

Creating the IPTV sea change

SeaChange is a driver behind innovation and support in the IPTV industry. Established for 15 years, the company partners with cable, satellite, telecommunications and broadcast companies across the world helping them to deliver high quality Video on Demand and advertising solutions. Helen Jameson speaks to Lincoln Owen, Director of Broadband Sales for the Asia-Pacific region about their solutions, trends and challenges within the IPTV industry.



Question: To begin, would you please give us an overview of SeaChange and the work that you do?

Lincoln Owen: Our company is about 15 years old and our background is in the TV industry. We originally began providing video server technology for advertising in the cable TV industry in the US. We built on that business and began to introduce broadcast play out solutions. So we started off our work in Asia with programme providers, not just cable TV operators—programme providers such as Discovery, Sony Pictures and the Cartoon Network. We then launched our Video on Demand (VOD) service. This happened at the turn of the century, initially predominantly in the US and then pretty soon after we started business internationally in the UK and European market, as well as Asia. In fact, you are probably familiar with Virgin Media. They have a platform in the UK and that is all supported by SeaChange equipment. They are our biggest customer in Europe and they use 100 percent SeaChange solutions for their Video on Demand. That is obviously on a digital cable TV infrastructure. In Asia, we provided the same solutions for IP networks for the telecom providers. Our customers out in Asia were in Japan and we have since expanded on that. In the US our biggest customer is Verizon who use all SeaChange equipment as well. We have had offices in Asia for over ten years starting off in the broadcast space and now the IPTV space and we are building business with telecoms and cable TV operators in the region.

Question: Along with Mobile TV, IPTV is expected to be the next 'big thing'. It is no longer a concept but a reality. How do you feel that IPTV as an application is pro-

gressing and what are the challenges that face the industry at the moment?

Lincoln Owen: I think you can put it in simple terms and say that the developed broadband Internet markets are doing well with IPTV services. I think it is taking longer to pick up than people expected, but it is certainly doing comparatively well. I mentioned Verizon in the US and the US is obviously considered to be a mature market. However, if we talk more specifically about Asia we find that it is quite different throughout the region, as you would expect. There are some very well developed economies but some less developed economies too. In countries such as Japan and Korea we see a number of IPTV operators and SeaChange has customers in both those markets. Then we have Hong Kong with its dense population that has a well-recognised IPTV operator in PCCW. Then you have Taiwan and more recently Singapore with SingTel.

But, in comparison with the incumbent Pay TV operators, they are still in their early stages. Typically you wouldn't consider an operator of less than 500,000 subscribers as being significant. This is the crucial figure an IPTV service provider would need to reach to justify the business. So it is still early days for those operators. Then there are the less developed markets such as India and China, and when I say less developed, I am talking in terms of broadband Internet. And then you have Malaysia and Thailand and Indonesia and the Philippines and then Australia and New Zealand. Certainly there are a lot of challenges there. I think the key challenge, as they would all admit, would be the infrastructure. Being able to provide quality IPTV services to the majority of their existing broadband subscriber base is a challenge for them. But that is becoming easier and

easier for them to overcome with new technology.

New compression technologies, new network technologies and falling costs are making the barrier to entry a lot lower for these guys. So that's good news. The next big challenge will be getting the most interesting content on their platform and that's where I see the more successful operators. It is those who are able to offer the equivalent content that a customer can get with their existing Pay TV operator whether it is via satellite or cable. VOD helps IPTV providers to differentiate themselves and grab the last portion of that market. So the challenges are really infrastructure and content.

Question: Are we talking short-term or long-term development for IPTV? Is there an expected timescale on how long the service will take to mature?

Lincoln Owen: Some markets are a lot further on than others. Japan and Korea have already seen significant deployments. Their next phase will be large-scale national rollout and promoting this aggressively, and Japan and Korea are both in the position to do this. Certainly, in Korea, regulation has been opened up that allows them to provide broadcast services. Outside of those countries it is going to be interesting. We are very excited about some of these developed economies because the general strength in their economy means that financial backing is coming in from foreign investors and local investors. One market we are most excited about is India where the infrastructure has certainly got a long way to go. However, the trend is for economic growth and there is a lot of interest in TV services. What we are seeing in the Indian market place is people trying to jump certain stages and catch up



to other areas in Asia very quickly, so they want to try and do several things at the same time – to build out their infrastructure whilst promoting advanced services like IPTV. This is different to what we are seeing elsewhere which is a stage-by-stage progress. So we might see quick growth in India, we are certainly seeing evidence of that in China. I am hoping that we will see more of that in South-east Asia as well. But all the markets are very different and dynamic in their own way.

Question: In which world regions are you seeing most demand for IPTV and VoD services?

Lincoln Owen: We are doing very consistent business in the US. We are also driving revenue out of Japan. And recently we have been able to win some very exciting accounts in Eastern Europe and one which we haven't yet officially announced but was leaked to the media recently and that was a big win in Turkey for TurkTelecom's national rollout of IPTV. That's very exciting for SeaChange to provide IPTV services to a million of their subscribers. They have about 15 million broadband subscribers and they want to rollout services to about a million of those in a very short time. So we are seeing some growth in some interesting areas that we probably wouldn't have predicted 12 months ago. But in Asia, I expect to get significant business out of Japan and I expect to see pockets of new projects coming online in India, Southeast Asia, Australia and New Zealand.

Question: SeaChange is looking at expansion in Asia at present. Can you tell us more about this development please?

Lincoln Owen: In the last 12-24 months there has been low-key development going on for us. We have been investing in development resources in China to further support and expand our capabilities in the provision of customisable advanced application development on top of our core technology that comes from the US. Up until a couple of years ago, we had a small office there – just 10-15 people but now there are 170 people. So we have really expanded our operations in Shanghai and that has been through software development and customisation of our core products.

In an effort to further expand our business in the region we have put more resources into our existing offices. We now have a lot more resources in India and also in Singapore. We have also expanded in Japan so we are investing in the markets that have shown good growth for us.

Question: Can you please tell us more about SeaChange's targeted advertising – Adpulse?

Lincoln Owen: This is a very interesting and exciting product in that it's fitted to VOD plat-

forms. SeaChange historically comes from a linear ad insertion background where you replace the commercials that come from a broadcast feed with local advertisements. That has been a very successful business model for our cable TV customers particularly in the US. Now that VOD is taking off in predominantly in the more mature markets, where it is being deployed heavily, companies are looking at this as a new revenue opportunity and that is what Adpulse is targeting. It provides the operator with the capability to insert advertising video content within a VOD session. The user will be presented with a commercial either before the main content starts, during the content at a pre-defined point or at the end of the session.

It creates new revenue for the operator, there's lots of very accurate reporting data we can gather which you cannot gather in a typical broadcast scenario. Because the user actually requests the content we know at what time of day, what they are looking at and other information about them. This is very effective data for the advertiser who can assess how successful their advertising has been.

Results have shown that even small cable IPTV operators are able to draw significant revenue out of this Adpulse product and this is something that some would have thought would have been impossible for an operation of a small size. It enables more targeted advertising – you can adapt the content accordingly to the things that you know about the user. The key thing is to keep it fresh. It is a dynamic solution.

Question: How will SeaChange's services change the viewing experience? What can we expect?

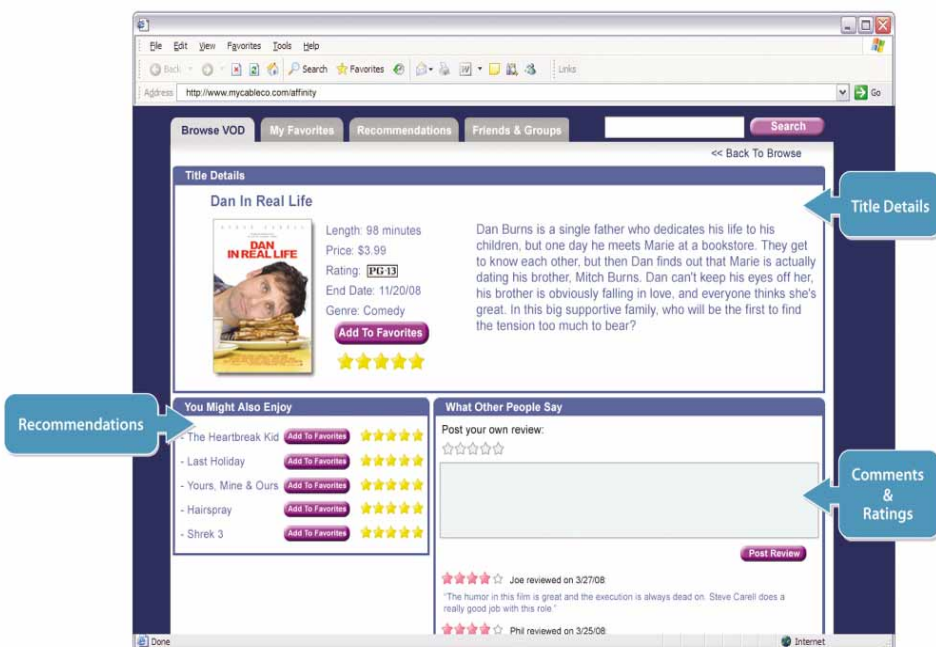
Lincoln Owen: I think the key thing here is flexibility. The user will have more personal control over what they see and when they see it. The more options the operator has, the more personal use the customer can drive from it.

We believe that by promoting those different solutions it will make the operators able to offer a lot more choice of content so by providing more flexibility and providing solutions that make it more cost-effective to introduce, means more and more choice for the customers.

SeaChange is providing the solutions to the operators. The cost to the users will also be reduced.

Question: Looking forward to the next 12 months, what will SeaChange's aims and objectives be?

Lincoln Owen: We want to make our existing customers more successful and we want to help them to drive more advanced services and provide their customers with more flexibility and therefore make the operator's TV service more popular. And we want to provide new customers with methods and ways to introduce these new IPTV or VOD services more easily so that they can join in the general trend with a lower value to entry and that might be through very cost-effective solutions or it might be providing new solutions that create new revenue generation and one of those examples is the targeted advertising solution. ■



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