



Technological Innovations



Sony is equipping its TVs with an attachable module that can stream broadband-high definition and other Internet video content. Photo courtesy of Sony.

The power of images

Philippa Smyth, correspondent of Satellite Evolution EMEA, reports on the latest developments in the Internet Protocol (IP) revolution.

Convergence, we have heard for years, is bringing together a host of services that were previously available separately: voice and data communications, Internet, Television (TV) are all being bundled into a single pipe to the home that allows customers at this end to pick and choose whatever they are interested in.

While announced for years, actual consolidation has been relatively slow to arrive, mainly due to the costs involved in bringing high speed connectivity to the home.

In its first stage, connectivity itself was seen as the killer application in IP. People just want higher and higher speeds when connecting to the Internet. Then voice became the new talk of the town. By the time Internet telephony service provider Skype was sold to ebay, the online retailer, for US\$2.6 billion in up-front cash and eBay stock, it had become clear that Voice over IP (VoIP) was one of the fastest growing applications in telecoms. Skype's success was soon being emulated all over the world, with telcos such as British Telecom at the forefront of this trend, launching IP-based voice services for their customer base.

However, soon another trend emerged: voice alone is no longer enough, as Skype's launch of its 'Venice Project', a peer-to-peer video streaming service that will deliver high quality full screen TV across the Internet, has shown. TV over the Internet and Internet Protocol TV (IPTV) proper have been slower to take-off than many pundits predicted, but the success of MySpace, on which some US stu-

dios are beginning to make full-length programmes available, and YouTube, the video sharing site bought by Google, has attracted a lot of attention. Incumbents and start-ups alike are now experimenting with a number of new business models.

At the consumer end, the take up of such technology has been staggering, though rather patchy depending on the market. For example, according to a report recently published by Ofcom, the UK's Authority for telecoms and the media, The UK has been slow to adopt new services such as VoIP and IPTV compared to other countries. Only 0.4 per cent of UK consumers subscribe to either internet TV or VoIP, making them among the slowest to catch on to the new telecoms services compared to other industrialised countries. In comparison, Japan had 45 per cent of broadband subscribers who have watched TV over broadband, whilst the figure for Italy and the US is 37 per cent. But the fastest growing market of all is China, where more than three-quarters of Chinese broadband users have watched downloadable or streaming music video clips and 70 per cent watch TV over broadband, despite only 12 per cent of Chinese homes having broadband.

A Chinese affair?

Technological innovations are rapidly redrawing the Chinese telco landscape. Operators are compelled to diversify in order to thrive in the competitive environment. The November

2006 announcement of Jiangsu Telecom's network expansion effort to meet subscribers' demand for IPTV, VOD, and other advanced IP services was just the latest in a similar series of moves to support multi-play service offerings.

According to ABI Research's broadband research analyst Serene Fong: "More operators than ever are offering multiple services in an attempt to retain customers and to increase revenue. Telecom operators are venturing into the TV industry, while cable operators move into the voice business."

IPTV is the Chinese government's platform of choice because it is aligned to its long-term plan of unifying broadband, Internet, and television. Hence the future of the industry continues to be viewed optimistically. More resources will also be allocated to making IPTV a success because it is to play an important role in multimedia communications and upcoming major events in China. According to Fong: "The growth of IPTV will remain modest for now, and take off only after 2008. Adoption will be boosted by major events such as the Beijing Olympics in 2008, and then the 2010 World Expo in Shanghai."

At the same time, China's flourishing broadband environment paves the way for IPTV to reach out to the potentially huge addressable market. In a new study, ABI Research forecasts the IPTV take-up in mainland China to pass the 23 million subscriber mark by 2012.

For now, however, IPTV has to cope with



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certain bottlenecks that have been restricting growth. "While the IPTV service is regarded by the industry as a potential revenue generator, lack of content may prove a short-term barrier to increasing uptake rapidly," says Fong. "Current programme content, which is strictly controlled by media authorities and the government, is not rich enough to attract paying users, and overseas content, which is restricted and difficult to get approval for, does not help alleviate the situation."

Moving content online

Despite mixed reports as to what can be expected in terms of the take up of IPTV services in Europe, there is no doubt that the media industry at large is pushing heavily in this technology.

The BBC, for example, is reported to be in advanced negotiations with Google to make programming available via a branded channel on its video-sharing site. The BBC seems keen that the deal is expanded to include putting content on Google-owned YouTube. BBC Worldwide is understood to be looking at commercial options for the agreement, such as a share on contextual advertising that will run alongside BBC content.

In 2006, Google rolled out eight country-specific versions of Google Video in Europe and signed up content partners including C4, ITN, IMG Media, A&E, and Buena Vista International Europe. Under the original deals the partners have used the platform for promotional purposes. It is unclear if BBC Worldwide's deal will include access to the US version of Google Video, which has Pay-Per-View (PPV) and Pay-Per-Download (PPD) options. Several large broadcasters in the US have similar arrangements with YouTube including CBS, which claimed 200,000 extra viewers for The Late Show with David Letterman after clips were posted on the site.

Follow the leaders

So what will happen to satellite TV? Is Direct-To-Home (DTH) broadcasting under threat from Internet TV? The answer, unfortunately, is not a straightforward one, although it is worthwhile taking a look at what BSKyB, the European leader in DTH, is doing in this sense.

BSkyB has launched its first major marketing push for triple play. Although all three elements are already available from the satellite broadcaster, the launch of 'See, Speak and Surf' will be Sky's first campaign based around providing the three services in one bundle. Sky is launching the new combined service of a basic package of pay-TV channels plus broadband access at up to 8Mbit/s and free UK landline calls at evenings and weekends for £26 a month. Customers will still have to pay £11 a month line rental to BT and a £20 connection fee. The package will be available to 70 per cent of UK households and is designed to compete with NTL's 'three for £15.80' offering of TV, 2Mbit/s broadband and free weekend landline calls. As BSKyB's experience clearly demonstrates, having an online offering is an element of paramount importance even for the strongest of satellite broadcasters.

A technology-agnostic future

So what is the likely future for satellite broadcasting in particular and the media industry in general? How will content reach viewers in the future in the years to come? While nobody has a final answer to these questions, there are conclusions that can be drawn without fear of erring.

As recent experience shows, technological convergence based on a common IP 'language' is leading to the hybridisation of delivery platforms. As the inexorable rise of multi-media operators, ie, triple and quad-players

such as BSKyB and Virgin Media in the UK, shows, media companies need to bundle several platforms and services together to offer to their audience.

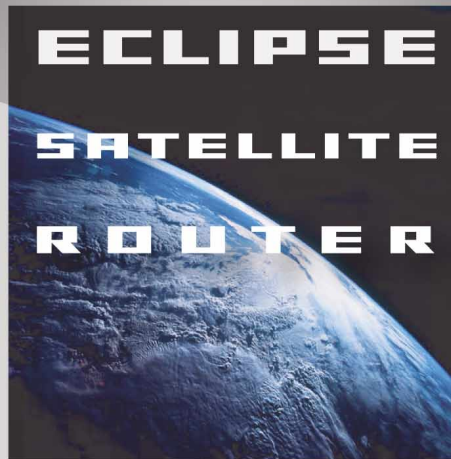
This trend can only mean one thing: that in the future business success will be a function of customer management.

Only those companies that will be able to retain their customer base will succeed.

Technology will remain behind the scenes, but will largely disappear at the customer-facing end of business. A technology-agnostic future is awaiting us. ●

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