Finding the Opportunity in the Rise of Over the Top Media
The age of television fades to black

Agenda

Over the Top Video
- Momentum and market alignment are finally here
- Network and content implications
- The New Audience
- Exploiting the opportunity

Historical Perspective

“The history of the media industry is the history of the tension between content and distribution”
Feelin' Alright
Happy with the status quo

Not Feelin' So Good
Subscribers are restless
The Dam is Breached

Key drivers enabling linear to OTT transition

Network and programming monopoly has disappeared
- We've transitioned from a scarcity of content to an abundance
  - The consumer is the new programmer and they're increasingly online

Safe havens have been conceded
- Live sports
  - Sling TV is streaming ESPN, SEC, etc..., with no subscription
- Netflix, Amazon likely to gain rights to global sports programming
- News
  - The 6 o'clock news is increasingly irrelevant
  - News is available live and unfiltered online and on social media
- The TV "season" and the TV "channel" are irrelevant
- Viewers follow content, not networks
- Premium Internet is now the foundation of the broadband offering

Worlds collide

BYOD

The Cord – An Endangered Species
DIY Video Ecosystem

Why Hasn’t Everyone Cut the Cord?

Quality of experience widely variable

The experience
- The lean-back to lean-forward transition – changing lifelong habits
  - OTT changes the game – it’s a self service buffet now

Navigation
- Where do I find what I want to watch?
  - Youtube uploads 400 hours of video every minute

Aggregation – the most desirable video mall
- Curation becomes a differentiator
- Aggregation, organization, presentation

The inputs
- “Where did I find that video?”
  - STB + NTB(s) + OTA antenna + streaming stick…

The Death of the Bundle is Greatly Exaggerated

- Bundles aren’t going away…they’re just changing
  - Large bundles allowed everyone to choose what to watch – same low, per channel price
- The new bundle will be smaller, targeted by content type, subscriber controlled
- Subsidized, niche content will move online or disappear
- Don’t be surprised if the aggregate cost is similar - contrary to expectations
  - Fewer channels/apps will mean higher costs per app
- Most viewers will be satisfied as long as they perceive
  - Value
  - Control
  - Freedom
- The transaction model is evolving to S-VOD and T-VOD – no contract
  - Programmers are determined to continue to profit handsomely
What Could Go Wrong?
Remember the airlines?
- One price included food, baggage, a seat next to your companion, and common courtesy
- How happy are fliers today?
  - Tickets cost more, seats are smaller, no meals, and “amenities” cost extra
  - One experience we all hope the programmers won’t subject us to
  - Calculated misery – “Making basic service so uncomfortable that you feel compelled to pay extra fees for minimal comfort”

Network and Content Delivery Implications

Video processing becomes exponential
OTT ecosystem requires complex processing
What about 4K?
Isn’t 4K just the 3D experience all over again?

3D has gone thru various iterations over 50 years
- No single standard ever finalized
- Never able to eliminate the goofy glasses
- Expensive to produce and exhibit
- ~20% of viewers experience side-effects - dizziness, motion sickness, etc…

4K
- Ratified industry standards in place
- Consumer devices plunging in price, sales volumes growing steadily
- A better picture…What’s not to like?
- Upconverting means even non-4K content is markedly enhanced

Ramifications
- Network capacity stressed

Impact of Unicast and OTT Video
Evolves from managed and predictable to unmanaged and unpredictable

Ingestion @ 6 Mbps
Encoding @ 6 Mbps
Access BW - 24 Mbps
1 channel, broadcast at 6 Mbps to 4 subscribers

Ingestion @ 6 Mbps
Encoding @ 6 Mbps
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1 channel, unicast at 6 Mbps to 4 subscribers

The End Game
The ultimate manifestation of TV Everywhere
Fundamental Video Strategy
What to plan for if you stay in the video business

DEFEND
EXPAND
REDUCE
CHURN
MONETIZE

Adapting to the New Model
Exploit and Monetize

In the network
- The most efficient broadband network possible
- OTT video content will still need accommodation
- 4K capable network will facilitate premium broadband tiers and premium pricing
- Caching – create a CDN to mitigate transport cost and requirements
- Go online and go beyond service area boundaries
- Local app cloud
- Multichannel online video
- Partner with emerging online aggregators
- Broadband dollars are worth more than linear video dollars
- Broadband subscribers are not accompanied by content costs

"As programmers disintermediate distribution models and move in the direction of retail, the long-term viability of the current model is uncertain – effectively controlling the broadband experience is an imperative for sustainability..."

Anonymous...but insightful

The New Audience
The Most Influential Audience Ever

Ages 2 - 19
Non-linear thinkers
The “Maker” generation, creating their own success
Rooted in reality, intolerant of fabrication or inaccuracy
The “inflection generation” in terms of video disruption

What About Gen Z?

- 26% of US population
- $44B in direct spending power
- Direct influence on large percentage of US household spending
- Uber multitaskers
- Difficult to track and market to - real time analytics are key
- 75% of waking hours spent consuming media on non-TV devices
- They choose the smartphone, tablet, or PC – even if they’re sitting in front of the TV
- Facebook is emerging as the dominant video portal
  - Audience, analytics, targeting, and measurement

Digital Natives and the Media Inflection Point

Gen Z doesn’t remember a time before YouTube, smartphones or MP3s
They stay informed through social media, not the news media
Their forums are visual: Instagram and Snapchat
They care less about owning it – they know they can find it in the cloud
Linear media was not conceived to serve Gen Z
Exploiting the Opportunity

Different Views Provide Different Perspectives

Do you need to go home?

Keys to the Device Enabled Subscriber
Presence, awareness, innovation, differentiation

Securing the device enabled subscriber
- Measurement
  - It's imperative to know as much as possible about what's happening in your network and what subscribers are experiencing – in real time
- Monetize based on real-time analytics – data will point to the answer
  - Gather data and convert to actionable information
  - Simple and understandable broadband value proposition
- Reward loyalty
- One up Best Buy and Staples – deliver it, install it, support it
  - NTBs, streaming sticks, etc...
  - Computing and networking products
  - Geek squad services
- Create a high margin revenue stream with a warranty program
  - 21st century version of the venerable IW plan
Secure the Device Enabled Subscriber

It’s all in the experience

Exploit a Familiar Landscape
Understand the rules – you still control your destiny

Securing the subscriber
- Demand for high-speed, high-quality broadband will continue to grow
- Know your subscribers and treat them right
- Build a perception of value, quality, and reliability – starting with your network
- Understand the market and regulatory landscapes
  - You will be able to offer multiple services and charge for added value
- Build and maintain the best cloud possible
- The killer app is time

80% of companies that will populate the 2025 S&P 500 don’t exist yet

Yale University School of Management