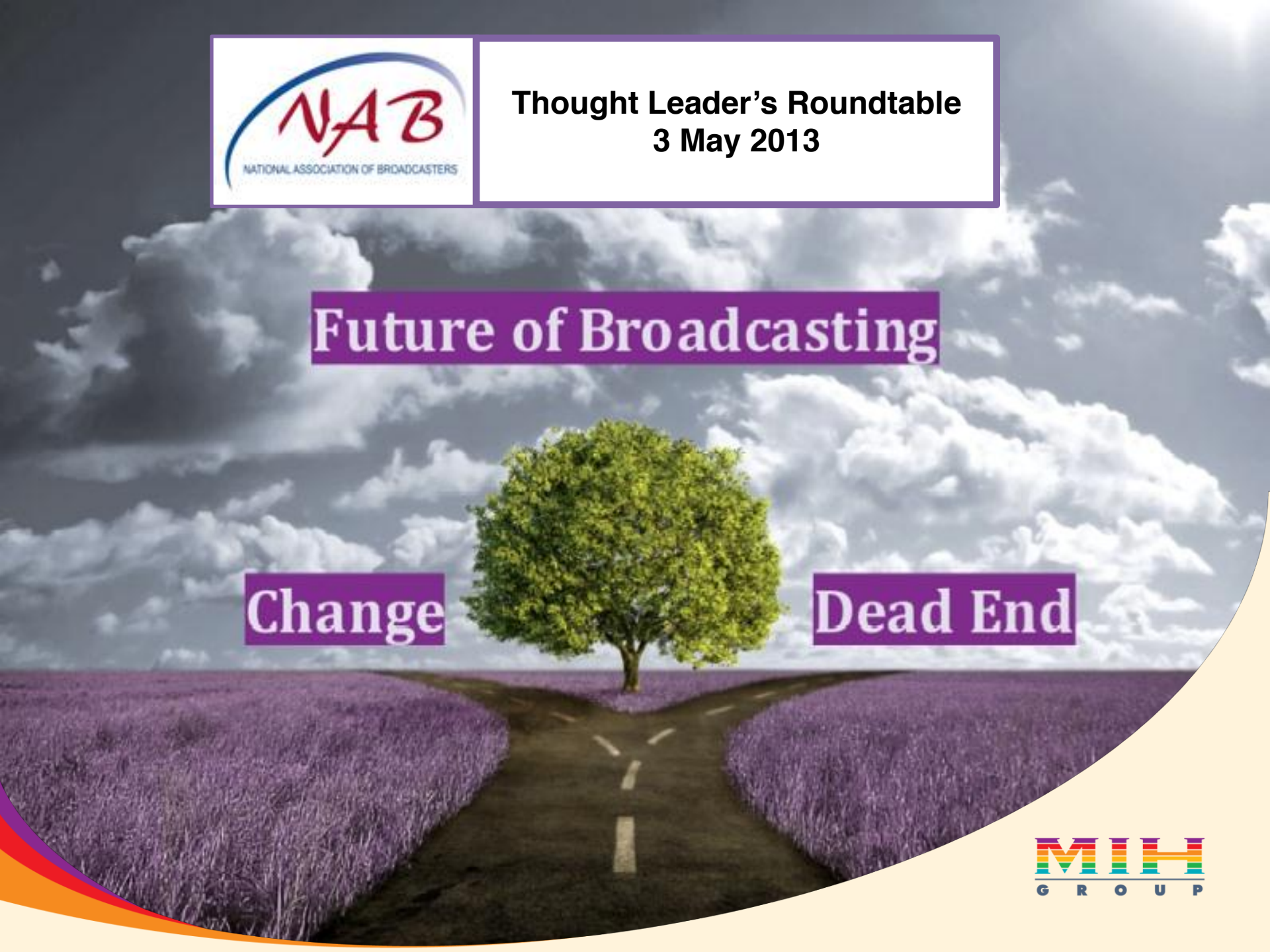
NAB
NATIONAL ASSOCIATION OF BROADCASTERS

Thought Leader's Roundtable
3 May 2013



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Introduction

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Agenda

- Introduction
- Two case studies – Print and Photography
- Television – Short Term and Long Term Focus
- Radio Needs to go Digital
- Internet Facts
- Conclusion

Case Study - Print Media

- First Mass Media – Print
  - Print became a mass medium in 1440 when Johannes Gutenberg invented the mechanised printing press
  - Since then print media continued to evolve and adapt – using steam power to enable mass production, the telegraph to drive world news gathering, photography and colour to increase popularity with readers
  - Success of print was not only based on circulation, it was due to advertising

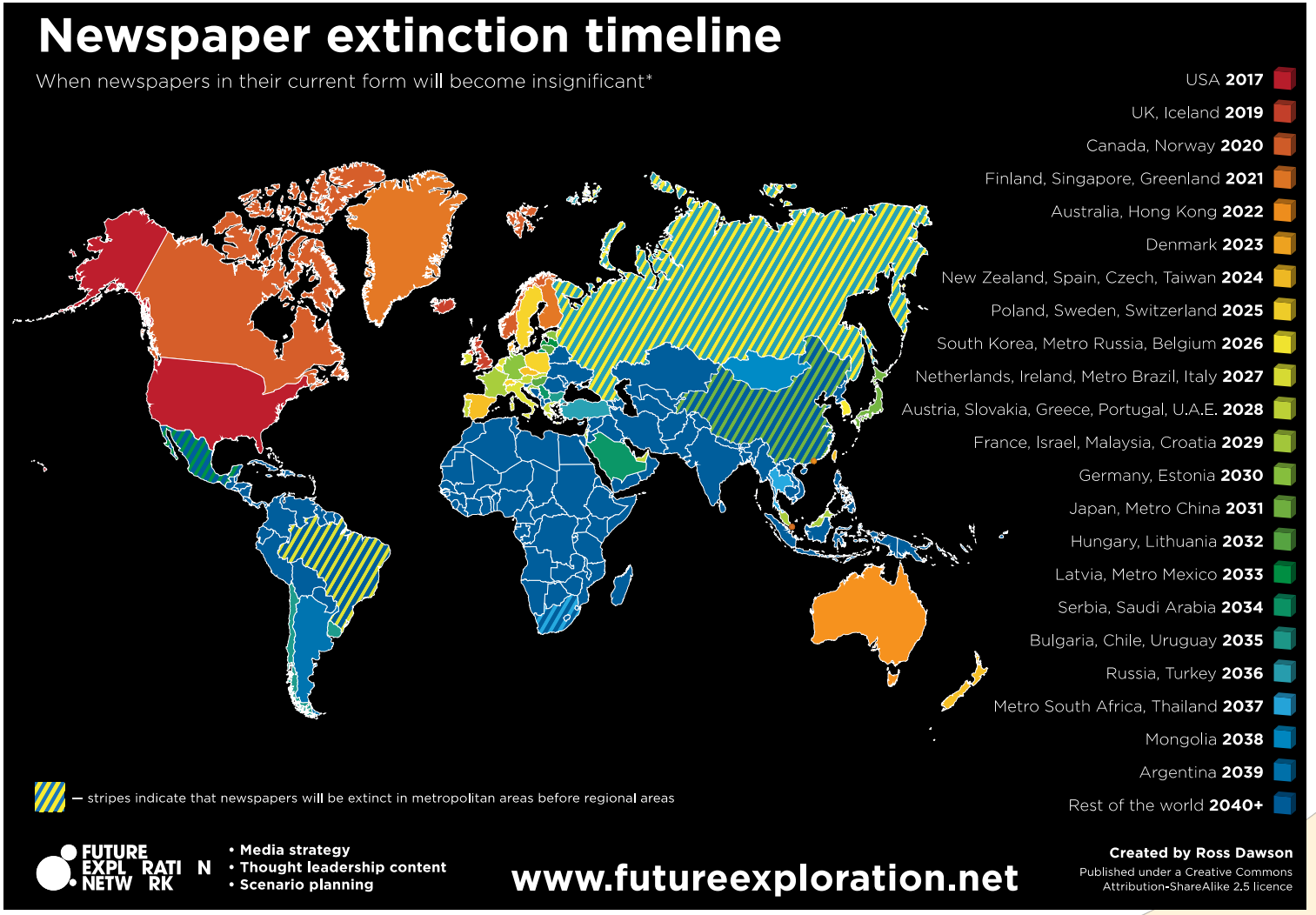
Print Media (2)

- Radio and later television emerged as new forms of mass media. They were faster than print at breaking news and took some of that advertising revenue away from.

- However, they never made an impact on the revenue from the classifieds advertising (bread and butter of print) and so these different technologies could co-exist serving different needs and demands of the readers, listeners and viewers

- The Internet is different - it undermines all advertising revenue, especially classifieds which for some papers used to make up 40% of revenue

Print Media (3)



Print Media (4)

- Despite the decline of print media, newspaper brands are actually more popular than ever.

- Why? The reason is the Internet, in the online environment people still search out known brands who they can trust to provide objective news reporting and fact checking.

- Lesson – paper is a medium – the real business is News gathering and reporting and that can translate into electronic media that carry the written word.

Case Study - Kodak

Kodak and Innovation

- Innovation missteps:

  - in 1938 the photocopying process was invented and patented by Chester Carlson. Between 1939 and 1940 Carlson tried to sell his invention and was turned down by a number of major companies such as IBM and General Electric, but more interestingly by Kodak.

  - in 1975 Kodak invented the first digital camera, but the company decided that it was merely interesting and choose not to pursue its development. In doing so it missed the digital boat.

  - in 2000 Kodak vowed to catch up and become the leader in digital cameras in the US. By 2005 it was the no1 leader in digital camera sales in the US.

  - In 2007 – realisation value is in image not camera/film

Kodak and Innovation

- Kodak was late to recognize the problem, slow to react, and then went down the wrong innovation path.

- In sharp contrast Fujifilm who was also facing the same traditional business obsolescence transformed itself into a profitable business through a 3 stage strategy started in the 1980s.

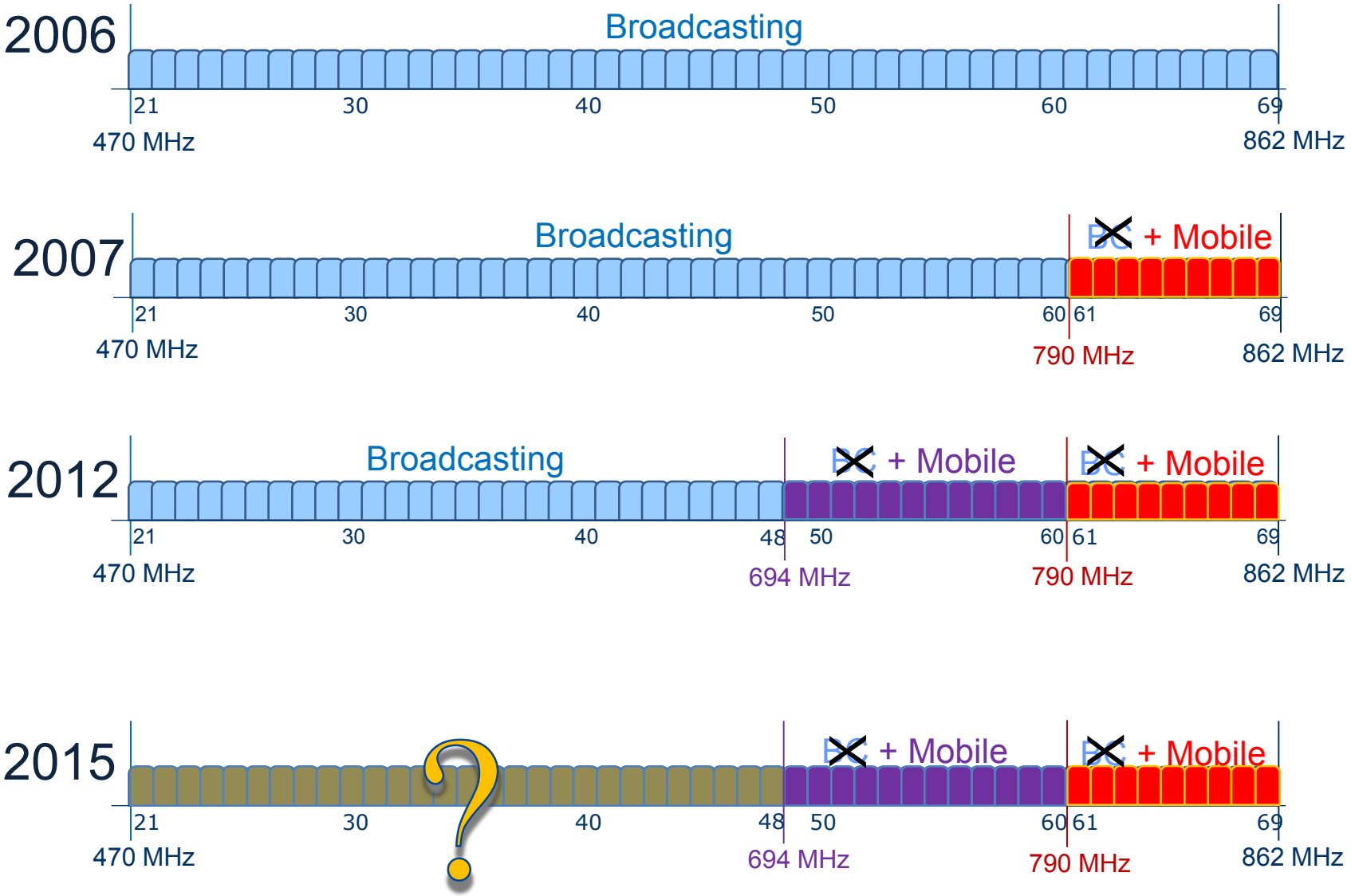
- Squeeze as much money out of film as possible, to prepare for switch to digital and to develop new business lines.

Television

Next 3-5 years focus will be DTT in SA

- DTT Regulations are in place for existing broadcasters
- Mux 1 and Mux 2 are pretty much rolled out by Sentech
- Outstanding is the Minister's gazette indicating the DSO and the ASO
- Doubtful that commercial launch is possible this year as SANS 862 is getting a 2nd amendment, ROO will only be complete June 2013, SABS Conformance Test Lab and test software still being set up and tenders for subsidised STBs not finalised as yet.

The UHF spectrum allocations



Next 3-5 years focus will be DTT in SA

- The IMT allocation in the 700 MHz and 800 MHz frequency range and other frequency bands will facilitate the development of cost effective mobile Internet access in many parts of the world.

- A forecast shows an annual growth rate of mobile video of 90 per cent between 2011 and 2016, whereas the total annual mobile traffic growth is predicted at 78 per cent.

- It is expected that by 2016 mobile video will generate over 70 per cent of the mobile data traffic (Cisco Visual Networking).

The Changing Face of the TV over 80 years

Early TV set –circa 1935

1970s

1990s

2000s

In 2010 manufacturers thought that 3D TV was the next big innovation for TV media – but in the absence of enough content, expensive equipment and uncertainty between competing standards – it turned out to be a big flop.

3D like the videophone, remains a niche, technology

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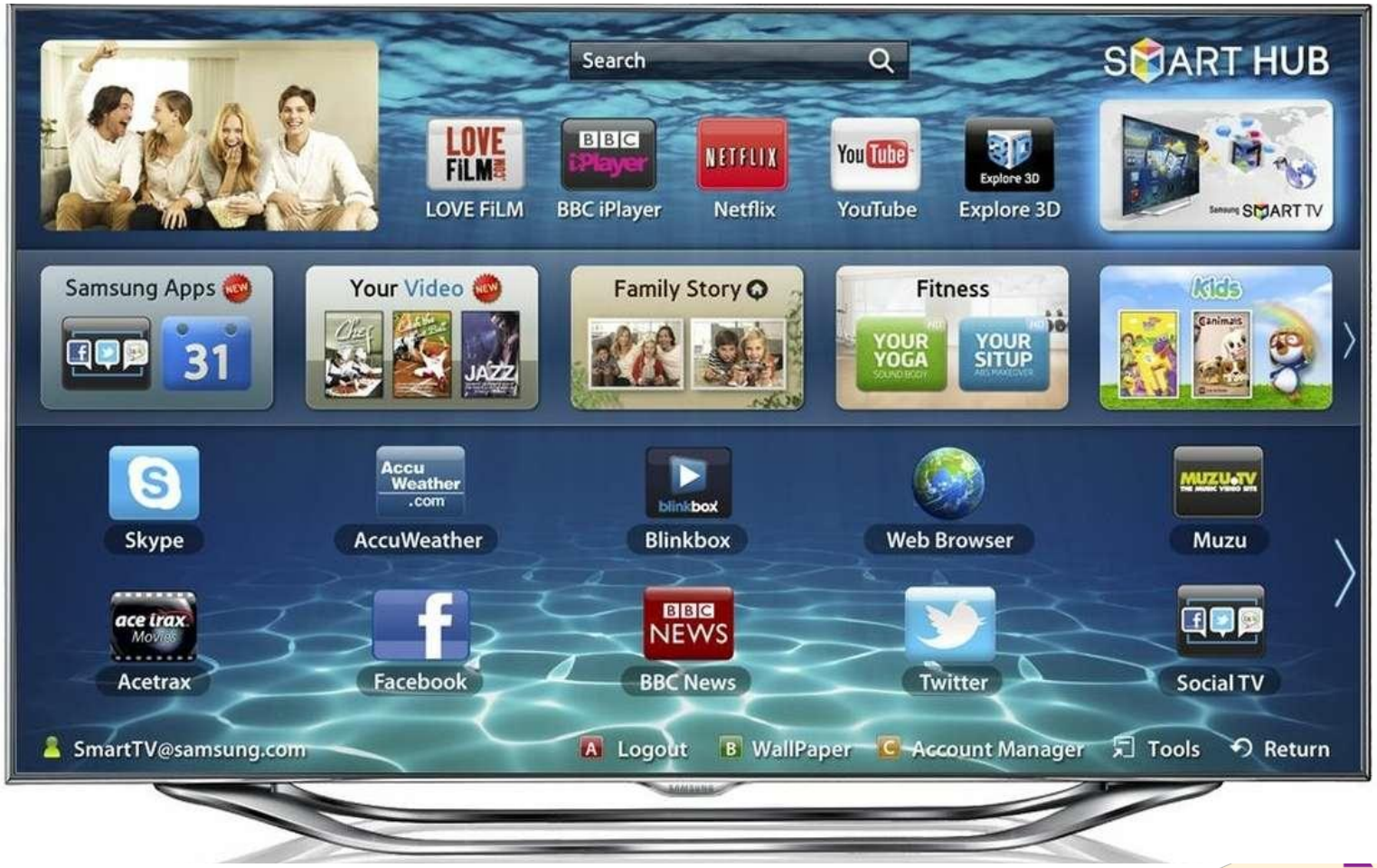
“Its television Jim, but not as we know it”

Smart TV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YOUR SITUP
Kids
Skype
AccuWeather
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Twitter
Social TV
SmartTV@samsung.com
A Logout
B WallPaper
C Account Manager
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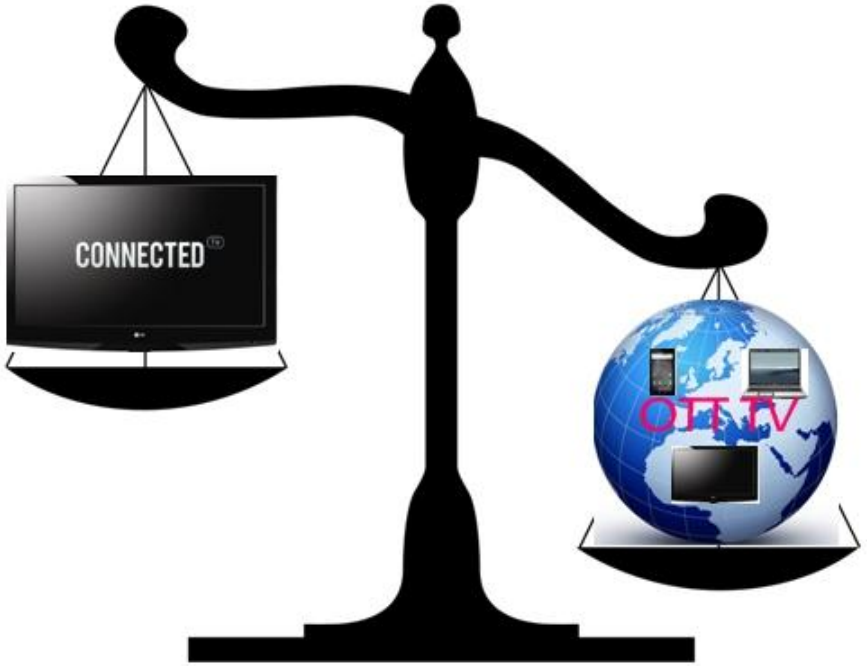
CONNECTED TV
OTT TV

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What is OTT TV?

- OTT TV is content that is available over the open internet, delivered via your broadband connection and so bypasses the traditional providers of TV services – hence the term over-the- top television.

Types of OTT TV

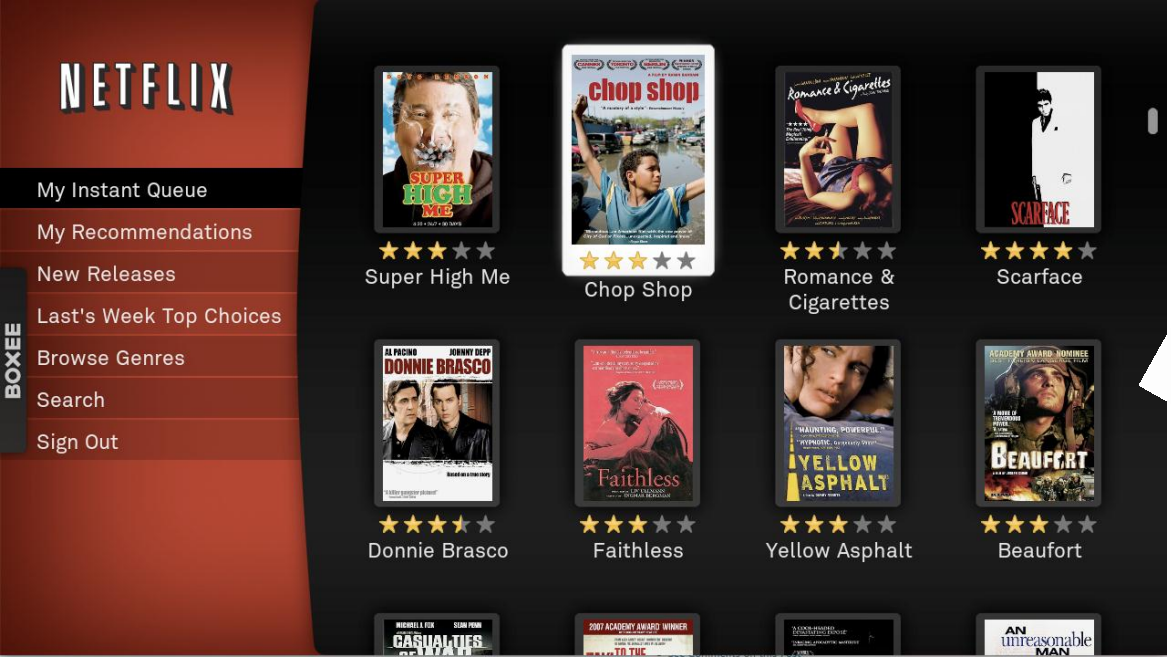
Amazon will make its own TV shows

By JP Mangalindan, Writer May 2, 2012: 12:44 PM ET

As widely expected, the company will begin making original series have the same quality as "real" TV shows, with production budgets to match.

FORTUNE -- For months, the technology world has wondered when -- not if -- Amazon would get into original TV programing by soliciting scripts and beefing up its nascent in-house staff. Now, it's official: Amazon (AMZN) will produce original television content.

Source: http://tech.fortune.cnn.com/2012/05/02/amazon-tv-2/


NETFLIX
My Instant Queue
My Recommendations
New Releases
Last's Week Top Choices
Browse Genres
Search
Sign Out
BOXEE
Super High Me
Chop Shop
Romance & Cigarettes
Scarface
Donnie Brasco
Faithless
Yellow Asphalt
Beaufort


HELIO
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NEW AMSTERDAM
lipstick jungle
the office
K-VILLE
abc
Disney
NBC
FOX
DRIVE
24
BIONIC WOMAN
Conan O'Brien
FRIDAY NIGHT LIGHTS
LAS VEGAS
IT'S ALWAYS SUNNY IN PHILADELPHIA

Can this become a substitute for TV?

- In 2007, Netflix started streaming back-list movies to subscribers in the USA and now has over 26m customers globally.
- It began offering unlimited movie downloads in Canada for $7.99 a month in 2010 and by August 2011 it had signed up 10 per cent of Canadian broadband households; a feat that took six years in the United States.
- Sandvine reports that Netflix accounted for 32.7 per cent of all North American peak fixed access downstream content in the Fall of 2011
- In countries, like the US and Canada, with high-speed broadband penetration to the majority of homes, OTT TV clearly can pose a threat to traditional means of providing television content.

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What concerns does it raise?

- **Network Operator view** - Video content takes up a lot of bandwidth, too much OTT video on wired or wireless networks can cause strain on the network. Raises questions about charging for traffic and identifying video packets for this purpose.

- **Broadcaster view** – OTT video represents competition from competitors who have none of the regulatory obligations that broadcasters do and who may use global advantage to secure exclusive rights to content usually acquired by local broadcasters, i.e. the playing field is not level.

- **Regulatory view** – could be concerns about content in terms of protecting children or promotion of local content or access by local players to connected platforms such as consoles (closed) and TV sets (App environment).

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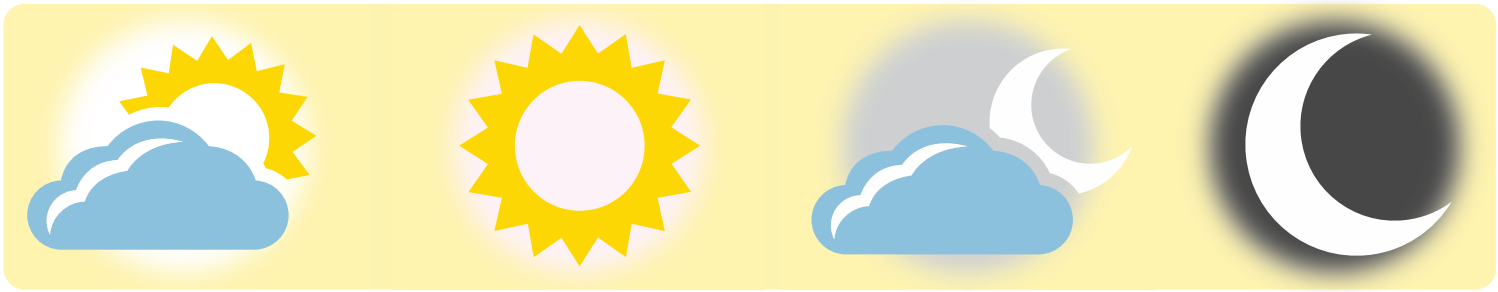
Is OTT TV a disruptive technology?

- It does have many of the features of a disruptive technology:
  - **Not good enough** – In current state, quality can vary from home to home. Its not an end-to-end managed network
  - **Lower revenue** – Unlimited monthly subscription to all content available online from Netflix costs less than $10/month. This sort of price range makes OTT unattractive for established players
  - **Competes with their core business** – OTT takes attention, time, and money away from the current forms of TV delivered by the current service providers. So why would a TV provider offer these services, if they compete with their own, higher-earning services?
  - **Poised to evolve to be "good enough"** – As with most disruptive technologies, OTT might ultimately evolve to become good enough to compete for mainstream market

What are people watching on connected TVs?

Top Connected TV Activities, Dayparted



	6 a.m.-Noon	Noon-6 p.m.	6 p.m.-midnight	Midnight-6 a.m.
MON–FRI	Email	TV Shows on TV	TV Shows on TV	TV Shows TV
	News and Info Sites	Email	Movies on TV	Movies on TV
	TV Shows on TV	Listening to Music	Streaming TV Shows	Streaming Movies
	Social Networking	Watching Short Videos	Streaming Movies	Streaming TV Shows
SAT–SUN	TV Shows on TV	TV Shows on TV	TV Shows on TV	TV Shows on TV
	Email	Movies on TV	Movies on TV	Movies on TV
	Social Networking	Streaming Movies	Streaming Movies	Streaming Movies
	News and Info Sites	Streaming TV Shows	Streaming TV Shows	Streaming TV Shows

Source: 2012 Frank N. Magid Associates, Inc.

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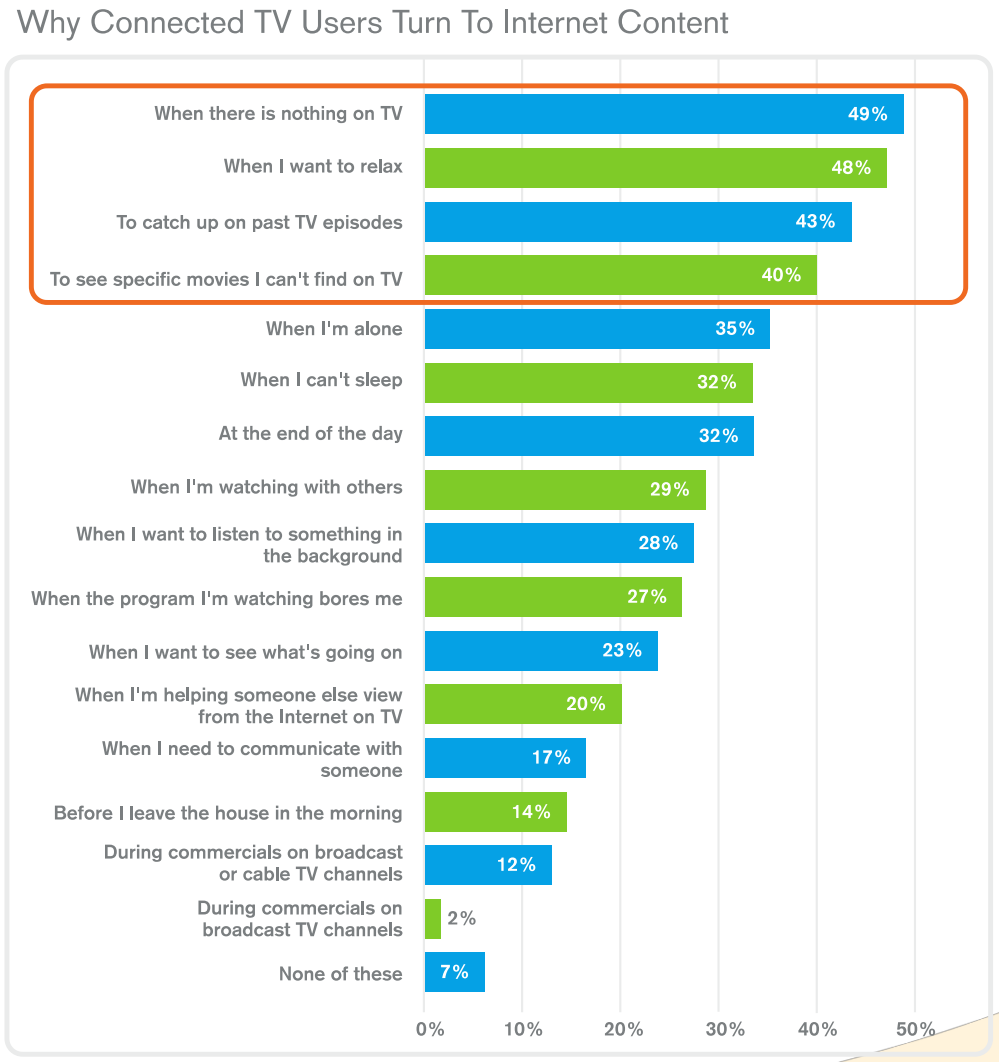
Why do people shift to internet on connected TVs?



Source: 2012 Frank N. Magid Associates, Inc.

What does OTT TV offer that Traditional TV does not?

Second Screen

- zeebox is a free app that's with you on your laptop, iPhone, iPad, Android or BlackBerry smartphone, while you watch TV. zeebox helps you discover, connect, share and interact – all live as you watch. It covers channels in UK, US and Australia and averages 1.5 million search requests a day.

- Why will it have traction - Eighty-five percent of TV viewers with a smartphone or tablet use their mobile device while watching the TV at least once a month, and 40 percent do so daily, according to a 2012 Nielsen (NLSN) study.

- How does it work?

zeebox

Consumer Access Behaviour

‘Best screen available’

Forward Looking

- Linear TV is going to remain at the core of successful business models, but will over time lose financial sustainability in fragmenting market.

- Traditional broadcasters will have to increase their relevance to consumers on multiple platforms and transform their business models to combine linear TV with new channels and products

- The power of linear broadcasters over the TV set is going to be eroded from a number of directions

Forward Looking (2)

- This is not news for broadcasters.

- What may be news is that connected users are not using internet services as substitutes, but rather to augment traditional TV.

- Popular reality TV shows such as *The X Factor*, *American Idol* and *Big Brother* have all driven high volumes of social networking activity – on Twitter and Facebook.

- Broadcasters of the original content that generates these conversations need to take control of platforms and connected services that drive these conversations – 2nd screen.

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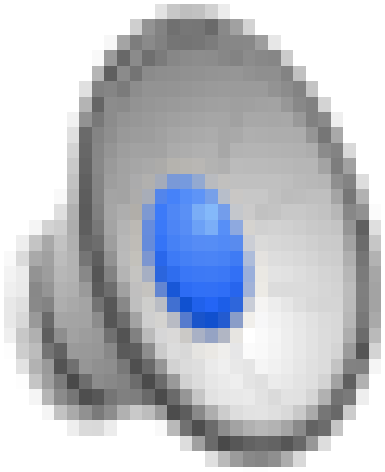
Traditional Radio still dominates the Dashboard

iTunes

Greatest threat to Traditional Radio?

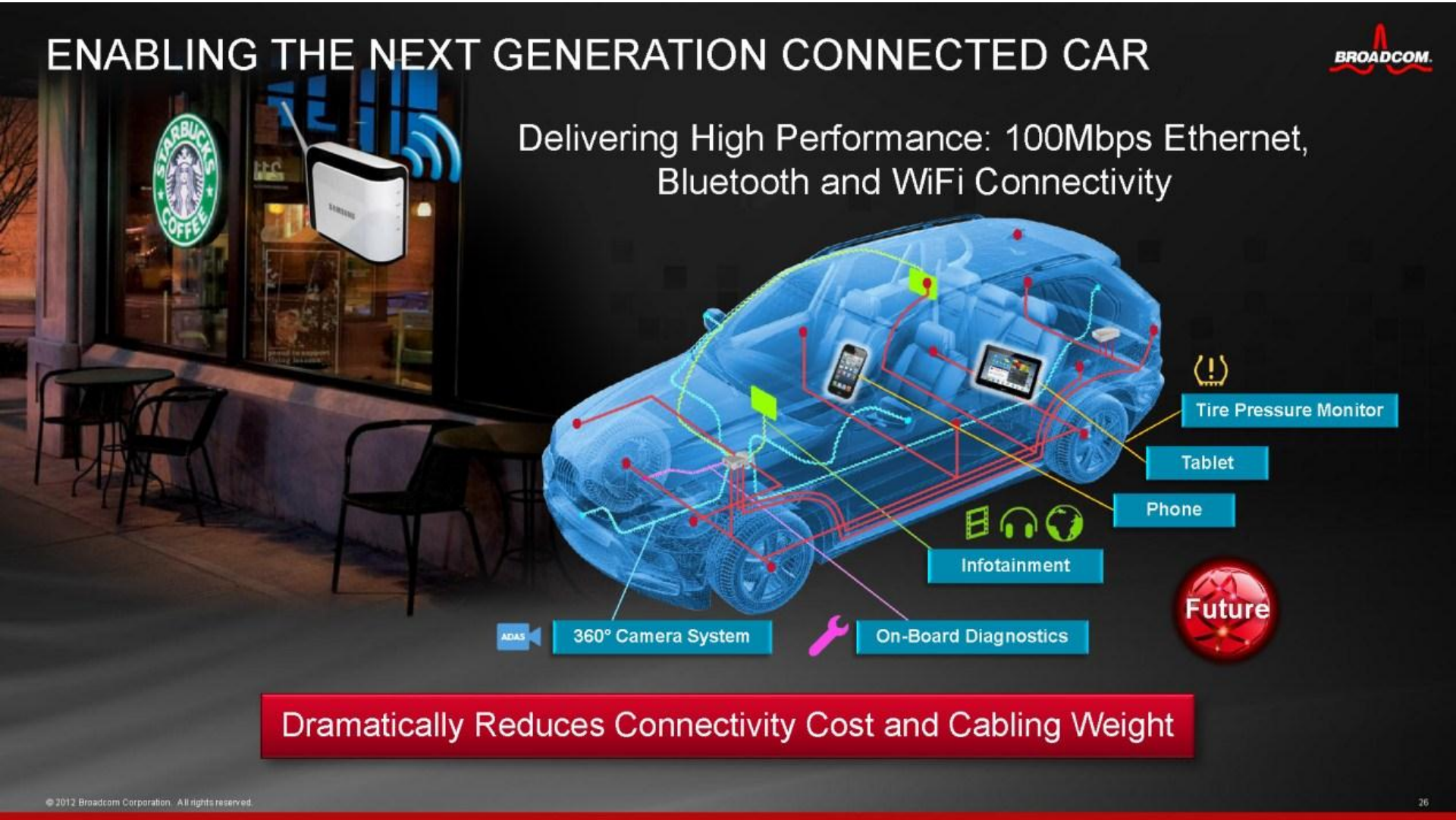


Greatest threat to Traditional Radio?

	% naming “a big threat”
Internet Access in Cars	41%
Pandora	18%
Sirius/XM Satellite Radio	13%
iPods/mp3 Players	13%
Podcasts	8%
iHeartRadio	7%
YouTube	6%

Kashoff & Co – March 2013

Greatest threat to Traditional Radio?



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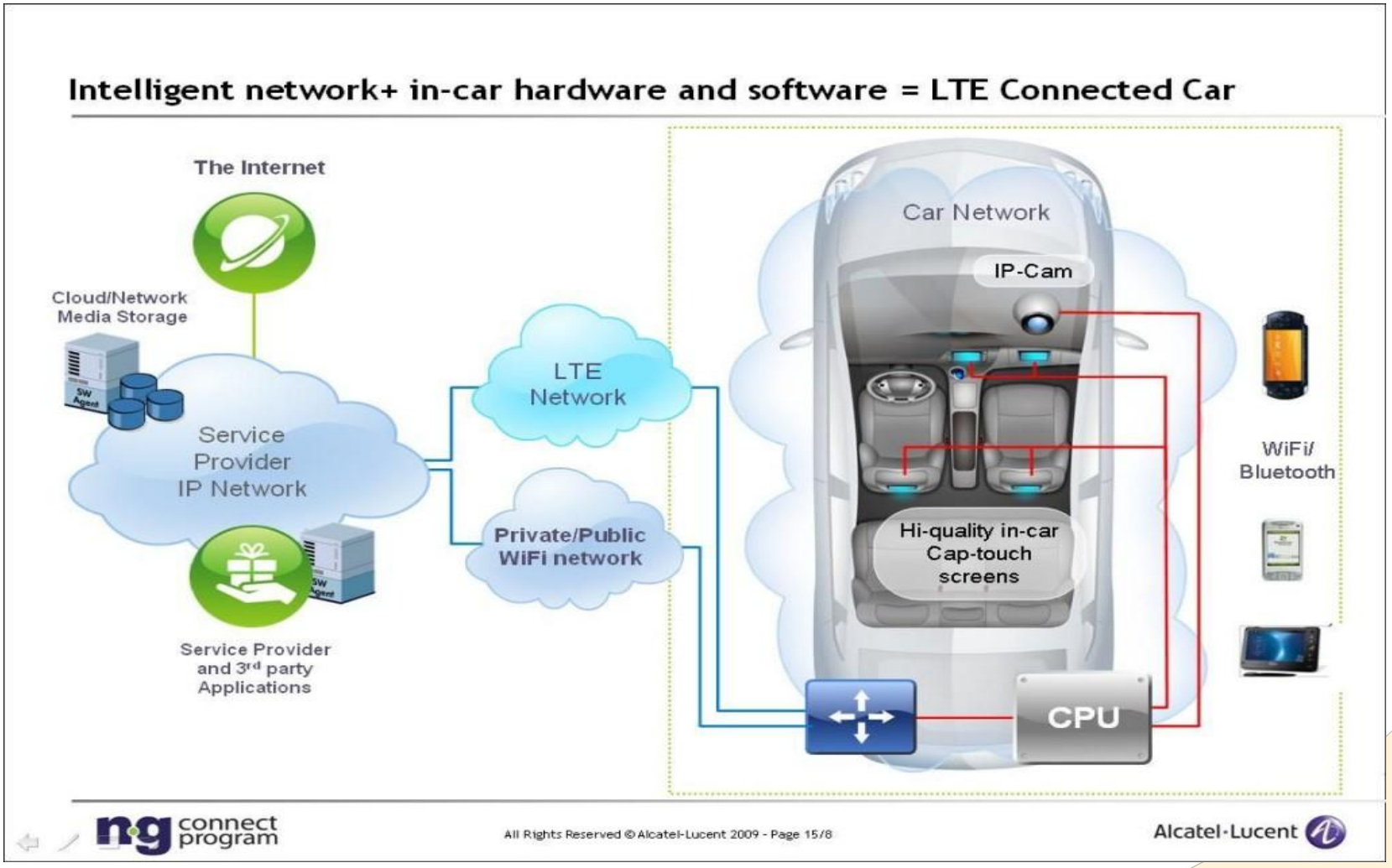


Connected World

- The connected world is a threat to radio broadcasters, as listeners and advertisers have more choices on where to spend their time and ad dollars.

- It's not just cars, Japanese manufacturers are building the same connectivity and applications into their home devices with the same implications – creating a threat for traditional radio in two product categories previously relied on cars and home radios.

- It is also a huge opportunity to make AM/FM a more interactive medium.

Connected World (2)

- Radio is not an industry that is in trouble – its still growing revenue and listenership and FM/AM radio's local focus keeps it relevant in the market.

- Internet radio will cut into listenership and ad revenue, but it will not replace over-the-air broadcasts.

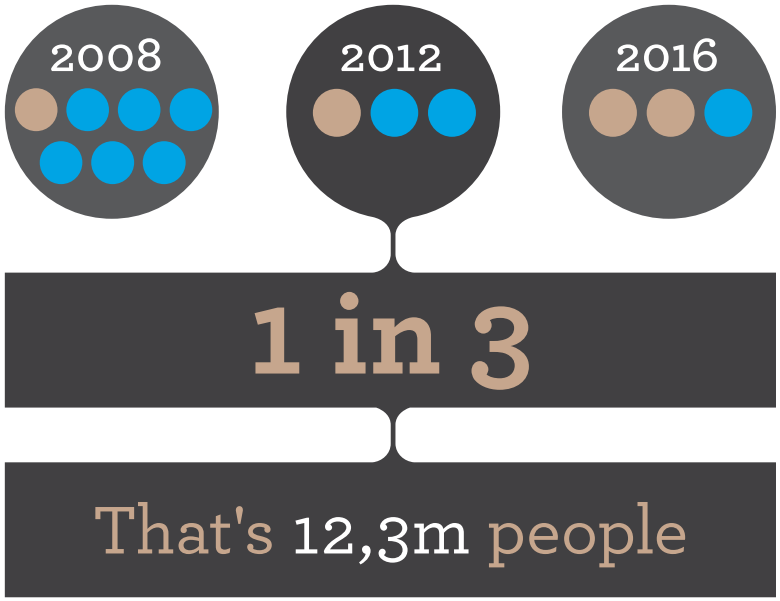
- A radio station's one-to-many broadcast architecture supports an infinite number of users in its coverage area. Internet radio's one-to-one connections add cost and bandwidth for each new user.

- In the absence of unlimited data plans there is no support for mass market internet radio listening.

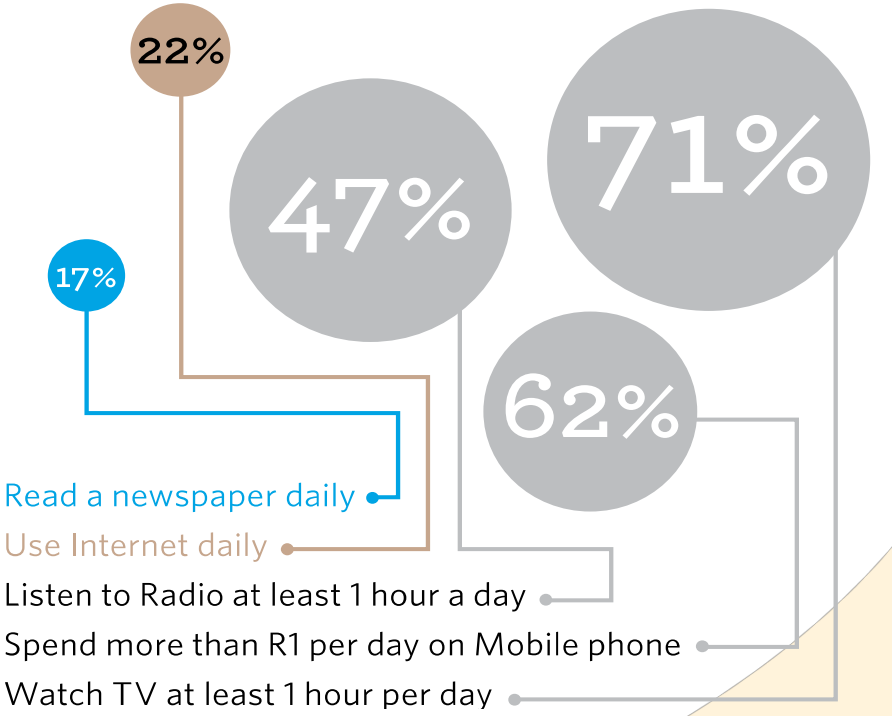
Ford Fiesta 2012

Internet Growth In South Africa

INTERNET USERS IN SOUTH AFRICA



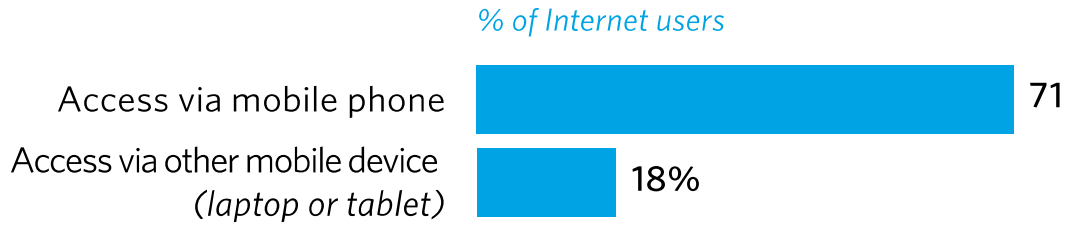
MORE POPULAR THAN NEWSPAPERS



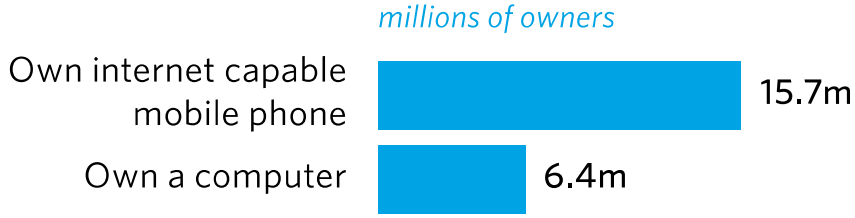
'From 'The New Wave' report, written by Indra de Lanerolle, designed by Garage East © University of Witwatersrand

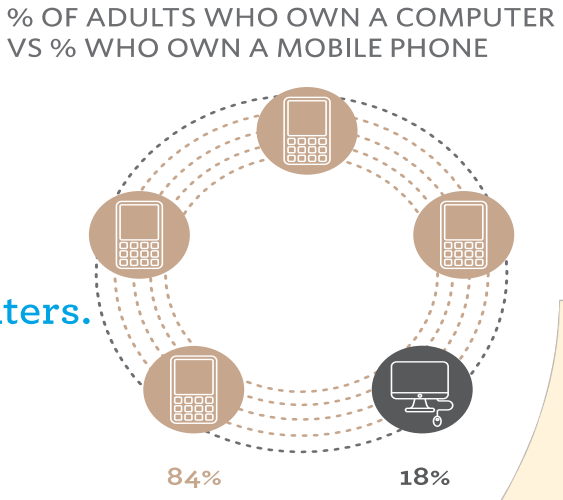
How does South Africa connect to the Internet?

Over seven out of ten Internet users use their mobile phones to get online.



Many more people have Internet capable phones than own computers.





'From 'The New Wave' report, written by Indra de Lanerolle, designed by Garage East © University of Witwatersrand

This report is available online at http://www.networksociety.co.za.

Connected World (2)

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- In the absence of unlimited data plans there is no support for mass market internet radio listening.

Conclusion

- Future is multiple platforms and multiple screens
- Key is to define your business properly and not confuse it with the medium - Broadcasters provide video or audio content over Any Network, Anywhere, Anytime.