



New technologies are merging TV and internet into a single screen and experience. JB Reed/Bloomberg

# Long view shortens in brave new media blur

As laptops, smartphones and tablets become commonplace, viewing habits shift. But who will cash in as TV and online platforms collide? **Jacobo Garcia-Palencia and Luis Cirne write**

The way we watch TV is evolving – and so must Pay TV operators.

It is 9am and you are waiting for your dentist appointment. The sound of the dental drill is already ringing in your head, although three walls separate your waiting room from the dentist's office. You need an urgent and intense injection of serious entertainment.

You pull out your smartphone and connect to "MyTV", that shows you the series you were watching in your living-room the night before, exactly where you have paused as your partner fell asleep on the sofa.

You put your headphones on and push "Play". The drill noise is soon forgotten as your mind refocuses on the programme you were watching since last night.

This is not the real world – not just yet. TV content providers have not reached this level of cross-platform integration, but they will if they want to adapt to the changes in consumer behaviour and to the trends in the content provision business.

Ubiquitous connectivity is here, an explosion of connected devices is taking place: laptops, smartphones and tablets are becoming commonplace, leading to intense competition for our screen time. Surprisingly, the amount of time we spend staring at the biggest and brightest screen in our homes actually continues to increase.

Based on Nielsen's global survey, time spent on watching television has increased 1.3 per cent in the past 12 months. Accordingly, pay television subscriptions have grown consistently to reach almost 600 million households globally last year (source: iDate), representing a total of US\$150 billion (Dh550.94bn) in subscription revenues, according to PricewaterhouseCoopers's latest findings.

So it seems Pay TV operators are set to reap the benefits of an increased consumption of television entertainment. Or are they?

Etisalat is currently investing strongly in a national cable network, while du has just celebrated its first anniversary on its new IPTV platform. How will the rapidly changing TV landscape impact their IPTV business?

In what seems to be an unavoidable trend, the TV screen is opening up to the web. For years now, multiple players have been trying

to merge TV and internet into a single screen and experience. Names such as Vudu, Roku and Boxee might ring a bell as first attempts. More recently, key industry players have partnered to unlock the TV for good.

Not surprisingly, with an unlocked television, subscribers are cutting the chord, cancelling subscription-based services while opting for on-demand provided by online operators.

According to the Convergence Consulting Group, an estimated 1.6 million American households are expected to have switched to online television by the end of this year.

Although this is not an immediate threat for du and Etisalat, they will need to come up with strategies to compete with the vast content libraries, the on-demand convenience and the relatively low priced offers by online providers.

The first differentiator is infrastructure ownership – IPTV providers actually own the cable through which you get both television and broadband services.

So if du or Etisalat decide to discard net neutrality, you may find that the television content you are trying to access online is not performing as you would expect from your 50 megabytes per second connection.

The second differentiator for IPTV operators is content. Live sport continues to dominate viewing figures and can be the killer retention factor for operators.

In the US, the NFL's Super Bowl holds 17 of the top 20 most watched shows in US TV history (source: Nielsen).

Etisalat and du were forced to negotiate with Al Jazeera for the broadcasting rights to the FIFA World Cup. While several industry experts believe the deal was loss-making for both IPTV operators,

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it was an important inclusion in their schedule. Not surprisingly, content providers are picking up on this strategy.

For example, the seasonal revenues derived from telecast rights of the English Premier League have more than quadrupled between 2002 and this year.

Anywhere, anytime and available on any device

While we spend more time watching television, our approach to watching programmes is changing drastically. In the past five years, time-based viewing, as opposed to "live" TV, increased from 20 per cent to 41 per cent among eight to 18 year olds. In addition, half of the time-based viewing youngsters are viewing on devices other than the television, according to the Kaiser Family Foundation.

This is boosted by an explosion of video supporting devices. Mobile phones with video players have doubled from 1.3 billion to 2.7 billion units between 2005 and this year. A new range of devices such as tablets are proving just as successful as one iPad is sold every 3 seconds.

The implication for IPTV operators is simple: they will have to

compete with online players not only for television, but also for other connected devices.

Otherwise, online operators will be the only ones offering seamless broadcasting across multiple devices, televisions, laptops, tablets and other handheld devices.

Etisalat and du are ideally poised for this, as they are already integrated providers of television, fixed and mobile telecommunications services.

If du or Etisalat were to offer their television content on their mobile devices to TV subscribers, they would be less inclined to switch to a competitor's mobile plan.

Advertising will become highly targeted. Everybody knows Google is a clear leader in internet advertising. And if you have a website for your business, the chances are you use Google Ads.

What you might not know is that Google has already taken significant steps to play the same role for TV advertising.

On the one hand, Google has created a platform for companies who want to advertise on television so that they can easily select the profile they want to target, upload their ads and input how much they are willing to pay to have them broadcast.

On the other, Google has partnered with Dish Network, a US satellite Pay TV operator with more than 14 million subscribers, and 100 network channels to manage part of their advertising inventory.

Google collects comprehensive information about the viewing habits of Dish Network's subscribers and, armed with that information, offers advertisers the opportunity to target specific user profiles. Better targeting means higher returns for advertisers.

This poses a significant threat for subscription-based Pay TV operators in general, who have much to gain from managing their advertising inventory space as effectively as online players.

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# the number

**2.7 billion**

The number of available mobile phones with video players, more than double the 1.3 billion in 2005