



Marketing aspects and business models of new added value services

June 2009



Secure

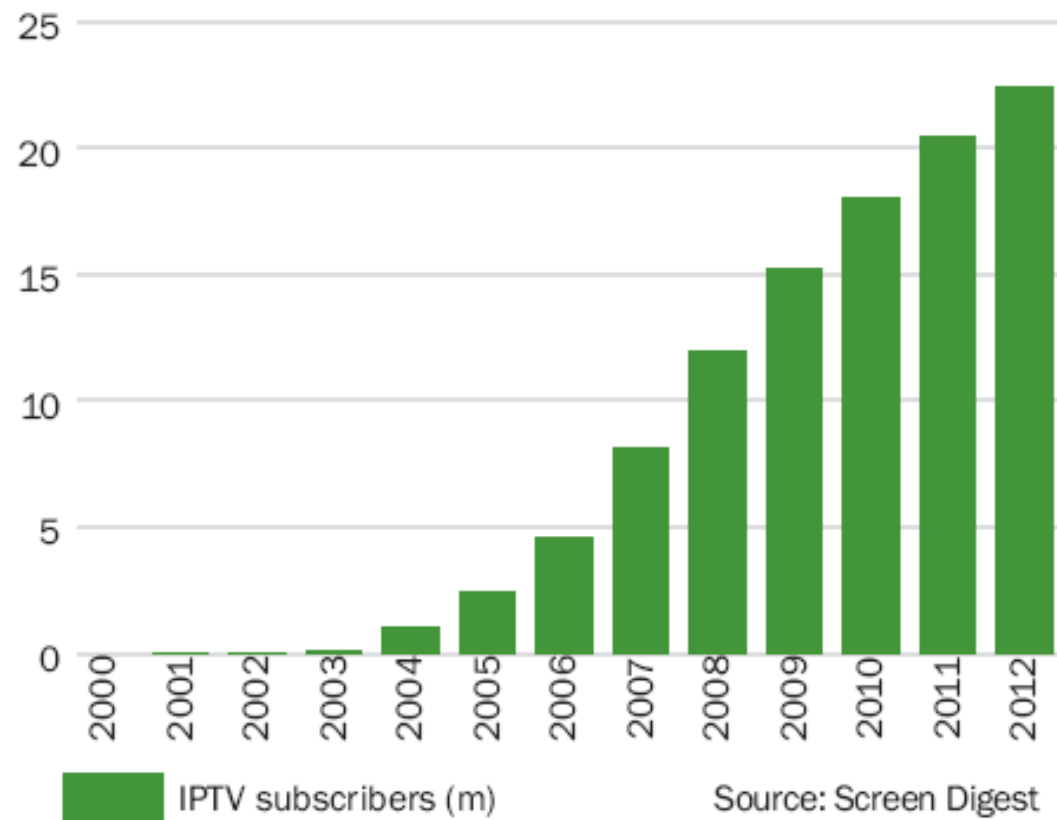


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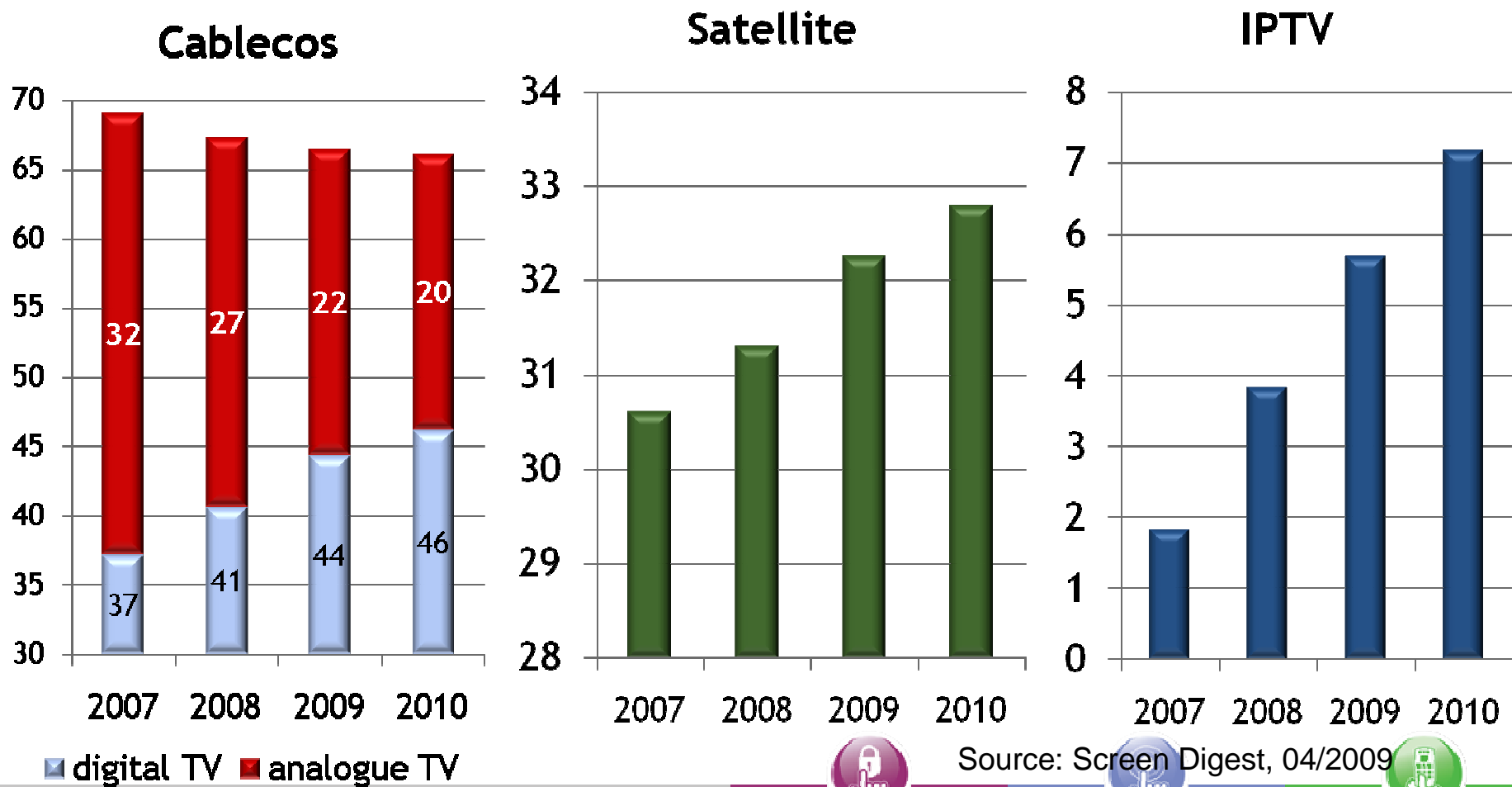


Interact

IPTV Subscribers (Europe)

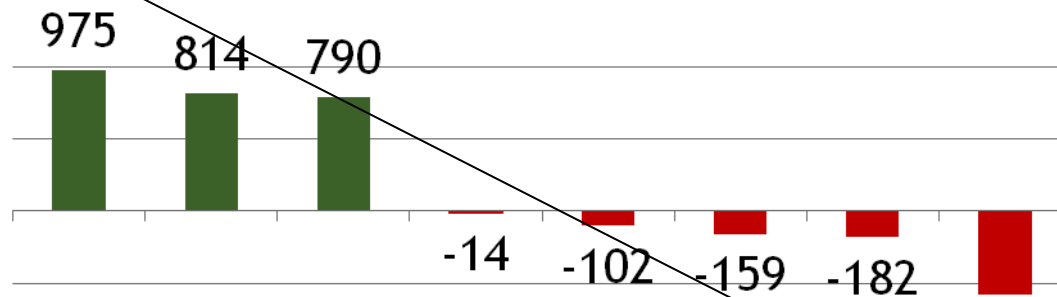


Cablecos go down, Telcos go up



Source: Screen Digest, 04/2009

Subscribers Added/Lose (2008)



Comcast most affected by Verizon and AT&T current footprint

Company	HD channels
DirecTV	100+
Verizon	100+
AT&T	100+
Echostar (Dish)	70+
Time Warner	55*
Comcast	45*

* Major differences between areas



Innovative IPTV features

- Home-networking
 - First phase whole-home DVR and media extender are already deployed

FiOS, U-Verse Tops In Customer Satisfaction: J.D. Power Survey

Telco Video Services Supplant Satellite, Pushing Cable Down The List

By Linda Haugsted -- Multichannel News, 10/1/2008 2:58:00 AM MT

- Advanced EPG features
 - Picture in picture
 - Advanced search
 - Widgets
- Quadra play bundle offers

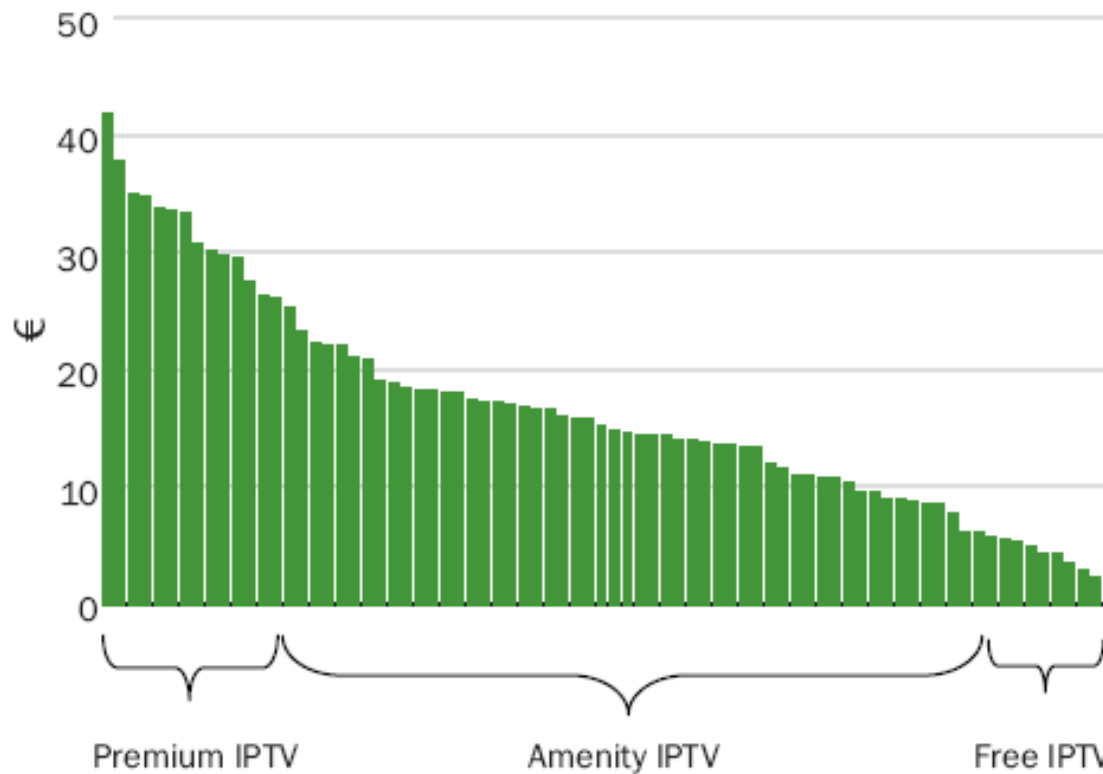


Common Business Models

1. Free basic package (Free IPTV):
 - Basic channels are usually via DTT (hybrid IPTV/DTT box)
 - Premium content relies heavily on VOD
 - ARPUs are low compared to other business models
 - Main aim: complementary service to the broadband business
2. Premium channel packages (Amenity IPTV):
 - 2-3 premium packages are usually offered, on top of a basic package
 - ARPUs are usually around \$22
 - Main aim: convince customers to upgrade TV package
3. Full pay-TV service (Premium IPTV):
 - Offered mainly by operators with existing market share
 - Exclusive (and expensive) content deals
 - ARPUs tend to be high



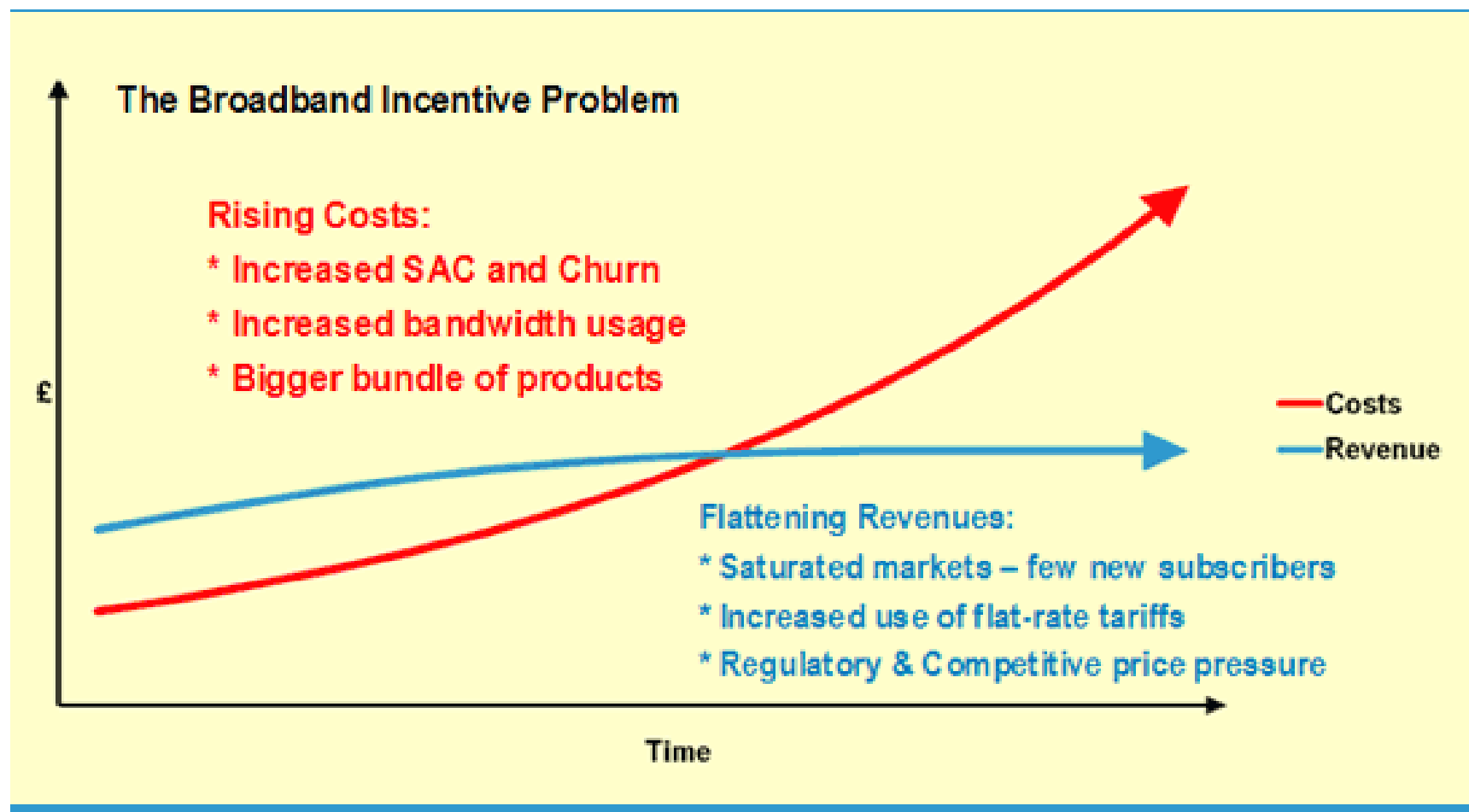
IPTV ARPU (Europe)



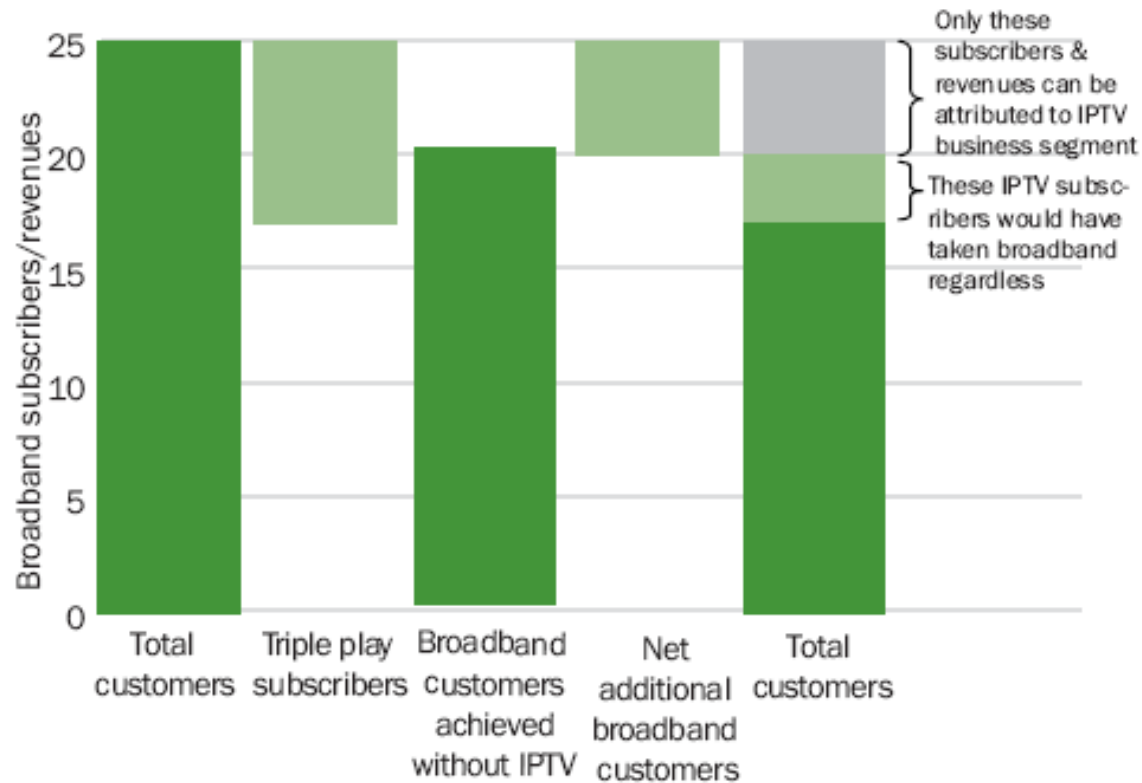
Source: Screen Digest



But...



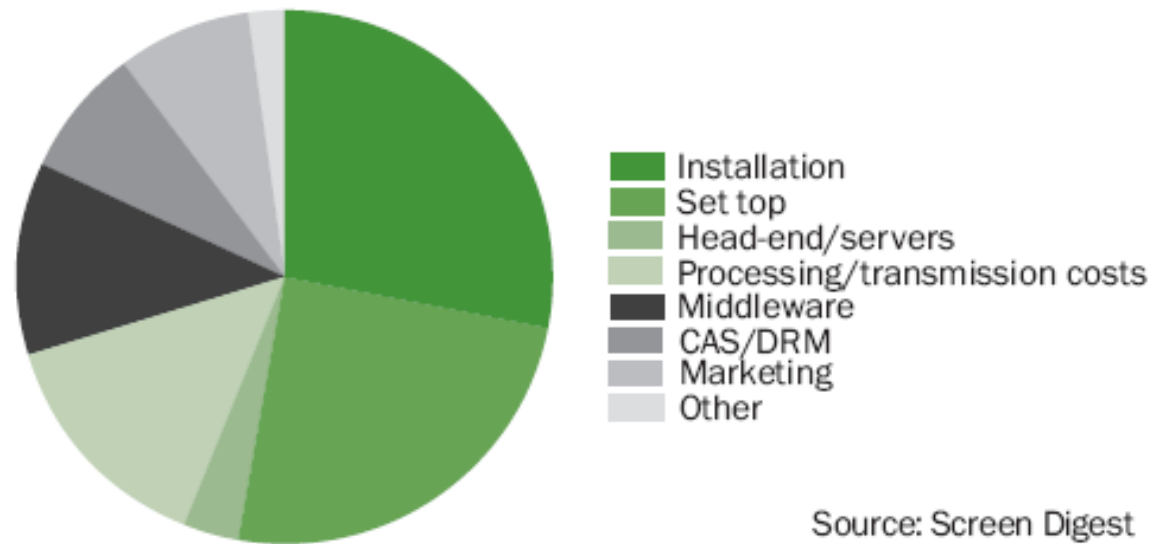
IPTV only a small part of the cake



Source: Screen Digest



costs of operation of a basic IPTV service (6 y)



Source: Screen Digest



Common Success Drivers

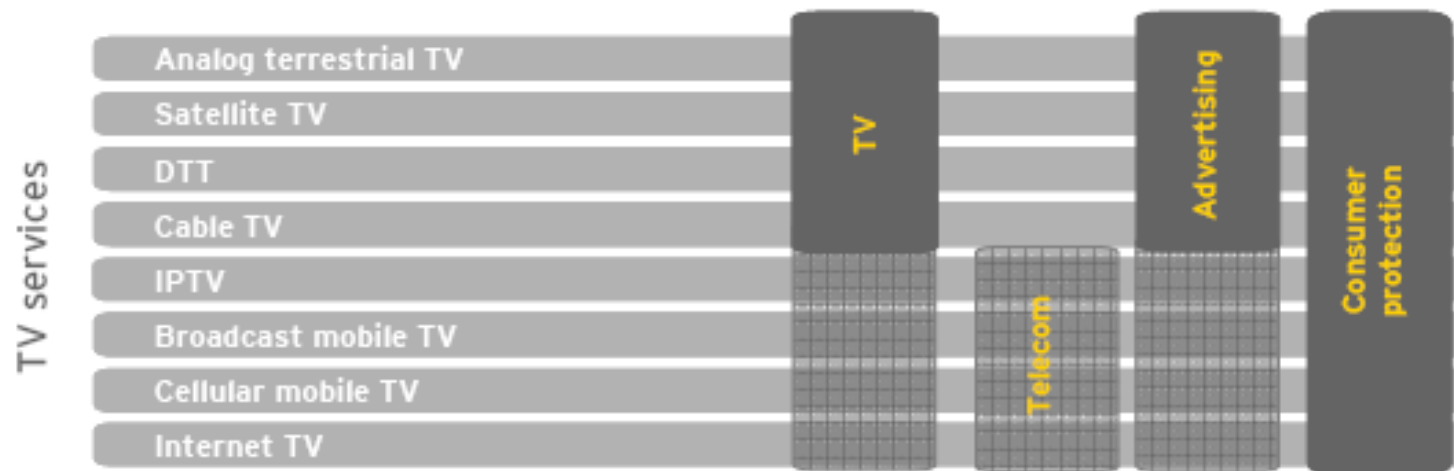
- Good market conditions (e.g. France)
- Bundling:
 - Attractive pricing
 - Includes other markets in which the operator is already present
- High broadband penetration:
 - ~90% of IPTV services require a DSL account

Common Inhibitory Factors

- Rigid regulation
- Tough competition from existing cable and satellite operators
- No sufficient content



Traditional Regulatory Frameworks



Key Regulatory Issues

- **Licensing**
 - A key question is whether IPTV is akin to other broadcasting platforms and if licensing is therefore required at the network distribution level.
- **Network Access**
 - Access to incumbent operators' networks (telecoms or cable TV networks) is an absolute requirement for alternative service providers in order to offer advanced services such as IPTV.
- **Network Neutrality**
 - Network neutrality addresses the issue of whether network operators may prioritize traffic for certain services or customers. This is an important question for the provision of internet TV, for which quality of service today cannot be guaranteed.
- **National content requirements**
 - Traditional TV services are often subject to national content requirements in order to promote locally produced content. The issue is whether all forms of TV should be subject to national content requirements or not.



Key Regulatory Issues

- Advertising
 - For traditional TV, clear advertising rules apply. They regulate, for example, the maximum number of advertising minutes per broadcast hour and prohibit the advertisement of certain products. The issue for regulators is whether all forms of TV should be covered by these regulations and how they would be applied.
- Ownership
 - While foreign ownership of telecoms is commonplace in most countries, foreign ownership of media channels is often restricted.
- Must carry
 - Some TV channels may be considered “must-carry,” which means that broadcasters are required to include them in their channel portfolio. This typically applies to public service channels funded through license fees. A key question is whether or not new forms of TV distribution should be subject to these must carry obligations.



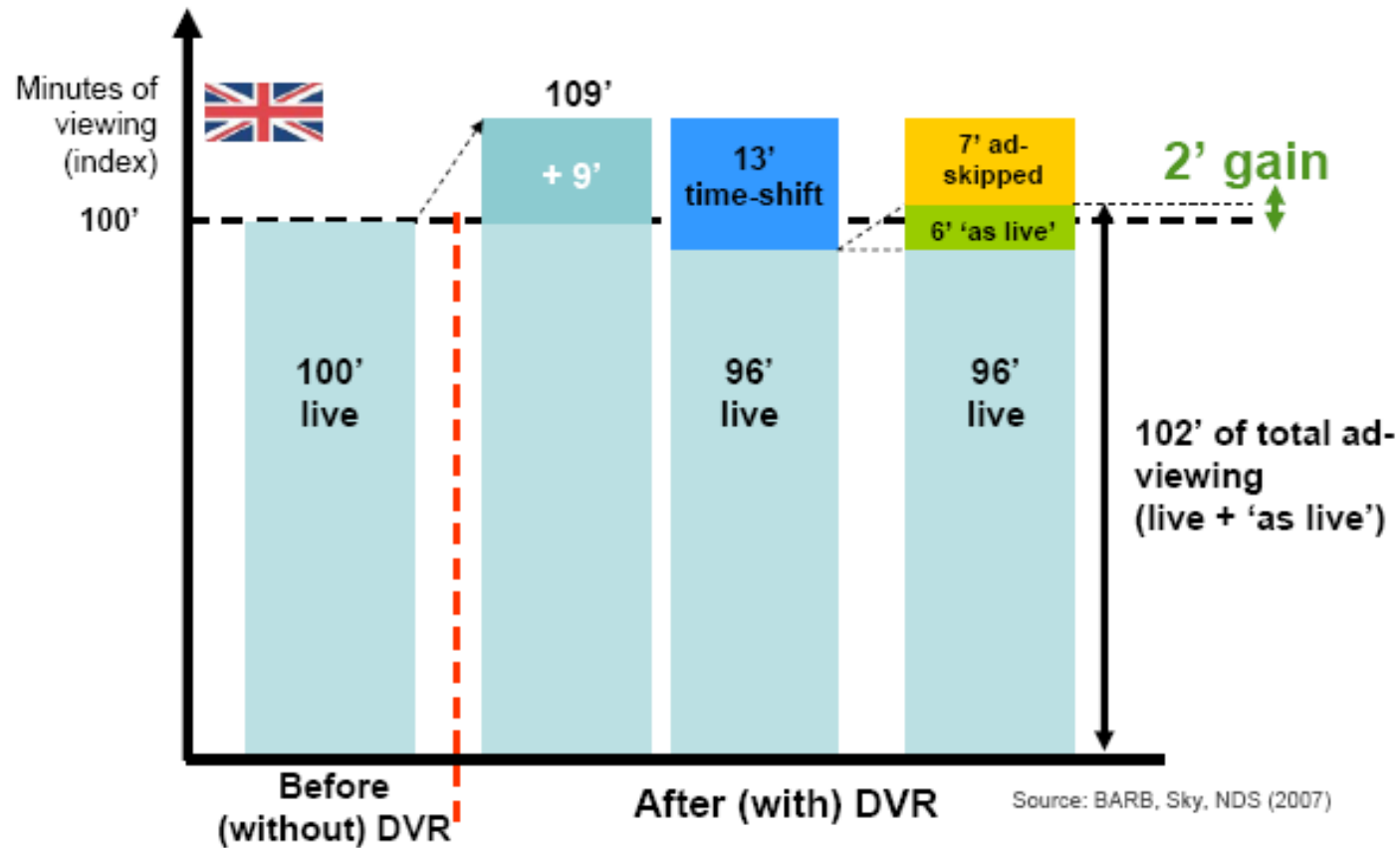
The big challenge

- Traditional ad-funded linear-broadcast TV business models are under threat



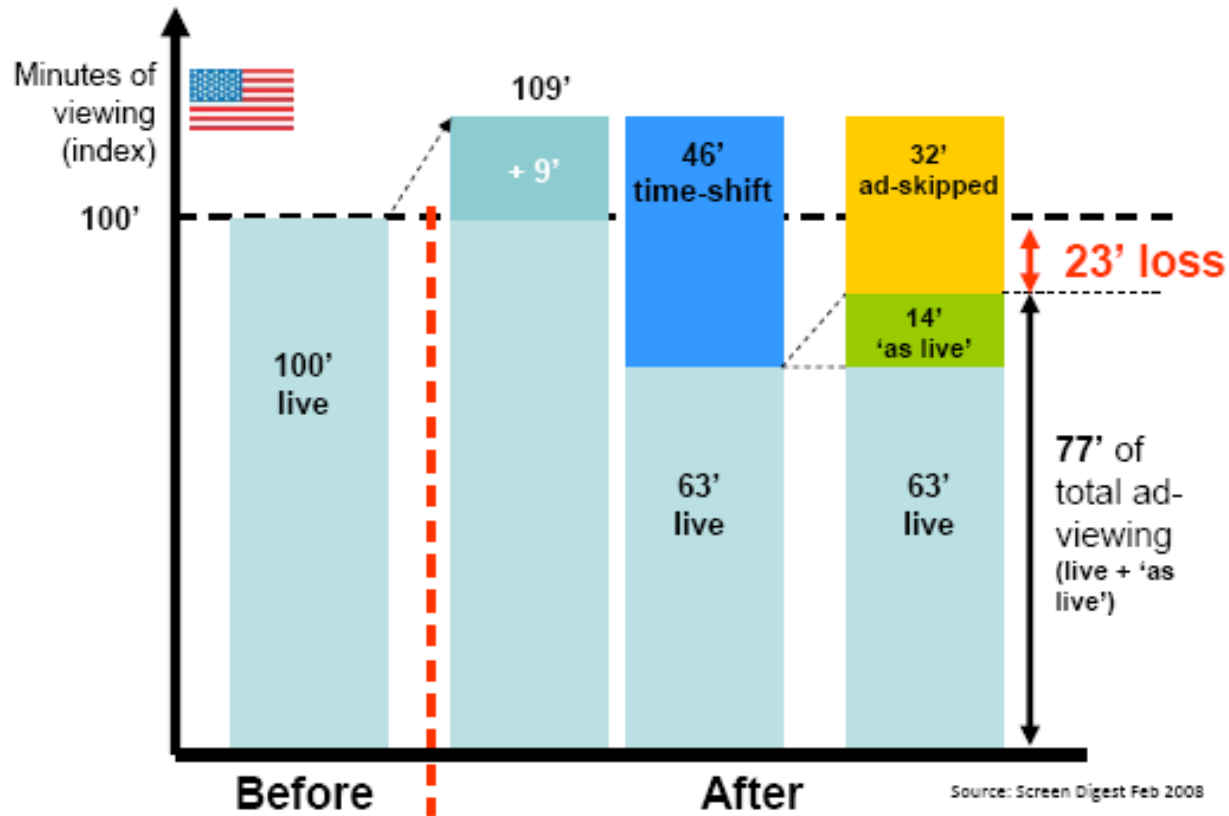


PVR & Advertising



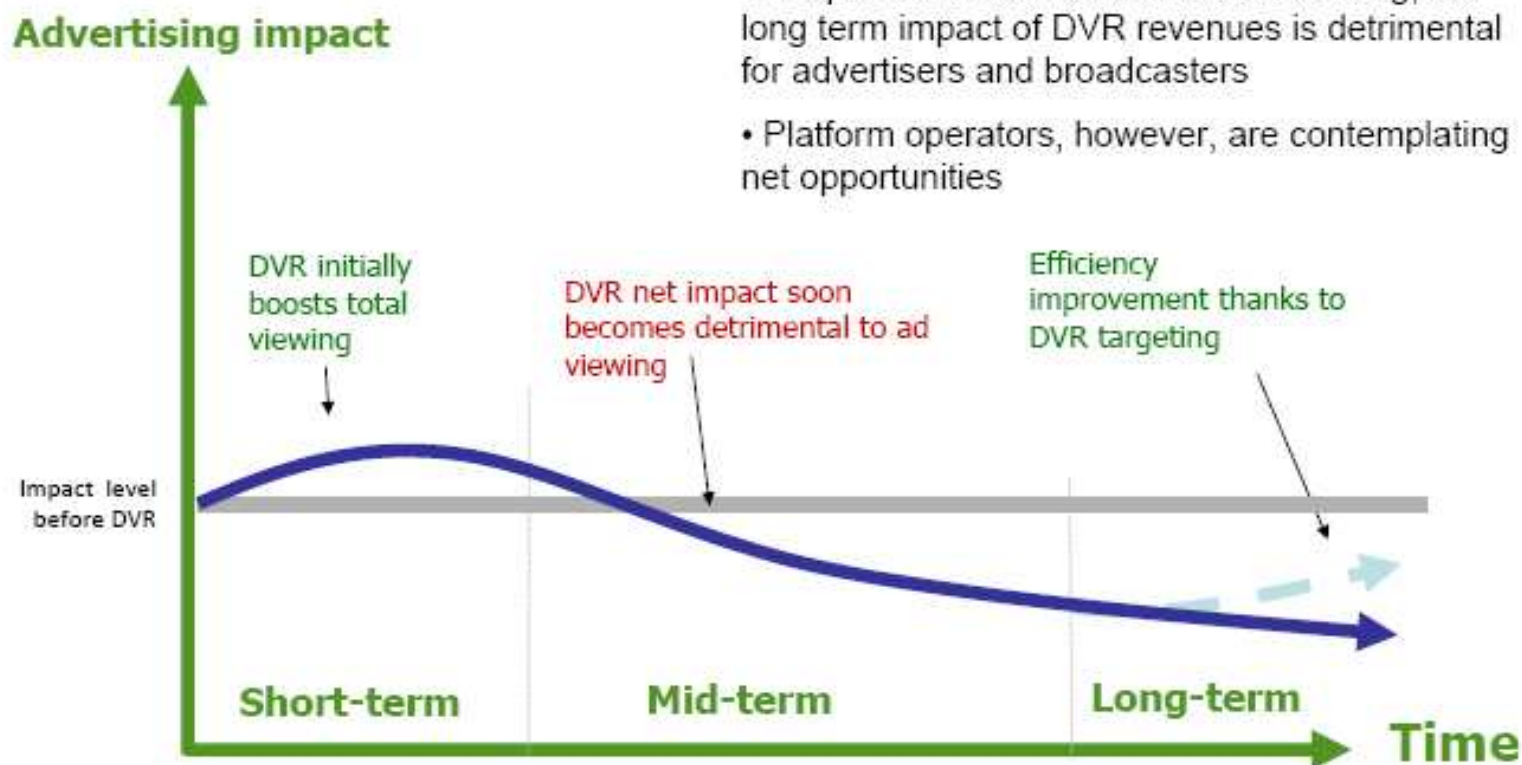


PVR & Advertising



PVR & Advertising

- Despite the initial boost to overall viewing, the long term impact of DVR revenues is detrimental for advertisers and broadcasters
- Platform operators, however, are contemplating net opportunities



Conclusions

Three Essential Silver Bullets for Substantial Market Share

Sufficient Market Conditions

- Regulation not too rigid
- Ability to compete with traditional players

Attractive Bundle Offers

- Multiple-play bundles
- Cross-platform & home networking
- Attractive premium content deals (e.g. à la carte)

Rich Content

- Exclusive content (e.g. sports rights, exclusive deals)
- HD content
- VOD as value-added content offering



Conclusions

Silver Bullets for Differentiation Once Market Position is Obtained

Revenue-Generating Applications

- Interactive services
 - The kind which customers will be willing to pay for (e.g. betting, shopping, trading)
- Targeted advertising
- Personalized offers

What Else?

- DVR capabilities
 - E.g. Multi-room DVR, more storage, home networking
- Community applications
 - E.g. P2P, chats, live talkbacks, viewer recommendations
- Personalized UI & EPG
 - Attractive, differentiating UI





Thank You!

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