



It's Not Your Father's Oldsmobile



Richard N. Yelen
May 2012



There Is A Fundamental Change
in the way consumers
watch entertainment

Shift In Consumer Behavior

Gratification

Instant
Gratification

Serial

Multi-tasking

Static

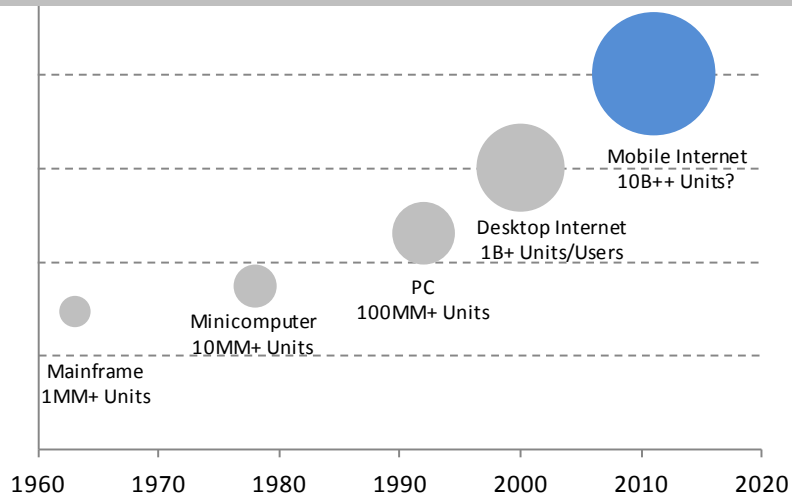
Interactive

TV

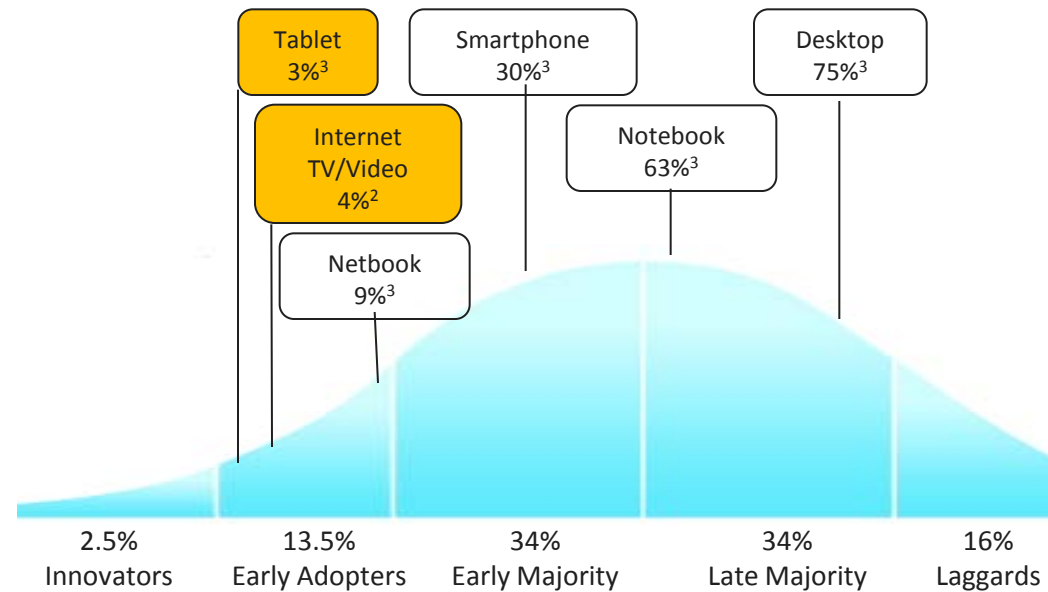
Multi-device

More Internet connected devices than ever before; Many just beginning to become mainstream

There are More Devices than Ever Before



Key Devices are Still Evolving



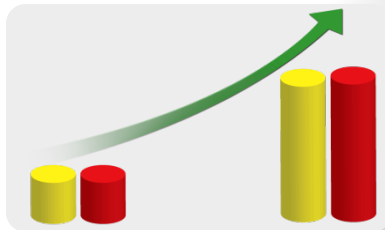
¹ Source: ITU, Mark Lipacis, Morgan Stanley Research (Feb. 2011)

³ Source: AlphaWise, Morgan Stanley Research (Feb. 2011)

Digital Media Consumption – The Drivers

The growth in digital media via the Internet is attributed to:

1 The increase in processing power of digital devices



2011

2014

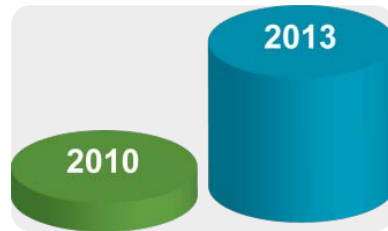
■ Processor speed

■ Memory space / disk

Processor speed improves **50% per year**

Bits/disk **grow 4X every 2.5 years**

2 The number of these now powerful and connected devices



2010

2013

376.5 M units

Shipments of **Internet enabled consumer devices** are projected to quintuple to **376.5 million units** by 2013. ¹



Internet-enabled mobile devices are experiencing record sales and are driving media consumption in both the developed and developing worlds. ²

3 The universal penetration of broadband Internet



Internet access reached over 25% of the world's population, totaling 1.73B people, growing by 380% between 2000-2009. ³
Mobile broadband subscriptions will surpass 1 billion this year. ²

Source: ¹ L'Atelier BNP Paribas, ² TechCrunch – Jan, 2011, ³ Internet World Stats & Miniwatts Marketing Group

Key Questions





What Business Am I In?



**WHAT IS THE ROLL OF THE MVPD? DO I
NEED AN MVPD AT ALL?**

WILL SATELLITE DIE?



DISH pursues new course



May 24, 2012

Dish Network strikes a deal with Roku that lets the satellite TV provider distribute foreign language channels that are part of its DishWorld service through Roku's Internet video set-tops.



Time Warner Cable's future is in broadband....not TV



Aug 2011

Glenn Britt – CEO

“Clearly the relative importance of the video business has declined over time,” Mr. Britt said in an interview. “I think broadband clearly is becoming the anchor service.”

Cable Cutters Are Growing



Roughly 4% of occupied U.S. homes, or 4.5M households, opt for Internet video as a replacement for Pay-TV packages by the end of 2011 as OTT options begin to erode Pay-TV subscriber penetration... This is expected to nearly triple to 12.1M by 2015

Broadband Distribution May Be Cheaper

- What is the roll of satellite distribution?
 - With the cost of broadband dropping dramatically, it is now less expensive to 24/7 video via broadband than satellite if you are trying to reach up to 2 million viewers





**WHAT IS THE ROLL OF THE CONTENT
AGGREGATOR?**

DO WE NEED CONTENT AGGREGATORS?



Time Warner goes beyond the TV

TimeWarner

Time Warner is a leader in the next phase of the digital evolution of media: delivering content that consumers love to them on any device and at any time.

- CNN live and VOD on multiple devices
- HBO VOD on multiple devices

Isn't it just a matter of time that content producers bypass the MVPD?



The future of aggregators for mobile content



May 2012

The ability to access the full HTML Internet, OTT video services, apps and TV Everywhere from mobile devices is now reducing the incentive for consumers to pay for dedicated carrier-based mobile video services.



Netflix has more subscribers than any MVPD in America

The Netflix logo, consisting of the word "NETFLIX" in a bold, white, sans-serif font with a slight shadow effect, set against a solid red rectangular background.

May 2012

Ted Sarandos- Chief Content Officer

“We have billions of hours of viewing, so we are going to take away from something.”



HOW DO MVPD'S SIZE UP TO OTT PROVIDERS?



Content Owners Deliver Direct To Consumer

AdvertisingAge[®]

Oct 2011

“Who Needs Netflix? Paramount Streams Latest 'Transformers' Directly to Consumers”



It's Not Just Streaming To Digital Devices!

- Engage the viewer in ways that classic TV doesn't deliver with interactive features
- Creates longer viewing time
 - More advertising revenue
 - More perceived value of the content





**So how do I enter into this
brave new world?**

Key Questions

1
Do I have
content rights?

2
What is the
business
model?

3
How do I
distribute?

4
The delivery
platform?



Content Rights

- Are my content rights cleared for digital distribution?
- What platforms?
- Linear channel and/or VOD?



Business Model

- How do I make money?
 - Added Value to protect core business?
 - Subscription?
 - Transactional?
 - Advertising supported?



How do I distribute?

- Direct to Consumer?
- Business to business?
- Hybrid?



The Technology

- Build vs. buy?
 - Do I write software internally?
 - Do I buy multiple components and integrate?
 - Do I use a turn key system?
- In order to answer these questions
 - What are my core competencies? What business am I in?
 - Speed to market
 - Cost
 - Flexibility



Richard N. Yelen

richardnyelen@aol.com