV



Base: 477
Source: Informa Telecoms & Media

will find limited gains from outsourcing the management of their head-end or coax to a third party, and, for an operator still interested in maintaining its managed linear delivery mechanism, especially for live content, the cloud offers fewer benefits.

- **Ethos:** Despite their gradual acceptance of OTT, many operators still want to manage their own OTT services themselves. There are major concerns within many operators about the security and reliability of third-party cloud services.
- **Content rights:** Most content-rights deals do not allow operators to store content in one country and deliver it in another, a major issue in parts of the world where there is a dearth of cloud resource.

Market futures

Cloud divergence

Which operators move to the cloud and which don't will depend on a number of key factors: an operator's size, its legacy network and the stage it is at in its TV investment cycle. This will define who goes to the cloud first (see fig. 2).

Baby steps, not giant leaps

The move to the cloud will be marginal, rather than one grand move. Service elements that can really gain from the flexibility and scale that the cloud can offer – metadata being a perfect example – will be added first. Only after this low-hanging fruit has been plucked will operators consider other elements.

The impact of out-of-home viewing

Despite the many good reasons for operators not go to the cloud, two elements will eventually force even its staunchest opponents to do so. One is out-of-home viewing. Many operators – sensibly, in Informa's view – are still relying on a set-top box or home gateway to transcode and push content around the home, offering multiscreen in this way. This is a pragmatic strategy but one that falls down when it comes to offering out-of-home content.

The second element is speed of innovation. Competition in the TV and video markets will only increase with the rise of new OTT players and platforms, making speed to market even more crucial. This is not something that sits well with having a legacy, managed platform. Informa believes most operators will eventually have to move some elements to the cloud simply to keep pace with the market, and to achieve what they want to with TV.

Evidently, respondents to our 2012 Future of TV Survey agree with this. Over half thought that the cloud would play a very important role in the development of TV over the next two years (see fig. 3).

Recommendations

New entrants: Embrace the cloud

It makes less and less sense for operators new to the TV market to spend huge amounts of money on a conventional IPTV rollout, particularly when the business case for online video remains shaky in some markets. For new entrants without the shackles of a legacy pay-TV service, the cloud offers huge benefits and should be their first port of call when considering a service platform. It will allow operators to roll out more quickly, change their platforms more rapidly, add other services more quickly and, crucially, save significantly on capex.

Old guard: Let business and technology drive your decisions

The cloud does not make sense today for some operators, but too much of the justification for not embracing the cloud will ultimately become rhetoric, rather than pragmatic. Whether an operator starts to offer cloud-based services or not must be based on what it stands to lose or gain, not on a fundamental belief that a managed service will always be superior to the cloud.

Operators must reinvent themselves

Operators today are not structured to take full advantage of what going

to the cloud could offer. Many of the advantages of the cloud – flexibility, time to market, true "TV Anywhere" delivery – cannot be fully realized if an operator is bogged down with red tape and bureaucracy internally. So, although the cloud does not fit in with the priorities of most operators, this probably says more about the operator than it does about what the cloud can or cannot provide. The "cloud winners" will be those that adjust their business to take full advantage of the technology.

Future CDN scenarios

All players must adjust to the transformation of this fundamental part of the Internet

Chris Drake
Senior Analyst

Content delivery networks (CDNs) already play a fundamental role in ensuring that the Internet works, supporting almost every major commercial online service in the world. But dramatic growth in online video consumption, the emergence of cloud computing and the range of Internet-enabled devices means the market for CDN services is undergoing a transformation that will radically change the way online services are delivered and broadband networks are built.

Traditionally, the market was dominated by a tiny handful of companies that provide CDN services via operators' broadband networks, the largest of which continues to be Akamai. That situation is changing rapidly with the emergence of a host of new CDN service providers, most notably, the broadband network operators themselves.

Operators have a number of reasons for becoming CDN providers, which they argue will lead to a fairer and more robust Internet that will benefit content providers and consumers as well as their own bottom lines (see fig. 1).

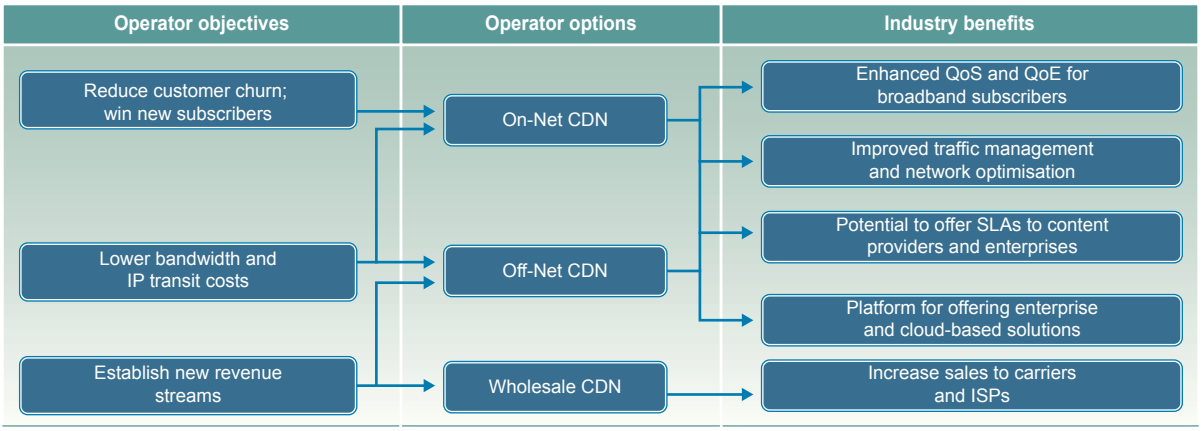
The benefits of CDNs partly depend on the type of CDN model adopted, and the sort of CDN strategies pursued. For example, many cable and IPTV operators have deployed CDNs to support the delivery of managed "on-net" content to broadband and IPTV customers. However, many of these operators are now extending their CDN platforms and businesses to also support "off-net" traffic generated by services provided OTT of their networks such as Netflix and the BBC iPlayer.

Market status

Research by Informa revealed that a total of 62 telecoms operators had launched their own CDN by the end of 2011, an increase of 51% over the year (see fig. 2).

CDNs promise benefits to both operators and content providers

Fig. 1: Operator CDN objectives, options and benefits



Source: Informa Telecoms & Media

During 2011, there was a notable rise in the number of telecoms operators launching CDN services in major emerging-market regions. Latin America featured prominently in terms of the number of new telco CDNs, while Russia and the Middle East saw the emergence of their first telco CDN services (see fig. 3).

Despite the continued arrival of new market participants, their ability to all profit from CDN services is far from self-evident. Video delivery costs are low and falling, and many content providers remain skeptical about the actual value of features unique to operator CDNs, such as greater reach and assured quality-of-service. Informa's 2012 Future of TV survey found that industry opinion was divided about whether content providers would pay network operators to guarantee high-quality video delivery, but more supportive of the idea that today's best-effort Internet was enough to support commercial video services (see fig. 4). There was, however, broad agreement for the notion that consumers and advertisers would pay more for online video with guaranteed quality of service.

Market futures

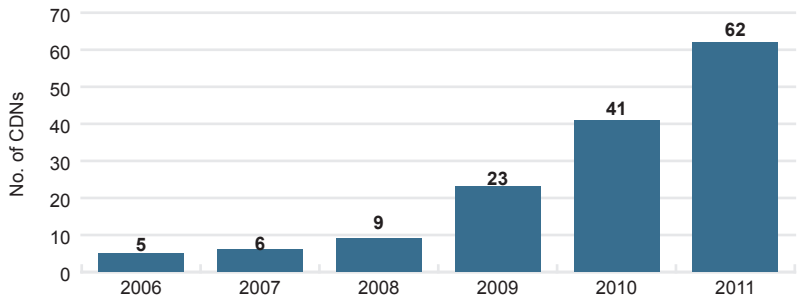
Informa believes three key trends will define the development of the CDN market over the next five years:

The rise of operator off-net CDNs

Informa has spoken to numerous North American and European operators that were early to deploy on-net CDNs, but which are now evolving their platforms to grab new opportunities in OTT content delivery. Meanwhile, the next few years will see an increasing number of new operator CDN initiatives, especially in emerging markets. Many emerging markets are experiencing strong broadband subscriber growth and a dramatic rise in online video consumption;

Number of telco CDNs continues to soar

Fig. 2: Global, number of confirmed telecoms operator CDNs, 2006-2011



Note: figures refer to year-end
Source: Informa Telecoms & Media

Emerging markets to experience strong demand for CDN services

Fig. 3: New CDN initiatives by telecoms operators in 2011

Operator	Country
MegaFon	Russia
TPSA	Poland
UPC Hungary	Hungary
OTE	Greece
Telefonica	Argentina, Brazil, Chile, Czech Republic, France, Germany, Peru, Spain, UK and US
Time Warner Cable	US
LIME (Cable & Wireless)	Caribbean (Anguilla, Antigua & Barbuda, Barbados, British Virgin Islands, Cayman Islands, Dominica, Grenada, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines and Turks & Caicos)
Alestra	Mexico
NTT do Brasil	Brazil
Telecom Argentina	Argentina
Level 3 & Internexa	Colombia, Ecuador, Venezuela and Peru
Orcon	New Zealand
Optus (SingTel)	Australia
Pacnet	Japan, Singapore, Hong Kong and Australia
KDDI	Argentina, Australia, Brazil, Canada, China, Columbia, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Malaysia, Mexico, Netherlands, Panama, Philippines, Qatar, Russia, Singapore, South Africa, South Korea, Spain, Sweden, Taiwan, Thailand, Turkey, UK, US and Vietnam
KT	South Korea
STC	Saudi Arabia
Du	United Arab Emirates
Etisalat	United Arab Emirates

Source: Informa Telecoms & Media

these trends offer considerable opportunities for CDN providers, especially since emerging markets are largely underserved by traditional providers.

The proliferation of operator options

Needless to say, the continued rise of the operator CDN will also create opportunities for equipment vendors to devise and sell new products to operators. For conventional CDNs, such as Akamai, CDNetworks, Limelight Networks and EdgeCast, such a strategy is also a necessity. These companies not only rely on operators to host their own CDN servers, but also have much to lose if content providers begin to demand higher quality-of-service guarantees. Recent months have seen these companies announce new products to support the development of telco CDNs, including even the largest CDN provider, Akamai. The battle for operator CDN business will only intensify in the coming months.

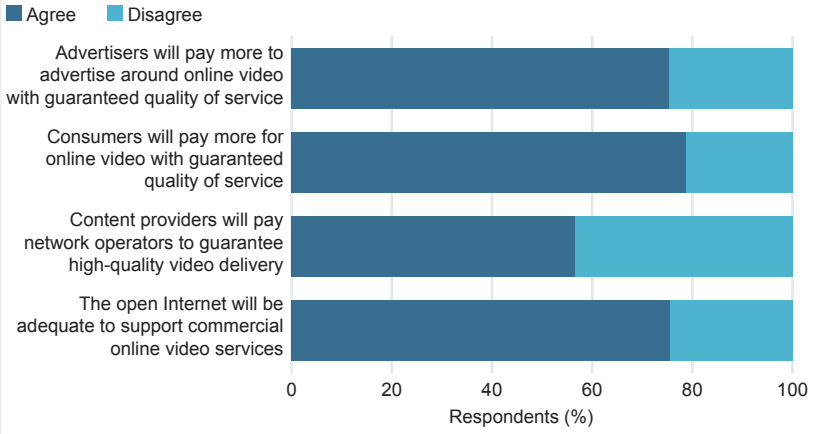
Federation and interconnection

Operator CDNs will federate and interconnect their networks in order to offer CDN services beyond the national or regional level. Some operators will interconnect their CDN footprints bilaterally with other operators. Meanwhile, federations will emerge between traditional CDN providers and one or more telecoms network operators. One notable federation that has already emerged is a trilateral federation between Pacnet in Asia, AT&T in North America and global CDN provider EdgeCast.

Informa's survey found that many in the industry expect telecoms operators to play an increasingly prominent role in the future CDN market, whether as part of a closed federation or one also involving conventional CDNs (see fig. 5).

Is there a willingness to pay for better than best-effort?

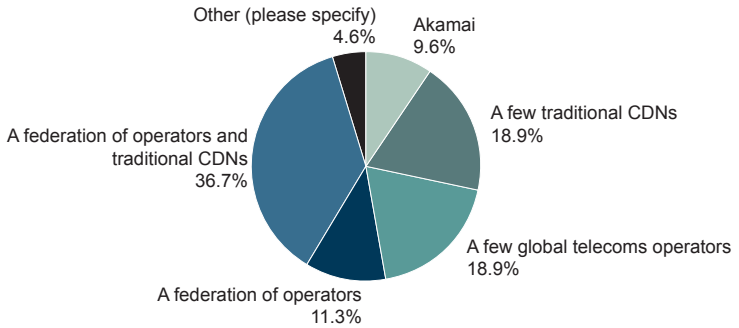
Fig. 4: Thinking of the next five years, to what extent do you agree with the following statements?



Base: 86 content providers, content aggregators and broadcasters.
Source: Informa Telecoms & Media

Federations expected to play a prominent role in CDN market

Fig. 5: By 2017, which company or companies will dominate the delivery of high-quality video over the Internet?



Base: 477
Source: Informa Telecoms & Media

Recommendations

No one should ignore telco CDNs

CDN services won't be a cash cow for operators, at least in the short-to-medium term. However, interest in them is unlikely to abate, not least because of the urgent need to control the burgeoning costs of supporting online video. Conventional players, inherently dependent on operators for hosting and expansion, must adjust to this reality. Content providers, meanwhile, should open their minds to what operators can offer in order to take advantage of growing competition for their business.

Everybody needs to be pragmatic

Though operators will fundamentally change the CDN market, they will not remake the whole world in their image. The popularity and global reach of Akamai and other conventional CDNs means operators should carefully consider their licensed offerings or interconnecting

with them, even if these options don't offer the revenues or control they would want in an ideal world. Likewise, conventional players must meet them in the middle, however far from their origins that might be. Otherwise, consolidation is inevitable.

All eyes on emerging markets

The absence or minor presence of conventional CDNs in emerging markets means operators there have made more progress in winning customers than their counterparts in Western Europe and the US. This phenomenon has also caused emerging markets to become the stage for an array of ground-breaking activities including alliances and acquisitions. Both operators and conventional CDNs should study these examples to learn how they can win in these new local CDN markets.

Truly smart connected-TV strategies

A major industry rethink is required for TVs to match smartphone success

Andrew Ladbrook
Senior Analyst

By rebranding their connected TVs as "smart TVs", manufacturers are attempting to take advantage of the positive connotations that the public make with smartphones. But many of these TVs are far from smart, and offer experiences far below that of the smaller cousins. Nevertheless, these devices bring OTT services into the living room for the first time allowing them to challenge operators' TV services directly.

Market status

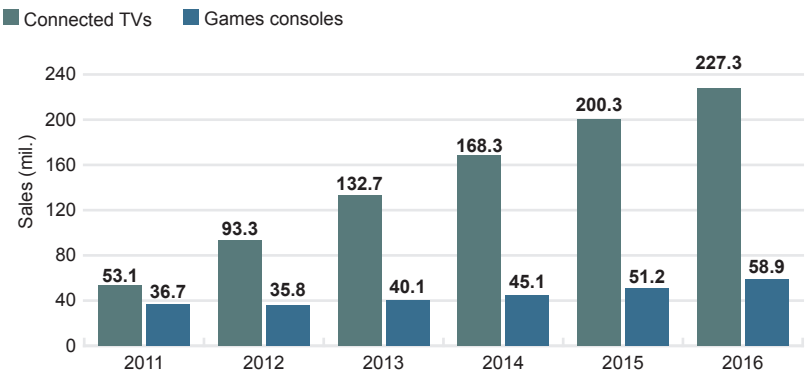
Connected TV sales may have exceeded console sales in 2011 (see fig. 1) but they still lag behind games consoles when it comes to usage. A large number of connected TVs are not actually connected to the Internet, either because they do not come with Wi-Fi, or users are unaware of the benefits of connecting the TV. But as OTT like Netflix and BBC iPlayer become increasingly compelling and well-known, these benefits are slowly establishing themselves in the minds of users.

Operators have so far offered three distinct strategies when it comes to dealing with the emergence of connected TVs:

- **Gateway-based:** The first is to push content to an app installed on the connected TV from a multiroom DVR or media gateway. This approach is most common in North America.
- **Going OTT:** Again, this approach sees the operator offer an app on the connected TV, but this time the TV acts as a traditional STB and receives both live and on-demand video OTT. Operators that have embraced this approach include Telecom Italia and Telstra.
- **Smart TV alternatives:** Some operators have opted to offer a smart-TV experience via hybrid TV STBs, in order to include popular OTT services alongside their core IPTV offering.

Despite the gradual increase in sales of the Apple TV device, they are still weak compared with other iOS devices. The user interface (UI) on the second-generation Apple TV is still quite poor and it still lacks any connection to the App Store. In the past year, Apple has begun to market this device more as a

TV sets are already the best-selling Internet-enabled TV device
Fig. 1: Global, connected-TV and games-console sales, 2011-2016



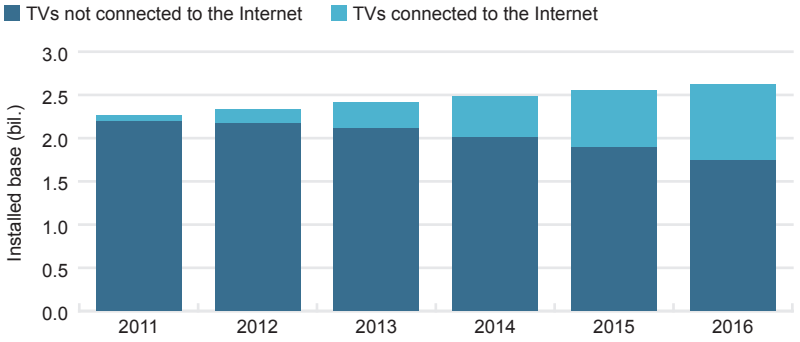
Source: Informa Telecoms & Media

companion device to its iPhone and iPad devices which can stream video, photos, and music to the Apple TV via Airplay.

While Apple has only had limited success in the connected TV market, Google has fared much worse. The first iteration of its Google TV middleware was widely condemned and although the 2012 version offers a far better experience, it still falls short. Sales of Google TV devices have also been very weak so far with at least one partner – Logitech – removing its device from the market completely.

There will still be a TV connectivity gap in 2016

Fig. 2: Global, connected-TV installed base, 2011-2016



Source: Informa Telecoms & Media

Market futures

While TV manufacturers have so far failed to offer connectivity correctly, they are catching on to the idea that, to successfully deliver on their smart-TV promises, they must offer a good connection method as standard. Informa believes that within 2-3 years all connected TVs will come with at least Wi-Fi N. This convenient feature is likely to push up both connection rates and the usage of smart-TV apps.

Despite many of the positive moves that TV manufacturers are likely to make in the coming years, they are unlikely to change all their bad habits. Many manufacturers will continue to introduce new services and user interfaces that will not be made available to devices sold in the previous year, under the misguided notion that it will encourage purchase of this year's TVs. In addition, there will still be many "unconnected" TVs installed in households (see fig. 2).

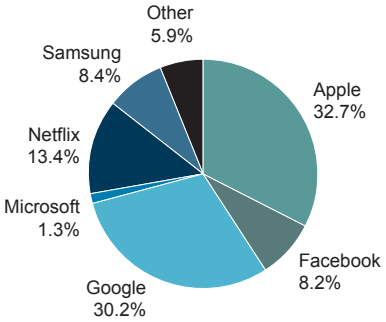
It is very likely that partnerships between operators and TV manufacturers are going to become increasingly common, with operators offering their services via connected TVs in one form or another. The sheer size of the connected-TV installed base makes these devices almost impossible to ignore if operators are serious about reaching users that have them.

Operators will not restrict themselves to only one of the three strategies that they are currently opting for. Instead they will increasingly adopt elements of each one. Only a few will be bold enough to try an offer a smart-TV alternative by adding OTT services, but many will add new features that replicate catch-up services such as letting users go backwards in the EPG and push on-demand elements even harder. The majority of these operators will be offering these services via a multiroom DVR or media gateway which will push content to any device in the home, and maybe even outside it.

The poor performance to date of Google and Apple has done little to dent the feeling that they are still the most likely to disrupt the TV business in the future (see fig. 3). Potentially, it could be that what has been seen in smartphones will be replicated in connected TVs, that there will be a set of Apple devices accounting for the premium end of the market and the majority of all other TVs running Google TV or

Apple and Google thought to be the most likely disruptors

Fig. 3: Which of the following companies poses the biggest disruptive threat to the current TV landscape?



Base: 477. The sum total of figures may not equal 100% because of rounding.
Source: Informa Telecoms & Media

Android. However, Informa believes that Microsoft's role as a disruptor has been underestimated. Its Xbox device gives it a large and active installed base in many homes and the company is dedicated to pushing towards a converged platform across all devices.

Recommendations

Create a compelling experience with an excellent UI

TV manufacturers must get serious about offering a truly innovative UI to customers. At present, many are offering a smart TV in name only. Those companies wishing to continue to separate their device by the type of experience it offers – rather than just a bigger and better screen – must either invest heavily in their next user interface or seek out third parties with a successful track record to create one.

Keep subscribers in the pay-TV environment

Operators will be best served by offering a truly smart-TV alternative and ensure that, no matter what the content is, subscribers rarely have to go outside the pay-TV environment regardless of device. By pursuing this strategy, operators should ensure their service is the go-to app on the connected TV; in effect, this replicates the STB situation we have now. This approach will also mean that offering thin-client STBs is a must so that operators can offer the connected experience even in rooms which lack a connected TV.

The Apple challenge will be matching a seamless multiscreen experience

How Apple might change the TV industry is hard to say when their much-mooted TV has yet to be formally announced, let alone launched. But from the direction the company is likely to take, this device will only further the relationship between Apple's portable devices and the TV – maybe in the way they are used as controllers, but also in the ease with which content is shared back and forth between them. Perhaps the greatest disruption that this will bring about will be that a smart TV will become just another panel to the user, with screen size the only feature that makes it the most important device for watching TV.

Making TV social

Operators and broadcasters must develop social TV strategies to engage and retain viewers

Nick Thomas
Principal Analyst

TV's appeal is curiously persistent. Despite the allure of competing technologies, time spent watching TV by most consumers in most territories still exceeds time spent online. But the explosion of social media, combined with the rapid adoption of connected devices such as smartphones and tablets, threaten TV providers' long-term ability to engage and retain audiences.

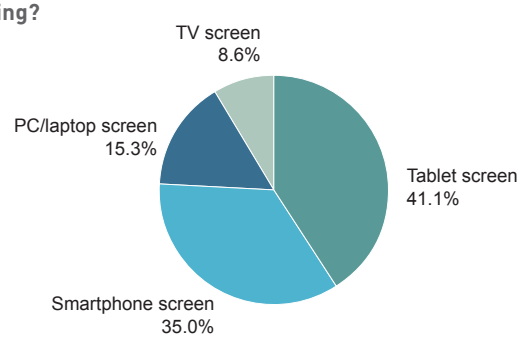
At the moment, time spent on Facebook is not necessarily at the expense of watching TV. But many consumers, while nominally watching the large screen, are focused instead on the portable device in their hands. If they are conducting primarily parallel activities (general Web browsing, texting or checking e-mails), that could be a time-bomb for the TV industry. As audience measurement technology improves, advertisers will question why they should pay huge sums to address a mass audience whose focus is clearly elsewhere.

However, the new trend for simultaneous multiscreen consumption creates an opportunity for operators, broadcasters and advertisers too. By harnessing the appeal of social media and connected "companion" devices, especially tablets (see fig. 1), they can create experiences which enhance – rather than distract from – the core TV viewing experience, and even improve the ad viewing experience.

Users are ahead of service providers in this respect, with many already using Facebook, Twitter and other tools to communicate via their handheld devices about the content they are simultaneously viewing on the TV. Others seek out additional information about the program on the big screen.

Tablets will be the key to successful second-screen strategies

Fig. 1: Which screen do you see as the most important for accessing social networks (such as Facebook and Twitter) to interact around TV programming?



Base: 477
Source: Informa Telecoms & Media

Broadcasters and advertisers must provide the platform for this kind of interaction, especially around live, linear programming.

Market status

For all the industry buzz about social TV, few broadcasters globally have really got to grips with the phenomenon. Many "TV Everywhere" strategies have focused on delivering a TV-like experience across multiple devices. But the latest social-TV initiatives from the likes of BSkyB, Orange and AT&T are focused on experiences which use the specific potentialities of a companion second-screen device, notably tablets, to enhance the overall TV experience.

Informa's industry survey on the Future of TV suggests that satellite operators stand to lose most from the move into a connected era (see page 5, fig 3), yet UK pay-TV DTH operator BSkyB remains at the forefront of innovation. By buying a 10% stake in UK social start-up Zeebox, BSkyB is well placed to maximize the potential of the social TV experience – not just to engage and retain connected consumers, but to create new revenue streams from advertising across different screens.

Orange in France is similarly innovative, focusing on new social initiatives in three directions: a next-generation TV guide; a check-in experience to enable social interaction around content; and "Blended TV" which uses social tools to aid content discovery. In the US market, AT&T's IPTV service U-Verse offers tailored apps from a range of social start-ups, including BuddyTV, Miso and WayIn, to allow its viewers to interact with live TV. Other broadcasters, notably MTV, NBC and BBC, have also been active in developing social interaction via third parties including Twitter and Facebook.

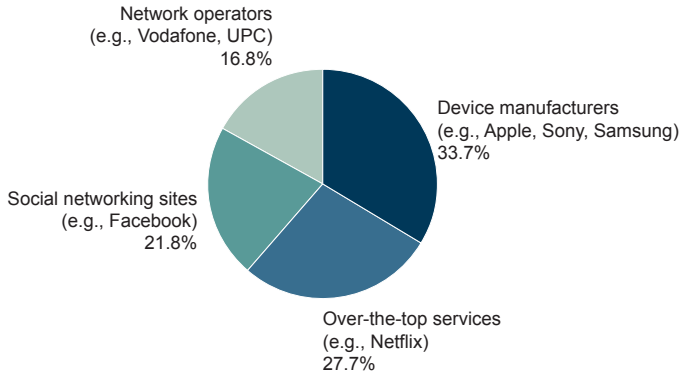
Facebook's role in the future of television – as both partner and threat (see fig. 2) – is developing in several ways. For broadcasters facing the threat of an on-demand, over-the-top future, Facebook can help enhance the value of live, scheduled programming. For over-the-top providers such as Netflix, Facebook can help viewers to both discover and build communities around on-demand content. Perhaps most intriguingly, Facebook may emerge as a major distribution channel in its own right. Much of its extraordinary growth has been fuelled by content, primarily social games such as Cityville. If gaming on Facebook has started to plateau, then perhaps the next, even bigger, phase of Facebook's development could be as a platform for consuming and sharing TV content.

Market futures

TV has always been a social experience, whether viewed with the family, or discussed the next day in the playground or office. Connected devices, especially tablets, extend that experience so

Facebook could become an important channel for pay-TV content

Fig. 2: What type of company will be most successful in persuading audiences to pay for digital content? (Choose one)



Base: 573
Source: Informa Telecoms & Media

we can easily consume, share and discuss content, even while we are simultaneously watching it on the best screen in the house – the TV.

Operators that offer both TV and broadband are well-placed to provide a compelling cross-screen experience, although, in the connected era, this may involve collaboration with a range of device manufacturers and platforms.

Broadcasters with great content are also well-placed to benefit from social activity, although not all genres will benefit equally. According to our industry survey, sport, news and above all entertainment are the best fit for complementary "second-screen" experiences (see fig. 3). Movies hardly registered. Some content still warrants our undivided attention, it seems. It's not just about having great programming, though: Even scarce premium content needs a frictionless companion experience if the value of a pay-TV subscription is to be enhanced.

Recommendations

Build relationships with social media partners

All stakeholders need to create a portfolio of external partners, including Facebook, to ensure their social offering is relevant to viewers' needs. TV operators and broadcasters should not rely solely on developing either social apps or social networks in-house to compete.

Build social relationships with viewers

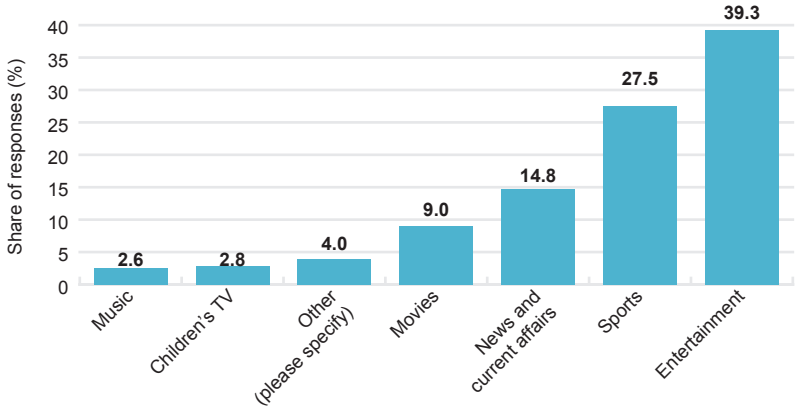
The success of social TV depends on the ability of providers to add value to their core content through a companion experience. All stakeholders stand to benefit from a deeper dialog with their consumers, provided it is two-way: Don't just talk at consumers, but don't just eavesdrop on their private conversations, either.

Build a relevant social advertising model

Building complementary second-screen experiences can help preserve existing subscription revenues, but can also create opportunities – if used carefully – for advertisers to target TV viewers in powerful new ways across more than one screen. Getting the right message to the right consumer at the right time – and on the right screen – is vital to future TV revenues, as old advertising models based on a mass audience become increasingly devalued.

Entertainment and sports – not movies – will benefit most from social TV

Fig. 3: What type of TV content has the biggest opportunities for generating increased viewer engagement through "second-screen" interaction?



Source: Informa Telecoms & Media

informa
telecoms & media

ABOUT INFORMA TELECOMS & MEDIA

Informa Telecoms & Media is the leading provider of business intelligence and strategic marketing solutions to global telecoms and media markets.

Driven by constant first-hand contact with the industry, our 65 analysts and researchers produce a range of intelligence services including news and analytical products, in-depth market reports and datasets focused on technology, strategy and content.

Informa Telecoms & Media – Head Office
Mortimer House, 37-41 Mortimer Street
London W1T 3JH, UK
www.informatandm.com