

Technical and commercial evolution of non linear services



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Dresden, October 15, 2009

Association of IPTV Operators



Goals

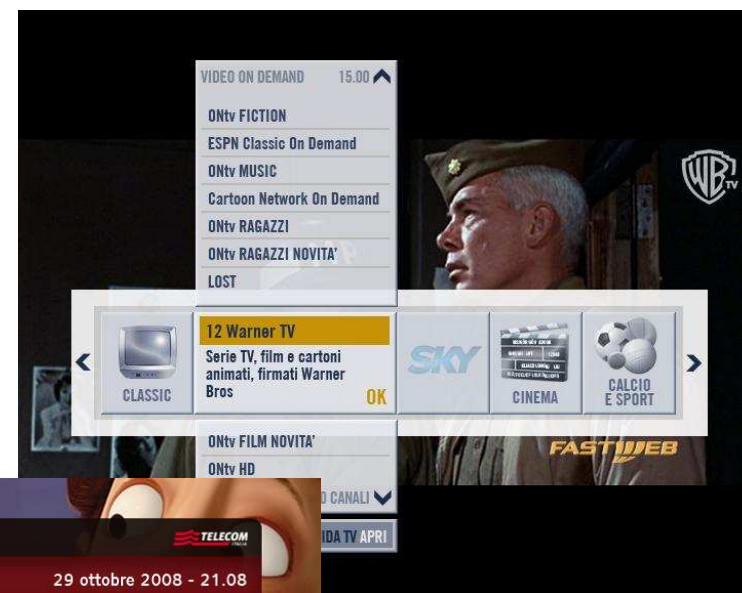
- ▶ Raise awareness on potential value of IPTV platforms
- ▶ Promote regulatory environment to support the development and sustainability servizi IPTV

IPTV as first enabler of non linear offer



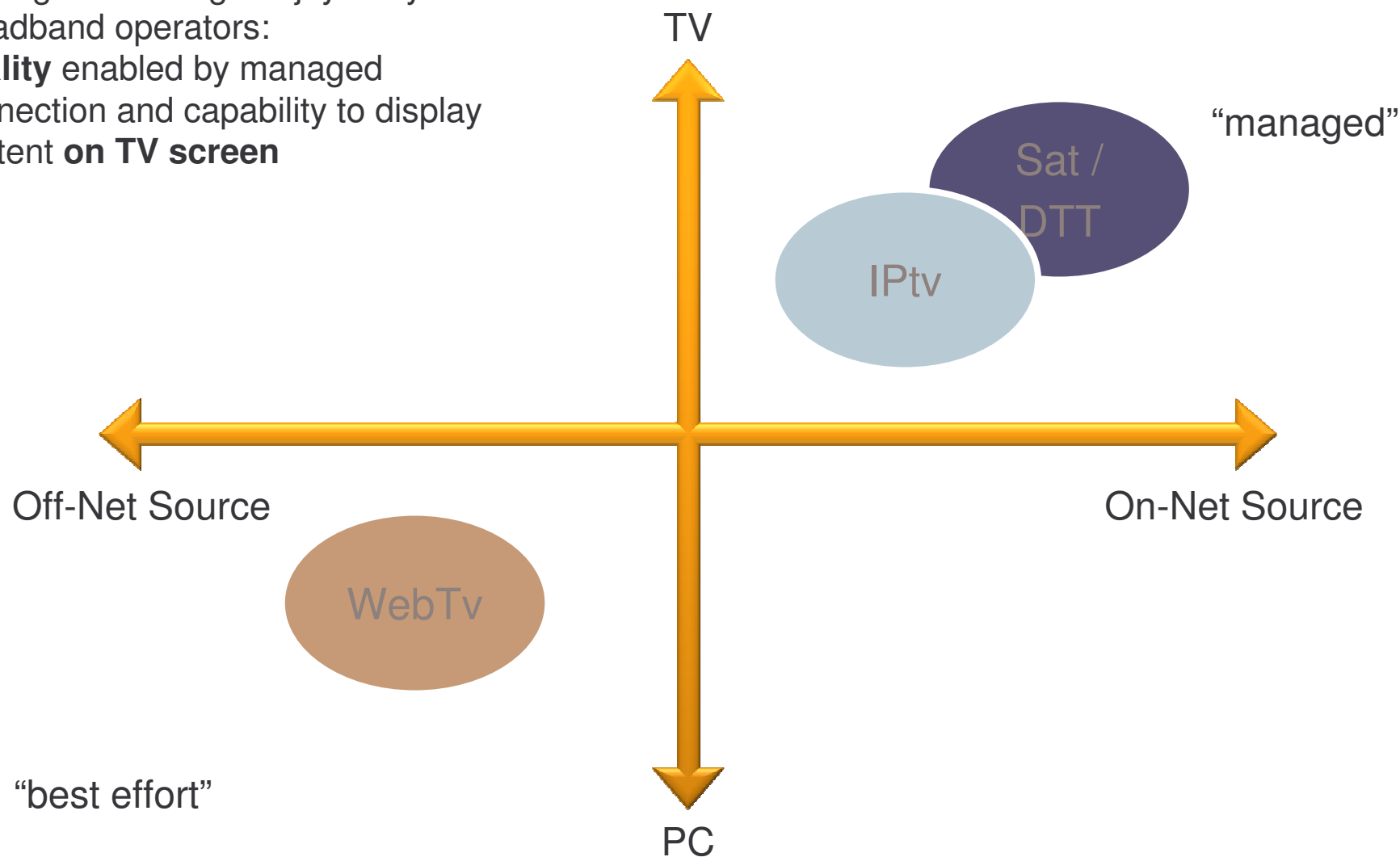
Broadband operators launched first offers of non linear content via IP connections to:

- ▶ differentiate service and raise churn barriers
- ▶ increase perception of the value of high and ultra-high bandwidth
- ▶ refresh image



IPTV vs. WebTV

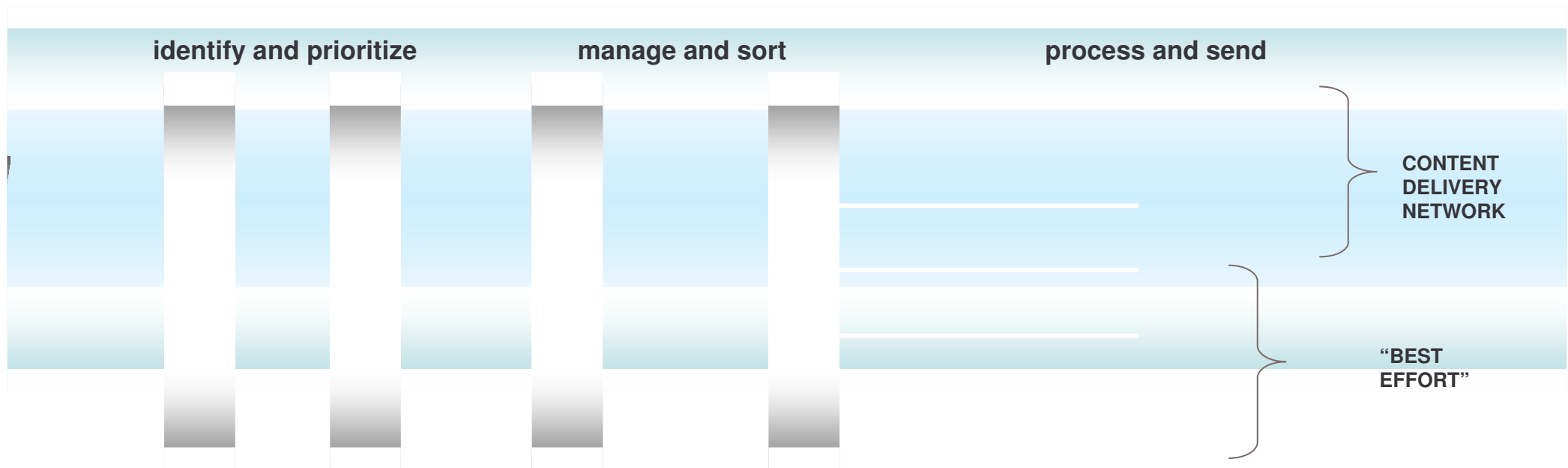
Strategic advantage enjoyed by broadband operators:
quality enabled by managed connection and capability to display content **on TV screen**



Delivery of content in a managed network



Real time applications such as (voice/IPTV) are delivered through dedicated “high speed lanes” (content delivery network)



Users are delivered the **same quality they expect from TV**
Optimised use of the capacity allows also the rest of the applications to work better

Non linear services managed by the IPTV operator



IPTV operator is in charge of editorial choices

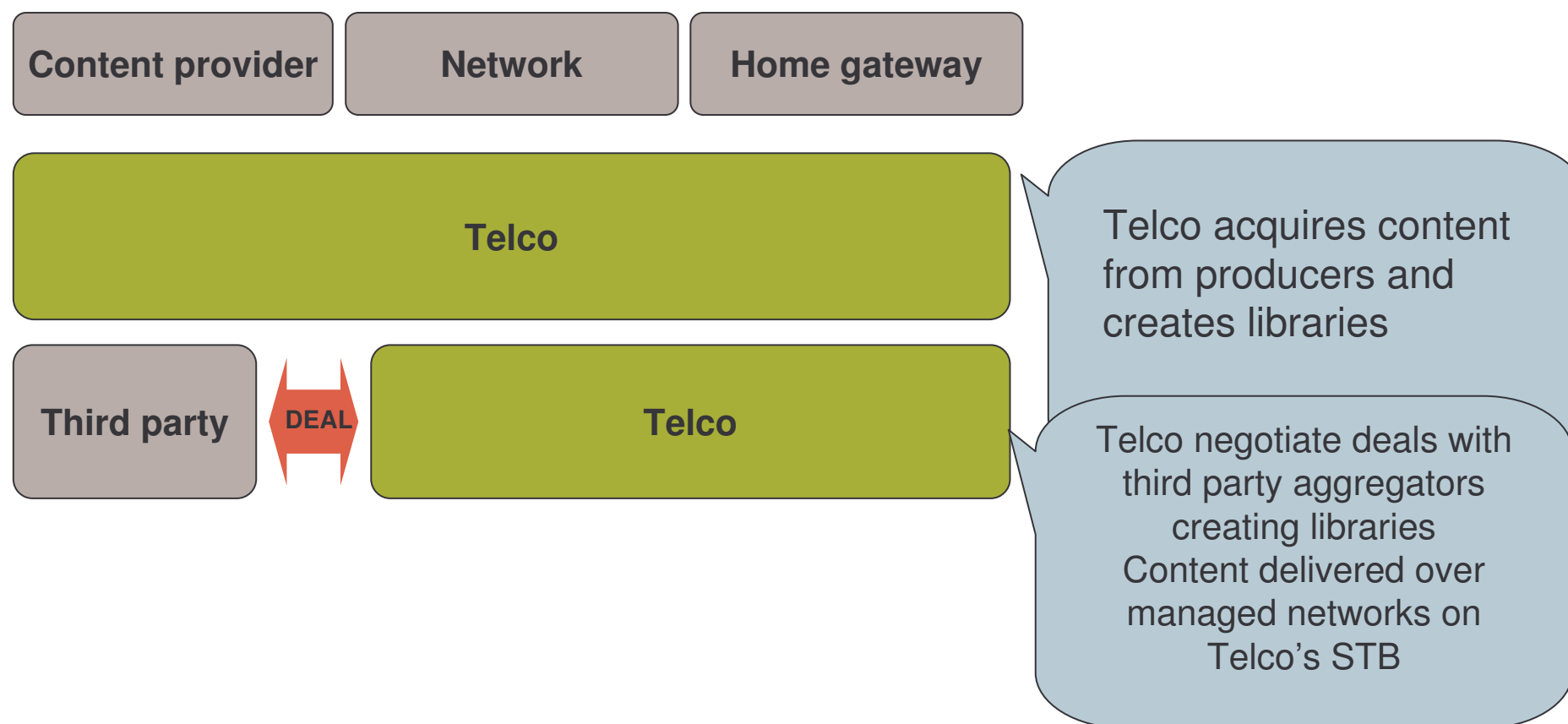
Limited interest of content providers to create own offer via IPTV systems

Network platform operators reach wholesale deals with content providers and, on the basis of the rights acquired selects content and makes them available

It's the telco that - based on rights, performances of the titles, strategies, etc - decides the composition of the library, prices of each title (for T-VOD) when to publish and to depublish each title.



IPTV non linear services - evolution of value chain

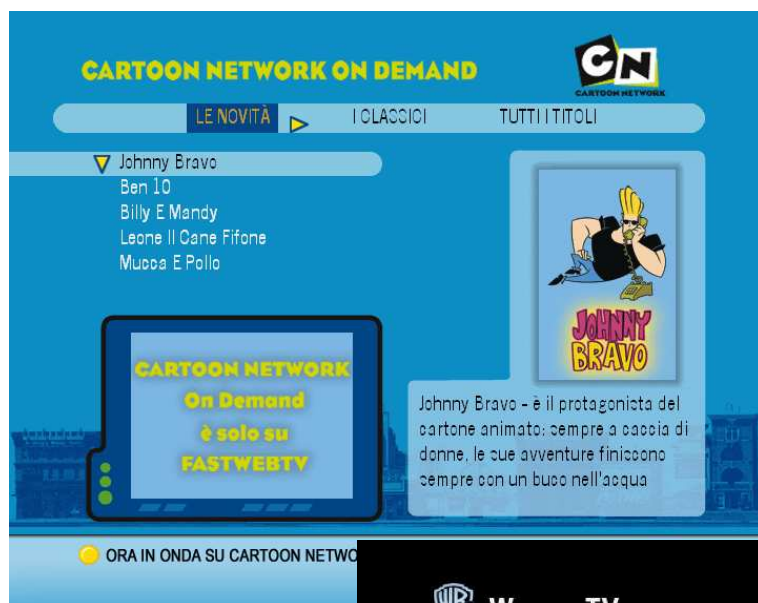


Non-linear channels created by independent provider

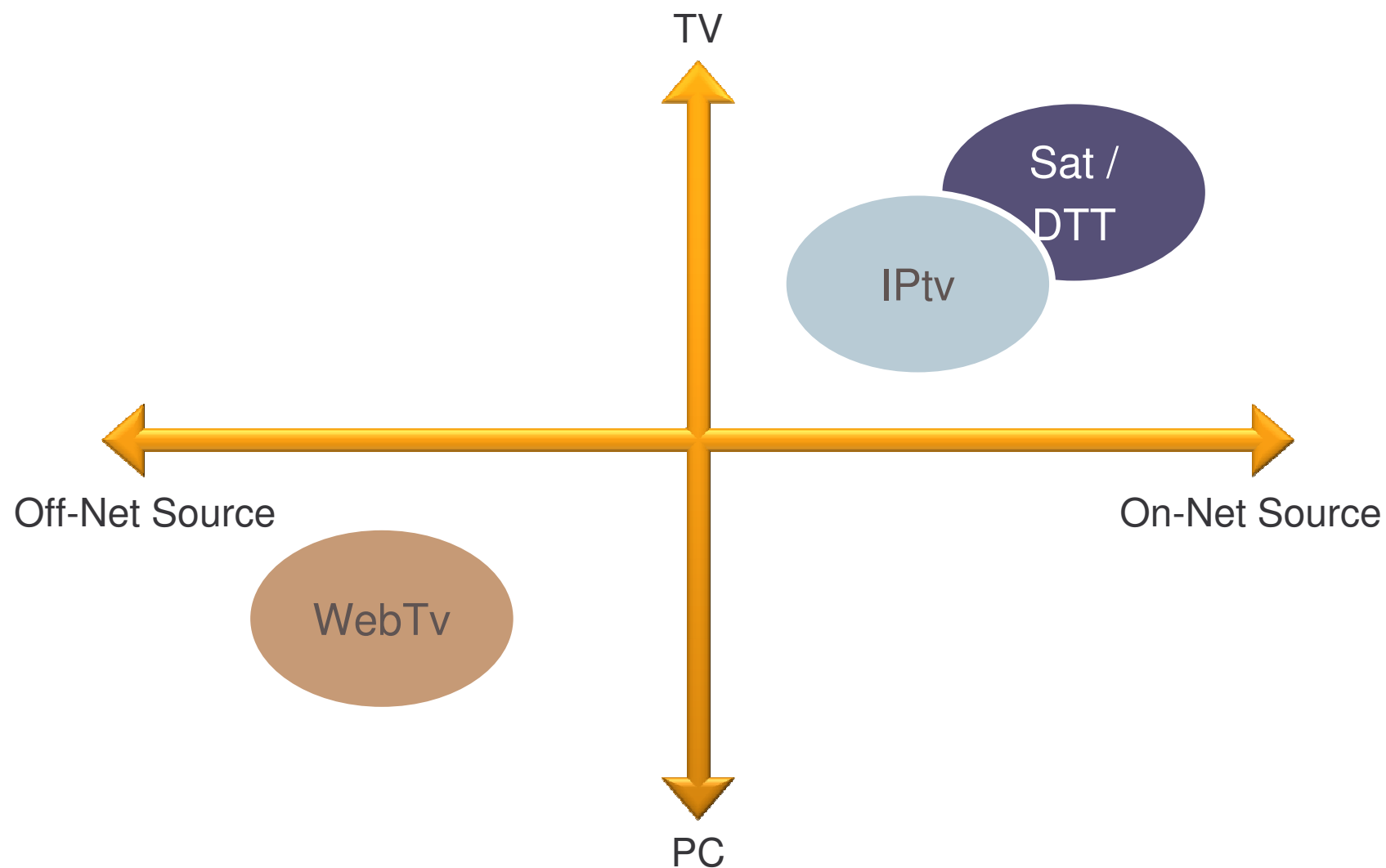


Third party provides a “turnkey” solution, selecting content according to own’s publishing strategies.

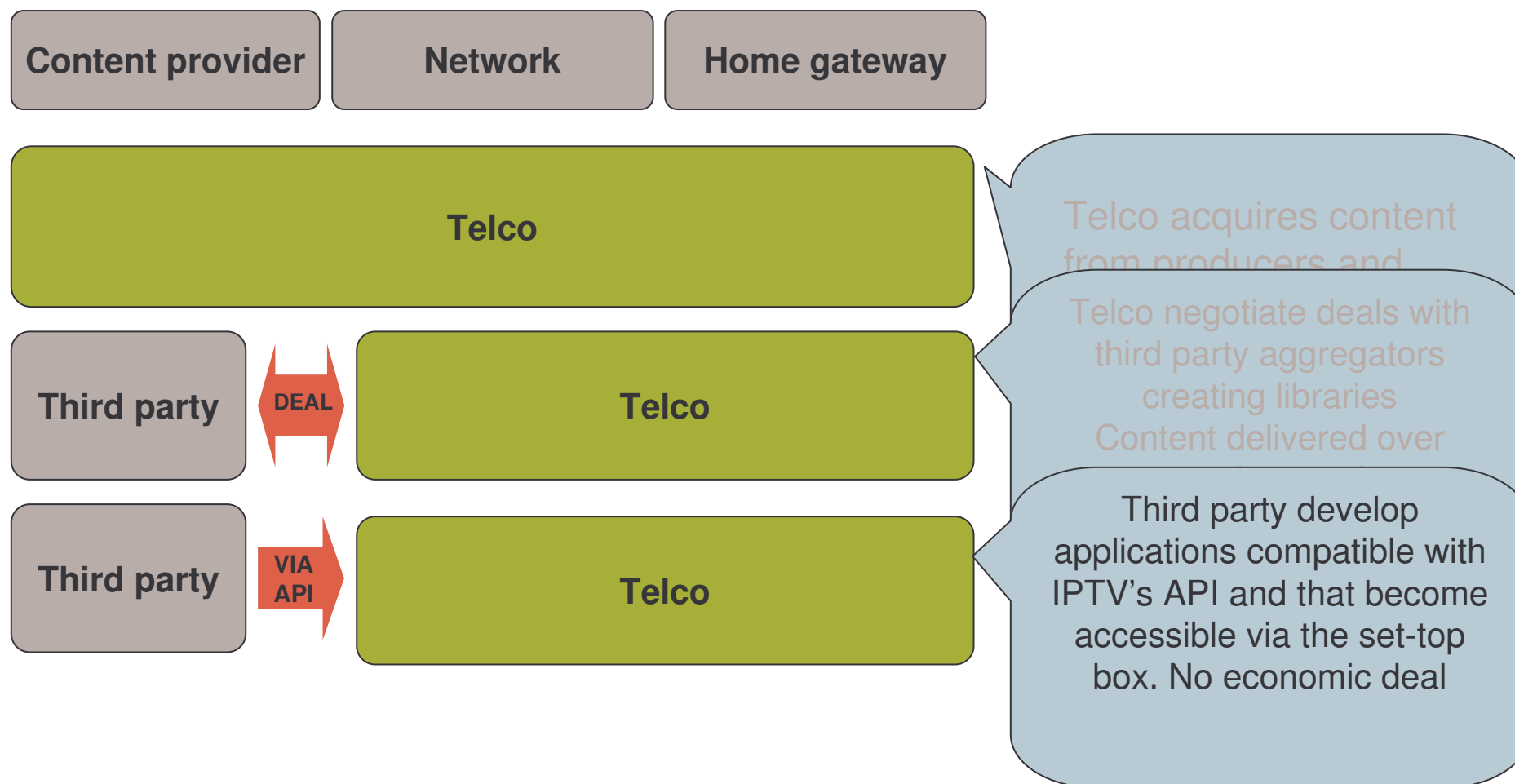
Contracts are very generic and do not include a list of the content included.



Technical evolution of non-linear services: OTT



IPTV non linear services - evolution of value chain



Applications and non-linear services available via API



FIOS widget bazaar



Classic web social
network and video
applications optimized
for video screen



Movies On Demand with Starz® Play

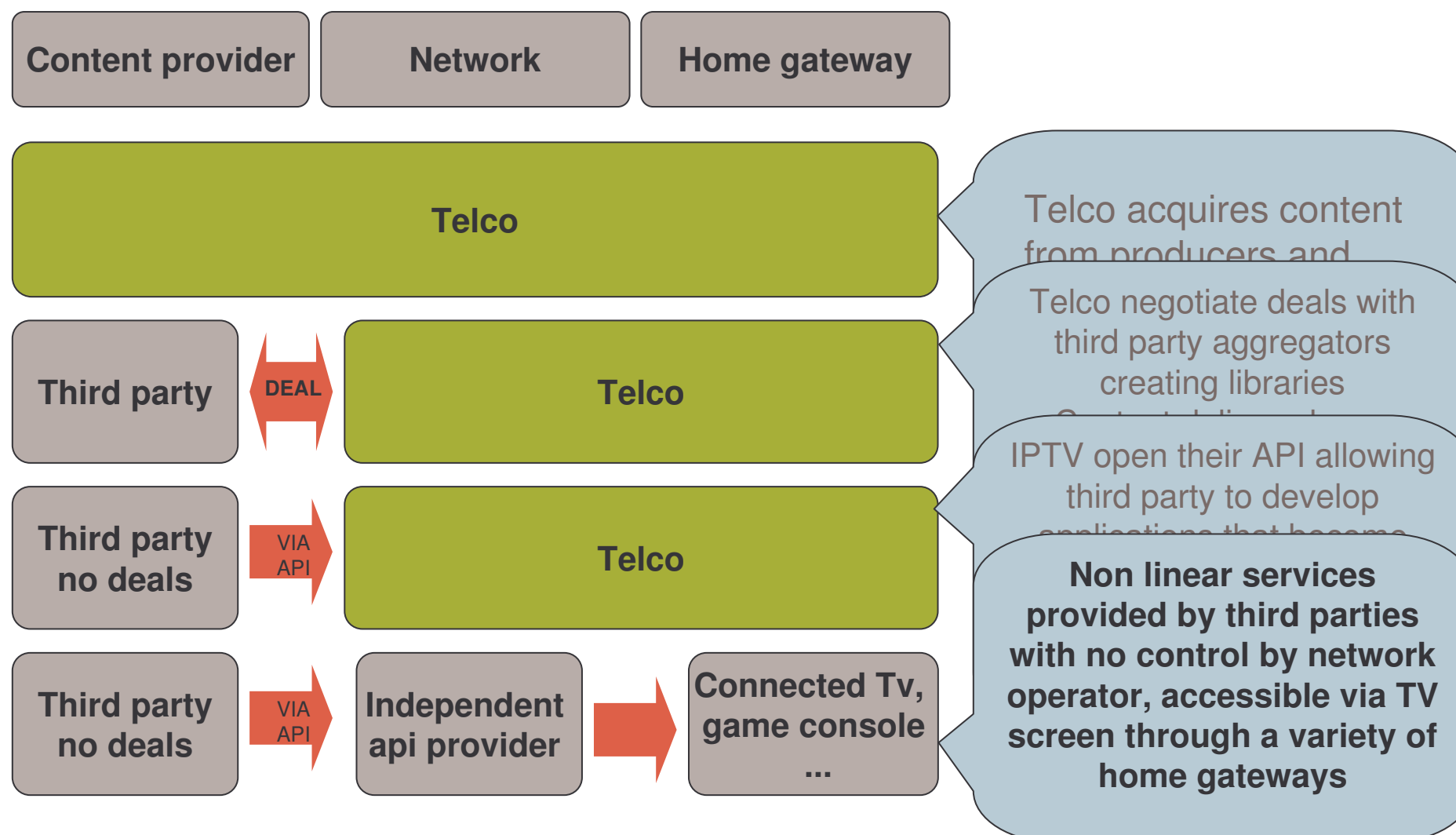
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IPTV non linear services - evolution of value chain



Explosion of Over the top?

Independent non-linear
services aggregators



Independent home gateway

TiVo®



Microsoft Media Center



MediaSmart TV



Blu-ray Disc Player



Xbox 360



Growing interest for non-linear propositions by content producers



Traditional distribution models jeopardised by new consumption patterns

- ❑ increasing appeal of “UGC content” (Youtube)
- ❑ growing penetration of DVR (25% of multichannel households in USA and UK)
- ❑ Piracy and illegal downloads

Content producers need to identify new ways to monetize consumers preferences → **Launch of online non-linear services**

Free on demand



Legal advertising-supported portals for distribution of content.

Attempt to intercept the growing on-line advertising while preserving the value of subscription based propositions

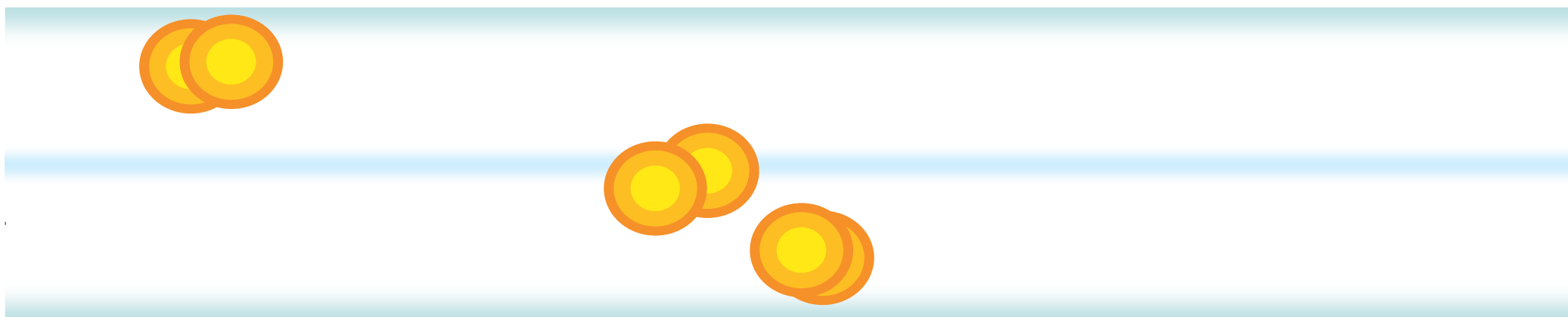
“TV Everywhere”

“Extension” of the existing cable/satellite model: online/mobile availability of premium content through several websites (Yahoo, Youtube, Hulu ...) but only through authentication.

Content available only to subscribers to a traditional platform. Warner and HBO will run trials by the end of the month.

How will the networks cope?

Exponential increase of “over the top” content based services over non managed network → traffic increase on Internet backbone and high risks of saturation/congestion



As best effort increasingly becomes a standard for the provision of “bandwidth-intensive” video applications network capacity planning will have to be adjusted accordingly, entailing **significant increases in network costs**

Situation may even worsen should net neutrality regulation/legislation be introduced

Challenges for the regulators

Trasposition & implementation of AVM Directive

The definition of media service provider should exclude *natural or legal persons who merely transmit programmes for which the editorial responsibility lies with third parties* (recital 19)

Member States may further specify aspects of the definition of editorial responsibility (recital 23)

It is essential for users to know exactly who is responsible for the content of these services. It is therefore important for Member States to ensure that users have easy and direct access at any time to information about the media service provider. It is for each Member State to decide the practical details as to how this objective can be achieved (recital 43)



Correctly identify operator subject to obligations

- Although portrayed on screen and through an IPTV set-top box, the platform operator may not be (and most likely isn't) editorially responsible for the service
- Need to adjust rules on promotion of European works and protection of minors consistently

Challenges for the regulators

Limitation to possibility of network operators to manage traffic might have heavy impact on network economics

1

Treat all applications the same **using existing capacity** = congested “dumb” network

2

Treat all applications the same with **significant extra bandwidth** = costly dumb network

3

Allow operators to manage networks = **smart & economical network** + enabling of two-sided market

Network neutrality is an economic issue rather than a “democracy and pluralism” issue