CAPITALIZING ON THE MULTI-SCREEN OPPORTUNITY

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SERVING THE ANYWHERE CUSTOMER

The Internet has demonstrated its power to transform industries. In the telecom industry, Cable companies used VoIP to capture significant market share from service providers, and Internet and value-added service providers like Netflix have now moved onto the turf of paid TV providers. As broadband services have become widespread, these over-the-top (OTT) IP-based video service providers are attracting advertising dollars and harnessing imagery and personalization to make video consumption a compelling experience over the PC and directly on the television—giving consumers alternatives to paid TV services.

These providers are able to use the interactivity and viewer profiling abilities of IP networks without having to incur the heavy investments into the network. Pay TV service providers are naturally concerned that OTT providers will be the ones capturing the value of video over IP, while they are left holding the bill for their IPTV networks.

The good news is, however, incumbent providers have the assets, support organizations and the marketing power to stave off the competition and do more than just one-up the offerings of OTT players. They have the power to become the entertainment provider of choice, offering a video browsing experience with subscriber-personalized bundle marketing that spans across a multitude of mediums—the television, Internet and mobile device.

THE CORD CUTTING THREAT LOOMS

It’s no secret that the popularity of Internet video is exploding and attracting advertising dollars. Non-traditional players such as Netflix and Hulu along with connected devices like Wi-Fi-enabled Blurays have become compelling providers of video content because of the personalized nature of their offerings and the discounted pricing.

There is much debate about whether consumers are cutting the pay TV cord and opting for OTT plays at this point. Pay TV subscribership is down, but some analysts attribute the loss to a poor economy. Others, such as SNL Kagan, conclude that OTT substitution is impacting subscribership of paid TV services.

Kagan said the cable, DBS and telco video offerings, the U.S. multichannel segment, decreased by 119,000 subscribers in the third quarter 2010. This is compared with a gain of 346,000 subscribers reported in the same quarter in 2009.[i]

“It is becoming increasingly difficult to dismiss the impact of over-the-top substitution on video subscriber performance, particularly after seeing declines during the period of the year that tends to produce the largest subscriber gains due to seasonal shifts back to television viewing and subscription packages,” noted SNL Kagan analyst Ian Olgeirson.

Credit Suisse recently downgraded its outlook for a number of media companies, primarily because it sees pay-TV share eroding as younger consumers turn to OTT options such as Netflix. The firm found that 37 percent of Netflix users between the ages of 25 and 34 use Netflix streaming services rather than pay TV. And another 30 percent of subscribers between 18 and 24 have also cut the cord.

Meanwhile, Netflix reported that its third-quarter income, revenue and subscriptions all increased and announced that its streaming video business is the growth driver for the company.[ii]

The company reported that some 66 percent of all subscribers watched at least 15 minutes of streaming video from the company in the quarter, up from 41 percent a year ago, and 61 percent for the second quarter of 2010. Netflix predicted that its subscribers in the fourth quarter will watch more content streamed from the company than delivered on DVD.

A recent survey from Strategy Analytics concludes that 13 percent of current U.S. pay TV subscribers say they are —somewhat" or —very" likely to cancel their current subscription in the next year and not sign up with another provider.[iii]

—While it may represent only a relatively small percentage today, we anticipate the number of cord cutters to increase going forward," said Ben Piper, director in the Strategy Analytics Digital Consumer Practice.

Smartphones and now wirelessly connected tablets such as the Apple iPad now enable consumers to watch video anywhere. The emergence of larger screen tablets may spur the TV everywhere phenomenon to move even faster.

According to survey from The Diffusion Group, iPad owners are more likely to actively consider cutting back on pay TV services as the iPad now incorporates content from a host of providers such as Netflix, Hulu and iTunes.[iv] According to the survey, 33.9 percent of iPad users are to different degrees likely to cancel their pay TV service in the next six months. Nearly 13 percent of iPad owners are —highly" likely to drop pay TV services, TDG said.

"Despite the fact that cord-cutting remains more widely discussed than carried out, forward-looking research continues to accumulate in support of the hypothesis that specific groups of consumers are quickly warming to the idea," noted Michael Greeson, TDG founding partner and director of research.

The bottom line is: There is a war for the video consumer's time. Watching OTT video and streaming over the PC, mobile device and TV has become a larger part of people's lives, and as the trend continues, the value of pay TV erodes. As such, pay TV providers must use their existing assets to their advantage to come out on top in the new world of TV 2.0.

TV ANYWHERE: PAY TV'S ANSWER TO THE OTT THREAT

Pay TV providers are by no means standing still as alternative video services come to market. Comcast and Time Warner in 2009 launched TV Everywhere to increase the number of TV shows available to watch online for free for those who already subscribe to their regular TV services. Verizon FiOS introduced FlexView as the core offering of FiOS TV, which provides Premium VOD across Smartphones, Tablets , PCs and the TV. The concept is open and non-exclusive, meaning cable, satellite and telco video distributors can enter into agreements with other programmers.

The purpose of TV Everywhere is to address the changing viewer habits of consumers while maintaining profitability for program producers and the networks that carry the programming. As such, TV Everywhere has been a focus of the pay TV service provider community throughout 2010 as a way to stave off competition from OTT video plays.

During the company's third-quarter 2010 earnings call, Time Warner CEO Jeff Bewkes said TV Everywhere has been adopted faster than expected, with a host of new programmers signing on to the initiative.[v] AT&T recently announced that its U-verse customers would have unlimited access to more than 1,200 hours of premium content from HBO and Cinemax through the programmers' online portals at anytime.[vi]

Comcast recently re-launched its TV Everywhere initiative called Xfinity Online TV after a previous lukewarm reception because of the lack of content and problematic authentication. Comcast is now promising a deeper breadth of content.[vii]

MULTI-SCREEN VIDEO CONSUMPTION DEMAND IS ALIVE

(General comment – is there also a way we could add stats about tablets as well, given this is a high-growth and sizeable segment?)

According to Nielsen Company's Three Screen Report for Q1 2010, the amount of video Americans consume continues to rise—and consumers are adding new screens and applications to accommodate their video consumption desires.[viii]

High-speed broadband services have paved the way for better user experiences, while nearly a quarter of households have smartphones, which enables consumers to —place shift" their video consumption. According to the report, mobile video consumption grew by 51.2 percent year-over-year as did time-shifted TV (18.1 percent), PC (17.3 percent) and TV itself (1.3 percent).

Coverage of the 2010 FIFA World Cup offers some valuable insights into the demand for multi-screen services via a single brand. ESPN Research+Analytics recently revealed that fans spent 4.9 billion gross minutes with ESPN.com and ESPN Mobile properties. Translating that figure into the platform-agnostic metric of average audience, the company found that 110,000 individuals used ESPN digital media to consume World Cup content in the average minute—a figure that was greater than the audience for 23 cable networks during the 31 days of the event.[ix]

ESPN learned that multiple screens served a complementary purpose in boosting audience share. Multi-platform users accounted for 26 percent of all users but they consumed about 47 percent of the content on the average day. Moreover, multi-screen users also spent two hours and 24 minutes of this time watching TV, significantly more than the average TV-only consumer.[x]

Perhaps most importantly, ESPN said its cross-platform offering brought new exposure to its brand, while users were engaged with advertisers more often because of their use of multiple screens.

SERVICE DELIVERY REQUIREMENTS OF THE MULTI-SCREEN OFFERING

Indeed, the era of multi-screen TV delivery has arrived, but current offerings remain fledgling services. In this new era, pay TV providers are challenged to offer an extensive collection of video on demand (VOD) catalogues in a cost effective manner while creating a streamlined way for their customers to discover and consume that content.

Ultimately, a successful multi-screen video offering will require:

- One common infrastructure that allows pay TV providers to deliver thousands of video episodes over a variety of mediums and operating platforms.
- A single catalog of content delivered over a TV set, PC and mobile device with the same look and feel.
- A customizable service delivery platform that generates recommendations based on available information (we can just end at —personalized recommendations" – because in reality, the driver is not just —avail info about subs prefs")
- The ability to expand the catalog through the inclusion of federated content from third parties, who also fulfill the delivery of this content.
- Flexible billing options complete with a rating engine that enables pay TV providers to offer bundled and promotional pricing.

THE CASE FOR A COMMON INFRASTRUCTURE

Perhaps the largest challenges pay TV providers face in implementing a multi-screen strategy center on how to create simple and compelling services. Consumers are overwhelmed by the wide variety of offerings available through various providers and easily put off if they must constantly log into various devices or maintain different customer profiles. Most consumers would rather buy their services from a handful of trusted providers who understand their specific needs and interests and deliver these services in a customer-friendly manner. Service providers, therefore, have a key asset in their long-standing consumer relationships.

The traditional model, in which services were delivered to individual devices in a silo fashion, has evolved. With convergence, blended services can be delivered across multiple devices and networks, thus maximizing ubiquity, customer ease-of-use and pay TV revenue opportunities. Thus, service providers must establish themselves across all devices as the preferred landing page for targeted services using a flexible content Management System (CMS). In addition to providing scalable and easy to use Administrator capabilities, the CMS needs to offer subscribers the ability to quickly search, browse, preview and purchase relevant content on any device for consumption on the same or another device.

Enabling the content experience across multiple delivery platforms in an integrated manner will be critical. Pay TV providers must use tools that simplify the delivery of interactive video services across any platform – including IPTV, PC and mobile. Consolidating operations into a single CMS also allows for more cost-effective integration to exciting third party services, which can then be available across all screens, allowing for faster time to market with new customer experiences.

PERSONALIZED CONTENT WILL RULE

To secure customer loyalty, as many nimble Internet/web competitors have done, pay TV providers must build upon their core network assets by continually refreshing their services and delivering them in a personalized way across one or more storefronts, along with targeted advertisements, promotions and personalized/relevant incentives.

The burden cannot be on the subscriber to search for the content they want. Pay TV providers must bring a higher level of interactivity and rich presentation that consumers already see on the Internet. The key is to pro-actively generate recommendations based on available information about the subscriber's devices, subscriptions, preferences and location. Providers can pre-search all available services and personalize the presentation of available material in the electronic program guide and video on demand storefront to present only those services and advertisements that are relevant to the customer's criteria.

For instance, a customer buys a significant number of action movies. The interfaces paid TV providers employ should understand this and make recommendations, and position content of interest in the high level folders/navigation on the TV screen in a compelling way to make movie and merchandize recommendations. Likewise, if a customer buys a particular movie, merchandizing offerings should come attached. A movie-related ringtone or game could be sent to customers' mobile devices or customers could have the opportunity to buy early release movie trailers.

An important piece of personalized content is a federated profile management capability. A pay TV provider must use available information about the subscriber's devices, subscriptions, preferences and location to pre-search all available services and present only those services that are relevant to the customer. Doing so provides a more compelling experience for both the subscriber and the advertiser.

MULTIPLE REVENUE MODELS ENSURE VIDEO CONSUMPTION

Pay TV providers all desire to evolve their revenue models as they expand their portfolio of services. One price does not fit all! As subscribers shift around their video consumption, flexible pricing and discounting is required to maximize subscriber take rates. Subscriptions will require support for daily, weekly, monthly, annual and metered usage, while transaction rating is require to support a wide range of per-use rating and volume discounting. Promotional price rating ensures that pay TV providers can manage a subscriber's lifecycle through initial and ongoing target marketing as well as the life cycle extension through discounting and promotion such as target market discounts, volume discounts and buy-one-get-one free pricing. And finally, a flexible revenue model allows pay TV providers to align service subscribers with ads that are relevant.

THE MOTOROLA ADVANTAGE

Motorola's Multi-Screen Service Management Software Suite Merchandiser, known as the Medios Merchandiser, provides the flexibility needed to increase pay TV service provider average revenue per user (ARPU) by differentiating On Demand video-based offerings. Through advanced metadata management tools and automation, the Medios Merchandiser offers a highly scalable multimedia content marketing system built to effectively market the ever-expanding on-demand catalog, including video, music, games, and applications. The Medios Merchandiser solution enables providers to successfully provide consumers with a media-rich bundling experience enhanced with flexible pricing and discounting, as well as personalized recommendations that drive impulse purchases and your return on investment (ROI).

Medios Merchandiser providers pay TV providers with the following business differentiating functions:

- Bundle Definition — Discover or ingest asset metadata, even from federated partner/third party catalogs, to populate the three-screen multimedia on demand catalog. Medios Merchandiser provides GUIs to allow pay TV providers to build bundles of video, music, games, and physical goods. It also enables them to combine TV, web and mobile in the same bundle.
- Multi- Screen Marketing — Medios Merchandiser's APIs are exposed to existing TV, web, or mobile portals, preserving these investments, while enabling cross-domain marketing and fulfillment.
- Price and Discount — Medios Merchandiser's rating engine enables flexible pricing and discounting to maximize subscribers take rates. Its GUI- based operations make it simple to build and associate pricing and discount plans to individual assets, bundles and categories of assets.
- Recommend and Target — Using profiles and inputs, such as subscriber preferences and social network inputs, Medios Merchandiser positions the assets, offers, and pricing most likely to result in a purchase one-to-two clicks from the subscriber's home portal screens.
- Fulfill and Settle — Once an order is placed Medios Merchandiser generates the grants, DRM license terms, billing records, payment gateway events, and settlement records to fulfill the transaction. It also handles reversing all this in the event of a customer reversal.

Motorola's Medios Merchandiser is a game-changing platform for the pay TV provider's three-screen personalization and multimedia bundling needs. It brings relevant, targeted content to your consumers with custom bundling capabilities across TV, web, and mobile —- increasing your revenue opportunities and ROI and lowering your operational costs.

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