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Advanced media platforms

We are witnessing widespread deployment of IPTV worldwide yet it is still a relatively new technology that we hear more about day by day. Helen Jameson talks to Elena Branet and Mike Chamberlain of Microsoft TV.

Question: Many thanks for taking the time to speak to us today. Would you kindly introduce yourself and Microsoft TV to our Readers?

Elena Branet: My name is Elena Branet and I am the Senior Marketing Manager for Microsoft TV in the EMEA region. With me we have Mike Chamberlain.

Mike Chamberlain: I am Mike Chamberlain and am the regional director responsible for delivering the IPTV to our customers in the EMEA region. So I shape the core product and do whatever's necessary to make it work in our customer's environment.

EB: From an organisational perspective, Microsoft TV we are a business within Microsoft Entertainment and Devices Division. Microsoft TV is the software platform that is designed to provide broadband service providers with the opportunity to deliver cutting edge pay TV services to their many subscribers. The platform is comprised of software that runs on client's servers and that is made up of a value added solution that does everything from injecting live video feeds or offline multimedia, integrating that into the platform, protecting them, protecting their content, integrating them into the back end server so that the subscriber may

play that out through devices such as the set top box. Of our service providers that have a Microsoft TV platform there are 17 service providers today in 15 countries on four different continents. The service providers include AT&T in the US, BT, Deutsche Telekom, Telecom Italia and Swisscom so these are all service providers who have agreed to trial or are now commercially deploying the software to customers in their marketplace.

Question: On your website, your vision is 'connected TV'. What do you mean by this and how will it enhance the viewer's experience?

EB: Sure. Essentially we start out by getting the service providers to market with a TV service offering that delivers a much better TV experience giving consumers what we call personalising the connected experience. So what we're doing is delivering new capabilities into TV services that consumers haven't seen before in many cases. The special features include things like integrated video on demand, a personal video recording facility so that you can pause television, you can record your favourite shows in advance through an interactive programme

guide, the ability to show what we call feature picture capability so that you can access a programme guide through a small window and you can see what's going on in the other channels. You've also got the capability to connect to other devices so for example you could extend your viewing experience onto a mobile device by being able to programme your favourite shows from a mobile phone via your set top box or you can also do this over a web browser from a PC. Another good example of what we mean by connected TV is in the future we will be making an extension of the software platform available to service providers called IPTV on X-Box 360. The service will provide all the core functionalities that you see in the platform today – all the things that I just mentioned and the ability for a service provider to offer his pay service via an X-Box 360 so any X-Box 360 could potentially upgrade through software and the IPTV service that is offered to them locally by their service provider.

Question: We are witnessing widespread deployment of IPTV worldwide yet it is still a relatively new technology that we hear more about day by day. Realistically speaking, is the infrastructure in place to support an explosion in demand for IPTV and other IP-based services?

MC: If we look at what has been happening with the major telcos over the last, well nearly ten years now, they've been changing their infrastructure. They now have broadband IP networks as their core local loop capability. So absolutely the major telcos are also the people who can invest in this type of technology. They have the capability to do that so yes is the answer.

Question: Microsoft has developed a range of advanced media platform technologies that deliver advanced entertainment to their customers. Can you tell us about the new developments that you are making and how they will change our entertainment experience?

EB: Well the new developments include the extension of the current what we call better TV experience onto other devices such as the X-Box 360. Some of them are also now layering in traditional features like mobile video digital recording abilities, the ability to record from a web browser, so we are really layering our new applications on top of the core platform to give the consumer more control and more choice over the content and experience that they have.

Question: Does Microsoft TV use satellite technology to deliver IP-based services to your customers and to what extent?

MC: To this day we haven't integrated in with satellite services. We have always used broadband telco networks. However, we've



got one customer who has already launched where we do integrate the IPTV services with digital terrestrial services – that's British Telecom and that's announced.

We can use exactly that same technology to provide an integrated telco satellite service if and when customers want that capability. So the infrastructure is architected in our solution using the same infrastructure as digital terrestrial and we're ready to move when the customer that wants to do it comes along.

Question: Where are the key markets and regions for Microsoft TV and where are the up-and-coming areas of growth?

EB: Well we are located globally with customers in all the main regions and the key markets such as North and South America as well as Asia. They vary in market and AT&T is our largest customer globally and the other customers include Bell Canada, and then in Europe we're marketing the IP editions of our platform and we found something like 12 different customers in EMEA. They're smaller customers in EMEA but there are a larger number of them.

What we do have is a global partnership agreement with Alcatel Lucent who is re-selling our software platform and is speeding up the opportunity for customers to get new triple play services to market. They are helping us to reach out to a broader range of telcos that have a view to offering these services. This new area of growth will be smaller operators or incumbents and telecommunications companies in regions where they don't yet have an advanced IPTV service.

MC: It's probably worthwhile mentioning that we have some very large potential customers in China and on the Indian sub-continent and out east of there. There are a number of operators there who have been experimenting with digital TV services with telco networks and are now aligning with IPTV so although we can't name them, we're very close to beginning to operate services in Asia.

Question: Do you see China as being a key growth area for Microsoft TV?

MC: Absolutely. The potential there is phenomenal.

Question: Do you see open standards as key to the success of Microsoft TV and why?

MC: Absolutely everything we do is based on open standards either digital television open standards or Internet Protocol open standards, and the reason why is because they are well tested. We know they work. Microsoft uses open standards in all of its web services. It also makes integration between the new services we're creating existing back ends such as the operational support systems, the billing systems – we're using open standards there. It reduces the

overall cost of the implementation and makes it very easy to maintain.

Question: What do you regard as the threats and opportunities facing the IPTV market at this point?

MC: Certainly the opportunities are tremendous of course because every major telco and most of the minor telcos around the world are making phenomenal investment in broadband IP services. They're creating the infrastructure onto which the television services can be layered. And it's the two-way nature of IP networks, i.e. upstream and downstream that allows communication between the home and the head end basically. That enables new services and flexibility of choice that we don't get on the existing terrestrial and satellite and so it opens up new capabilities there. So the opportunities are tremendous. The threats are simply that is a new technology and people will need to understand the commercial advantages of following this path.

Question: Where do you see Microsoft TV at this time next year?

EB: I think we will see more service provider customers coming over to the platform. You will see a higher penetration of subscribers, higher market penetration really of operators that have already launched growing their subscriber base, offering new types of applications, interactive applications and services. You will see a wider spread of customers geographically as well and I think you will see the beginning of maybe a penetration of the current phase of evolution of this industry so we really see IPTV as being a long-term transformation of the television industry as a whole.

Now, we are in the very beginning of that transformation and that will probably occur over the next ten years. We see that transformation happening in three phases: the first phase is all about introducing the new kind of two-way interactive TV which is something that consumers haven't seen before and giving more choice, more personalised services and giving the ability to design a channel and only use their favourites out of the hundreds of channels that they now have available to them. The ability to search across all of the different content whether it be video on demand or something else but basically giving them the content that they want and when they want to watch it and to choose the device on which they want to watch it so that new experience is what we call 'changing the purchasing paradigm' and that's the first phase.

Today, consumers largely choose their TV service based on the price or the number of channels that they have available but in the future, if we're successful in this first phase we believe that consumers will no longer make price the priority in their crite-

ria. They will want to have their own TV, and control over the TV experience. They won't be told what to watch, when to watch it and where and we will give them that capability through software that empowers them to do that. That's the first phase. We see that lasting a couple of years. I think service providers will have their own timescale and issues – you know, some features earlier, some features later. Effectively the introduction of this market is about changing the ground rules so we can enable service providers to change the ground rules by introducing more connected TV – what I didn't mention to you before is because the broadband service providers have voice capability and it's all being delivered over broadband, you can more easily integrate other types of services like voice over IP in the TV frames and you can introduce things like caller ID capability. So if you are watching your favourite TV show and your mother calls you can through the remote control click a button and answer the call. That type of new connected service is integrated deeply on the communications network that you could see in the future. And that totally starts to change the ground rules of TV.

To the consumer, they started on the TV sets watching the TV and now they are striking up a conversation whether it be voice communication or some kind of instant messaging chat capability through their remote control on their TV.

So the third phase is all about changing business models where service providers will have the chance to test out these new types of features and services. Content providers are comfortable with the changes they're seeing in video on demand and what you could see is more interactive advertising, more changing of the content window so you can shorten those windows and see new movies being released.

You might see this happening over a shorter period of time if there's a large enough base to distribute to via a service provider so it's a new channel, it's a new revenue opportunity and that has an impact on the future business model.

MC: Just two comments from me on one year from now. I believe that in one year from now, IPTV, the Microsoft project will be used in at least the world's five largest deployments. In a years time the top five will be MSTV based. And secondly, building on what Elena was just saying, one year out from now I believe that the operators will have got enough confidence in the platform and in their consumer base and will be creating their own applications so they will be introducing services, some of which we understand, some of which they're still thinking about. We're always learning about new services that they want to introduce. The new things that we only talk about today will start to get out to the consumer. ■