



Starting early in 2007, Sony will equip its TVs with an attachable module that can stream broadband high-definition and other Internet video content such as programmes with the push of a remote control button. 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. 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 studios 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 percent 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 percent of broadband subscribers who have watched TV over broadband, whilst the figure for Italy and the US is 37 percent. 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 percent 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



YANKEE GROUP FORECASTS THE END OF TiVo

Yankee Group today announced that the standalone DVR product category will cease to exist by 2010, and its dissolution will result in the end of TiVo as we know it. Even as DVR growth accelerates, TiVo will struggle to remain relevant in the market. As TiVo begins to shed subscribers during the forecast period, service providers will continue to capitalize on the emerging technology and no entry cost hardware to incrementally up-sell subscribers to new services and enable the era of Advertising 2.0.

According to the Yankee Group Report, *Technology on Fast Forward: 2006 to 2011 US DVR Forecast*, published today, the Advertising 2.0 opportunities for the future of DVR technology include time relevant advertising, location relevant advertising, ad telescoping, product placement and interactive advertisements. These new advertising opportunities allow service providers to share in advertising revenue they failed to capture in the past and differentiate their position in the marketplace.

"The five year outlook for the DVR in the home is one of unmitigated growth and opportunity. As new technology emerges, it is important that advertisers, service providers and broadcasters remember that taking away the Anywhere Consumer's ability to skip commercials is not an option," said Joshua Martin, Yankee Group, Consumer analyst. "The answer lies in innovation and evolution to reach the mass and niche markets moving forward because the era of the 30-second spot is fading away for all age groups and demographics."

During the forecast period, DVRs will become commoditised, resulting in the end of TiVo. However, according to Martin: "TiVo has incredible brand value that resonates with customers and it will be an asset to any service provider, increasing the likelihood of an acquisition."

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 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 is about to launch 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 percent 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 multimedia 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.