The Future of TV: Strategies for Becoming Connected, Social and in the Cloud
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The impact of the Internet has been so great that it’s hard not to blame some industries for feeling apprehensive about its onward march into our lives and businesses.

Take the music industry. To some, the ‘Net’s greatest contribution has been to allow unscrupulous individuals and entrepreneurs to share music without permission. But it can’t be denied that it has also allowed a much greater variety of artists to reach more music lovers worldwide. Only recently have some in the music industry started to treat this fact as an opportunity rather than just “the best of a bad situation”.

It is heartening then that the results of our 2012 Future of TV survey appear to paint a fairly optimistic picture about the outlook for the TV industry as it stands on the cusp of major change. A clear majority of the TV, telecoms and Internet executives who answered the survey predicted that overall subscription and advertising revenues would increase over the next five years or at least stay the same (see fig. 1).

It soon becomes clear, however, that many in the industry believe that some players will fare better than others. Less than half of all respondents thought that IP-delivered video would have a positive impact on traditional TV businesses in the years up to 2017 (see fig. 2).

Dig a little deeper and you find the least amount of optimism for those most traditional of TV firms – the operators and broadcasters (see fig. 3). Relative new entrants to the TV world – the Apples, the Googles – scored the highest.

Respectfully, we at Informa Telecoms & Media disagree. It’s easy to see why types of company built on old business models might be threatened by new Internet players, but there’s no reason why any individual firm can’t use the same technology to its advantage.

The Internet has wrought a dramatic change on industries because it lowers barriers to entry – and not just to start-ups. Meanwhile, very real –
and very high – barriers continue to exist, such as the ability to secure the right content, create a great user experience and get customers to pay. The connected-TV market is a pertinent example of where Apple and Google have yet to surmount two or more of these obstacles.

But no barrier is insurmountable. Informa Telecoms & Media has identified four key areas that players from across the industry should focus on in order to remain relevant: cloud TV; content delivery networks (CDNs); connected TVs; and social TV.

The Internet will undoubtedly change every segment of the TV market from content and services to networks and devices. But the future of TV will lie in the hands of those who can change their thinking to master the business of next-generation TV, and not just the technology.

**Why cloud TV matters**

**Maybe not today, but tomorrow and for the rest of the operators’ lives**

**Giles Cottle**

*Principal Analyst*

Cloud is among the most maligned and misused terms in today’s telecoms and media worlds. For clarity, Informa sees two key opportunities for pay-TV operators to use the cloud:

* Using a third party’s infrastructure, rather than their own, to deliver services.
* Shifting all processing and CPU-intensive activity into the network, and delivering services to a variety of low-powered devices, or “thin clients”.

Why should operators be considering this? Because the cloud has the potential to solve some of pay-TV’s biggest challenges:

* **Multiscreen services**: Moving to the cloud makes delivering true multiscreen easier, especially for out-of-home services.
* **The OTT threat**: OTT services might lack content but they have shown up pay-TV in terms of the user interface and experience, and device availability. Moving to the cloud can enable operators to compete more effectively in these areas.
* **Technical fragmentation**: Pay-TV operators must deliver services to devices based on a multitude of standards. Processing
services in the cloud allows operators to address a wider range of devices more easily, including a plethora of low-powered devices.

- **Device capex and opex**: The cost of buying devices is a big capex drain for operators, so being able to produce less costly equipment is naturally appealing. There can also be considerable opex savings if operators have one network-based platform, rather than several platforms targeting different devices.

**Market status**

Most operators are so far taking a softly-softly approach to the cloud: The most widely-deployed element of a true cloud TV service is the network DVR, which is still of questionable legal status in several countries but has been rolled out extensively in certain regions (see fig. 1)

- Operators like Time Warner Cable, Cablevision and PCCW use a cloud-based app platform from vendor ActiveVideo.
- Several vendors offer cloud-based companion guides and metadata to operators.
- A few white-label online-video platforms have successfully signed major operators as customers. ThePlatform works with Sky New Zealand, Liberty Global in Europe and Telstra in Australia – and even handles live TV for the latter.

Informa also knows of at least one European IPTV service from a tier-1 provider that is truly cloud-based. The operator was able to develop and launch the service in just 10 weeks by using cloud-based infrastructure. The service is pure OTT, without any network management element at all.

In the clearest indication that big operators will embrace the cloud, Mike Fries, CEO of Liberty Global, also revealed the operator UPC’s cloud ambitions at Informa’s Cable Congress event.

Fries revealed that many features of UPC’s next-generation set-top box, Horizon, would eventually migrate to the cloud, making the device far cheaper.

However, many operators have yet to embrace the cloud at all for a number of reasons:

- **Technology**: Operators that are still running big services in-house...
will find limited gains from outsourcing the management of their head-end or coax to a third party, and, for an operator still interested in maintaining its managed linear delivery mechanism, especially for live content, the cloud offers fewer benefits.

- **Ethos:** Despite their gradual acceptance of OTT, many operators still want to manage their own OTT services themselves. There are major concerns within many operators about the security and reliability of third-party cloud services.

- **Content rights:** Most content-rights deals do not allow operators to store content in one country and deliver it in another, a major issue in parts of the world where there is a dearth of cloud resource.

**Market futures**

**Cloud divergence**

Which operators move to the cloud and which don’t will depend on a number of key factors: an operator’s size, its legacy network and the stage it is at in its TV investment cycle. This will define who goes to the cloud first (see fig. 2).

**Baby steps, not giant leaps**

The move to the cloud will be marginal, rather than one grand move. Service elements that can really gain from the flexibility and scale that the cloud can offer – metadata being a perfect example – will be added first. Only after this low-hanging fruit has been plucked will operators consider other elements.

**The impact of out-of-home viewing**

Despite the many good reasons for operators not to go to the cloud, two elements will eventually force even its staunchest opponents to do so. One is out-of-home viewing. Many operators – sensibly, in Informa’s view – are still relying on a set-top box or home gateway to transcode and push content around the home, offering multiscreen in this way. This is a pragmatic strategy but one that falls down when it comes to offering out-of-home content.

The second element is speed of innovation. Competition in the TV and video markets will only increase with the rise of new OTT players and platforms, making speed to market even more crucial. This is not something that sits well with having a legacy, managed platform.

Informa believes most operators will eventually have to move some elements to the cloud simply to keep pace with the market, and to achieve what they want to with TV.

Evidently, respondents to our 2012 Future of TV Survey agree with this. Over half thought that the cloud would play a very important role in the development of TV over the next two years (see fig. 3).

**Recommendations**

**New entrants: Embrace the cloud**

It makes less and less sense for operators new to the TV market to spend huge amounts of money on a conventional IPTV rollout, particularly when the business case for online video remains shaky in some markets. For new entrants without the shackles of a legacy pay-TV service, the cloud offers huge benefits and should be their first port of call when considering a service platform. It will allow operators to roll out more quickly, change their platforms more rapidly, add other services more quickly and, crucially, save significantly on capex.

**Old guard: Let business and technology drive your decisions**

The cloud does not make sense today for some operators, but too much of the justification for not embracing the cloud will ultimately become rhetoric, rather than pragmatic. Whether an operator starts to offer cloud-based services or not must be based on what it stands to lose or gain, not on a fundamental belief that a managed service will always be superior to the cloud.

**Operators must reinvent themselves**

Operators today are not structured to take full advantage of what going
to the cloud could offer. Many of the
advantages of the cloud – flexibility,
time to market, true “TV Anywhere”
delivery – cannot be fully realized
if an operator is bogged down
with red tape and bureaucracy
internally. So, although the cloud
does not fit in with the priorities of
most operators, this probably says
more about the operator than it
does about what the cloud can or
cannot provide. The “cloud winners”
will be those that adjust their
business to take full advantage of
the technology.

Content delivery networks (CDNs)
already play a fundamental role in
ensuring that the Internet works,
supporting almost every major
commercial online service in the
world. But dramatic growth in online
video consumption, the emergence
of cloud computing and the range
of Internet-enabled devices means
the market for CDN services is
undergoing a transformation
that will radically change the way
online services are delivered and
broadband networks are built.

Traditionally, the market was
dominated by a tiny handful of
companies that provide CDN services
via operators’ broadband networks,
the largest of which continues to be
Akamai. That situation is changing
rapidly with the emergence of a host
of new CDN service providers, most
notably, the broadband network
operators themselves.

Operators have a number of reasons
for becoming CDN providers, which
they argue will lead to a fairer and more
robust Internet that will benefit content
providers and consumers as well as
their own bottom lines (see fig. 1).

The benefits of CDNs partly depend on
the type of CDN model adopted, and
the sort of CDN strategies pursued.

For example, many cable and IPTV
operators have deployed CDNs to
support the delivery of managed “on-
net” content to broadband and IPTV
customers. However, many of these
operators are now extending their
CDN platforms and businesses to also
support “off-net” traffic generated
by services provided OTT of their
networks such as Netflix and the BBC
iPlayer.

Market status
Research by Informa revealed that
a total of 62 telecoms operators had
launched their own CDN by the end
of 2011, an increase of 51% over the
year (see fig. 2).

CDNs promise benefits to both operators and content providers
Fig. 1: Operator CDN objectives, options and benefits

<table>
<thead>
<tr>
<th>Operator objectives</th>
<th>Operator options</th>
<th>Industry benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce customer churn; win new subscribers</td>
<td>On-Net CDN</td>
<td>Enhanced QoS and QoE for broadband subscribers</td>
</tr>
<tr>
<td>Lower bandwidth and IP transit costs</td>
<td>Off-Net CDN</td>
<td>Improved traffic management and network optimisation</td>
</tr>
<tr>
<td>Establish new revenue streams</td>
<td>Wholesale CDN</td>
<td>Potential to offer SLAs to content providers and enterprises</td>
</tr>
</tbody>
</table>

Source: Informa Telecoms & Media
During 2011, there was a notable rise in the number of telecoms operators launching CDN services in major emerging-market regions. Latin America featured prominently in terms of the number of new telco CDNs, while Russia and the Middle East saw the emergence of their first telco CDN services (see fig. 3).

Despite the continued arrival of new market participants, their ability to all profit from CDN services is far from self-evident. Video delivery costs are low and falling, and many content providers remain skeptical about the actual value of features unique to operator CDNs, such as greater reach and assured quality-of-service. Informa’s 2012 Future of TV survey found that industry opinion was divided about whether content providers would pay network operators to guarantee high-quality video delivery, but more supportive of the idea that today’s best-effort Internet was enough to support commercial video services (see fig. 4). There was, however, broad agreement for the notion that consumers and advertisers would pay more for online video with guaranteed quality of service.

**Market futures**
Informa believes three key trends will define the development of the CDN market over the next five years:

**The rise of operator off-net CDNs**
Informa has spoken to numerous North American and European operators that were early to deploy on-net CDNs, but which are now evolving their platforms to grab new opportunities in OTT content delivery. Meanwhile, the next few years will see an increasing number of new operator CDN initiatives, especially in emerging markets. Many emerging markets are experiencing strong broadband subscriber growth and a dramatic rise in online video consumption;

**Number of telco CDNs continues to soar**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of CDNs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>5</td>
</tr>
<tr>
<td>2007</td>
<td>6</td>
</tr>
<tr>
<td>2008</td>
<td>9</td>
</tr>
<tr>
<td>2009</td>
<td>23</td>
</tr>
<tr>
<td>2010</td>
<td>41</td>
</tr>
<tr>
<td>2011</td>
<td>62</td>
</tr>
</tbody>
</table>

Note: figures refer to year-end

Source: Informa Telecoms & Media

**Emerging markets to experience strong demand for CDN services**

<table>
<thead>
<tr>
<th>Operator</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>MegaFon</td>
<td>Russia</td>
</tr>
<tr>
<td>TPSA</td>
<td>Poland</td>
</tr>
<tr>
<td>UPC Hungary</td>
<td>Hungary</td>
</tr>
<tr>
<td>OTE</td>
<td>Greece</td>
</tr>
<tr>
<td>Telefonica</td>
<td>Argentina, Brazil, Chile, Czech Republic, France, Germany, Peru, Spain, UK and US</td>
</tr>
<tr>
<td>Time Warner Cable</td>
<td>US</td>
</tr>
<tr>
<td>LIME (Cable &amp; Wireless)</td>
<td>Caribbean (Anguilla, Antigua &amp; Barbuda, Barbados, British Virgin Islands, Cayman Islands, Dominican, Grenada, Jamaica, Montserrat, St. Kitts &amp; Nevis, St. Lucia, St. Vincent &amp; the Grenadines and Turks &amp; Caicos)</td>
</tr>
<tr>
<td>Alestra</td>
<td>Mexico</td>
</tr>
<tr>
<td>NTT do Brasil</td>
<td>Brazil</td>
</tr>
<tr>
<td>Telecom Argentina</td>
<td>Argentina</td>
</tr>
<tr>
<td>Level 3 &amp; Internexa</td>
<td>Colombia, Ecuador, Venezuela and Peru</td>
</tr>
<tr>
<td>Orcon</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Optus (SingTel)</td>
<td>Australia</td>
</tr>
<tr>
<td>Pacnet</td>
<td>Japan, Singapore, Hong Kong and Australia</td>
</tr>
<tr>
<td>KDDI</td>
<td>Argentina, Australia, Brazil, Canada, China, Columbia, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Malaysia, Mexico, Netherlands, Panama, Philippines, Qatar, Russia, Singapore, South Africa, South Korea, Spain, Sweden, Taiwan, Thailand, Turkey, UK, US and Vietnam</td>
</tr>
<tr>
<td>KT</td>
<td>South Korea</td>
</tr>
<tr>
<td>STC</td>
<td>Saudi Arabia</td>
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<td>Etisalat</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>Du</td>
<td>United Arab Emirates</td>
</tr>
</tbody>
</table>

Source: Informa Telecoms & Media
these trends offer considerable opportunities for CDN providers, especially since emerging markets are largely underserved by traditional providers.

The proliferation of operator options
Needless to say, the continued rise of the operator CDN will also create opportunities for equipment vendors to devise and sell new products to operators. For conventional CDNs, such as Akamai, CDNetworks, Limelight Networks and EdgeCast, such a strategy is also a necessity.

These companies not only rely on operators to host their own CDN servers, but also have much to lose if content providers begin to demand higher quality-of-service guarantees. Recent months have seen these companies announce new products to support the development of telco CDNs, including even the largest CDN provider, Akamai. The battle for operator CDN business will only intensify in the coming months.

Federation and interconnection
Operator CDNs will federate and interconnect their networks in order to offer CDN services beyond the national or regional level. Some operators will interconnect their CDN footprints bilaterally with other operators. Meanwhile, federations will emerge between traditional CDN providers and one or more telecoms network operators. One notable federation that has already emerged is a trilateral federation between Pacnet in Asia, AT&T in North America and global CDN provider EdgeCast.

Informa’s survey found that many in the industry expect telecoms operators to play an increasingly prominent role in the future CDN market, whether as part of a closed federation or one also involving conventional CDNs (see fig. 5).

Recommendations
No one should ignore telco CDNs
CDN services won’t be a cash cow for operators, at least in the short-to-medium term. However, interest in them is unlikely to abate, not least because of the urgent need to control the burgeoning costs of supporting online video. Conventional players, inherently dependent on operators for hosting and expansion, must adjust to this reality. Content providers, meanwhile, should open their minds to what operators can offer in order to take advantage of growing competition for their business.

Everybody needs to be pragmatic
Though operators will fundamentally change the CDN market, they will not remake the whole world in their image. The popularity and global reach of Akamai and other conventional CDNs means operators should carefully consider their licensed offerings or interconnecting...
with them, even if these options don’t offer the revenues or control they would want in an ideal world. Likewise, conventional players must meet them in the middle, however far from their origins that might be. Otherwise, consolidation is inevitable.

**All eyes on emerging markets**
The absence or minor presence of conventional CDNs in emerging markets means operators there have made more progress in winning customers than their counterparts in Western Europe and the US. This phenomenon has also caused emerging markets to become the stage for an array of ground-breaking activities including alliances and acquisitions. Both operators and conventional CDNs should study these examples to learn how they can win in these new local CDN markets.

**Truly smart connected-TV strategies**

A major industry rethink is required for TVs to match smartphone success

Andrew Ladbrook
Senior Analyst

By rebranding their connected TVs as “smart TVs”, manufacturers are attempting to take advantage of the positive connotations that the public make with smartphones. But many of these TVs are far from smart, and offer experiences far below that of the smaller cousins. Nevertheless, these devices bring OTT services into the living room for the first time allowing them to challenge operators’ TV services directly.

**Market status**

Connected TV sales may have exceeded console sales in 2011 (see fig. 1) but they still lag behind games consoles when it comes to usage. A large number of connected TVs are not actually connected to the Internet, either because they do not come with Wi-Fi, or users are unaware of the benefits of connecting the TV. But as OTT like Netflix and BBC iPlayer become increasingly compelling and well-known, these benefits are slowly establishing themselves in the minds of users.

Operators have so far offered three distinct strategies when it comes to dealing with the emergence of connected TVs:

- **Gateway-based**: The first is to push content to an app installed on the connected TV from a multiroom DVR or media gateway. This approach is most common in North America.

- **Going OTT**: Again, this approach sees the operator offer an app on the connected TV, but this time the TV acts as a traditional STB and receives both live and on-demand video OTT. Operators that have embraced this approach include Telecom Italia and Telstra.

- **Smart TV alternatives**: Some operators have opted to offer a smart-TV experience via hybrid TV STBs, in order to include popular OTT services alongside their core IPTV offering.

Despite the gradual increase in sales of the Apple TV device, they are still weak compared with other iOS devices. The user interface (UI) on the second-generation Apple TV is still quite poor and it still lacks any connection to the App Store. In the past year, Apple has begun to market this device more as a
companion device to its iPhone and iPad devices which can stream video, photos, and music to the Apple TV via Airplay.

While Apple has only had limited success in the connected TV market, Google has fared much worse. The first iteration of its Google TV middleware was widely condemned and although the 2012 version offers a far better experience, it still falls short. Sales of Google TV devices have also been very weak so far with at least one partner – Logitech – removing its device from the market completely.

**Market futures**

While TV manufacturers have so far failed to offer connectivity correctly, they are catching on to the idea that, to successfully deliver on their smart-TV promises, they must offer a good connection method as standard. Informa believes that within 2-3 years all connected TVs will come with at least Wi-Fi N. This convenient feature is likely to push up both connection rates and the usage of smart-TV apps.

Despite many of the positive moves that TV manufacturers are likely to make in the coming years, they are unlikely to change all their bad habits. Many manufacturers will continue to introduce new services and user interfaces that will not be made available to devices sold in the previous year, under the misguided notion that it will encourage purchase of this year’s TVs. In addition, there will still be many “unconnected” TVs installed in households (see fig. 2).

It is very likely that partnerships between operators and TV manufacturers are going to become increasingly common, with operators offering their services via connected TVs in one form or another. The sheer size of the connected-TV installed base makes these devices almost impossible to ignore if operators are serious about reaching users that have them.

Operators will not restrict themselves to only one of the three strategies that they are currently opting for. Instead they will increasingly adopt elements of each one. Only a few will be bold enough to try an offer a smart-TV alternative by adding OTT services, but many will add new features that replicate catch-up services such as letting users go backwards in the EPG and push on-demand elements even harder. The majority of these operators will be offering these services via a multiroom DVR or media gateway which will push content to any device in the home, and maybe even outside it.

The poor performance to date of Google and Apple has done little to dent the feeling that they are still the most likely to disrupt the TV business in the future (see fig. 3). Potentially, it could be that what has been seen in smartphones will be replicated in connected TVs, that there will be a set of Apple devices accounting for the premium end of the market and the majority of all other TVs running Google TV or

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**Fig. 2: Global, connected-TV installed base, 2011-2016**

<table>
<thead>
<tr>
<th>Year</th>
<th>TVs not connected to the Internet</th>
<th>TVs connected to the Internet</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2.0</td>
<td>1.0</td>
</tr>
<tr>
<td>2012</td>
<td>2.5</td>
<td>0.5</td>
</tr>
<tr>
<td>2013</td>
<td>2.0</td>
<td>1.0</td>
</tr>
<tr>
<td>2014</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>2015</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td>2016</td>
<td>0.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Source: Informa Telecoms & Media
TV’s appeal is curiously persistent. Despite the allure of competing technologies, time spent watching TV by most consumers in most territories still exceeds time spent online. But the explosion of social media, combined with the rapid adoption of connected devices such as smartphones and tablets, threaten TV providers’ long-term ability to engage and retain audiences.

At the moment, time spent on Facebook is not necessarily at the expense of watching TV. But many consumers, while nominally watching the large screen, are focused instead on the portable device in their hands. If they are conducting primarily parallel activities (general Web browsing, texting or checking e-mails), that could be a time-bomb for the TV industry. As audience measurement technology improves, advertisers will question why they should pay huge sums to address a mass audience whose focus is clearly elsewhere.

However, the new trend for simultaneous multiscreen consumption creates an opportunity for operators, broadcasters and advertisers too. By harnessing the appeal of social media and connected “companion” devices, especially tablets (see fig. 1), they can create experiences which enhance – rather than distract from – the core TV viewing experience, and even improve the ad viewing experience.

Users are ahead of service providers in this respect, with many already using Facebook, Twitter and other tools to communicate via their handheld devices about the content they are simultaneously viewing on the TV. Others seek out additional information about the program on the big screen.

**Making TV social**

Operators and broadcasters must develop social TV strategies to engage and retain viewers

**Nick Thomas**
Principal Analyst

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**Recommendations**

*Create a compelling experience with an excellent UI*

TV manufacturers must get serious about offering a truly innovative UI to customers. At present, many are offering a smart TV in name only. Those companies wishing to continue to separate their device by the type of experience it offers – rather than just a bigger and better screen – must either invest heavily in their next user interface or seek out third parties with a successful track record to create one.

*Keep subscribers in the pay-TV environment*

Operators will be best served by offering a truly smart-TV alternative and ensure that, no matter what the content is, subscribers rarely have to go outside the pay-TV environment regardless of device. By pursuing this strategy, operators should ensure their service is the go-to app on the connected TV; in effect, this replicates the STB situation we have now. This approach will also mean that offering thin-client STBs is a must so that operators can offer the connected experience even in rooms which lack a connected TV.

*The Apple challenge will be matching a seamless multiscreen experience*

How Apple might change the TV industry is hard to say when their much-mooted TV has yet to be formally announced, let alone launched. But from the direction the company is likely to take, this device will only further the relationship between Apple’s portable devices and the TV – maybe in the way they are used as controllers, but also in the ease with which content is shared back and forth between them. Perhaps the greatest disruption that this will bring about will be that a smart TV will become just another panel to the user, with screen size the only feature that makes it the most important device for watching TV.
Broadcasters and advertisers must provide the platform for this kind of interaction, especially around live, linear programming.

Market status
For all the industry buzz about social TV, few broadcasters globally have really got to grips with the phenomenon. Many “TV Everywhere” strategies have focused on delivering a TV-like experience across multiple devices. But the latest social-TV initiatives from the likes of BSkyB, Orange and AT&T are focused on experiences which use the specific potentialities of a companion second-screen device, notably tablets, to enhance the overall TV experience.

Informa’s industry survey on the Future of TV suggests that satellite operators stand to lose most from the move into a connected era (see page 5, fig 3), yet UK pay-TV DTH operator BSkyB remains at the forefront of innovation. By buying a 10% stake in UK social start-up Zeebox, BSkyB is well placed to maximize the potential of the social TV experience – not just to engage and retain connected consumers, but to create new revenue streams from advertising across different screens.

Orange in France is similarly innovative, focusing on new social initiatives in three directions: a next-generation TV guide; a check-in experience to enable social interaction around content; and “Blended TV” which uses social tools to aid content discovery. In the US market, AT&T’s IPTV service U-Verse offers tailored apps from a range of social start-ups, including BuddyTV, Miso and Wayin, to allow its viewers to interact with live TV. Other broadcasters, notably MTV, NBC and BBC, have also been active in developing social interaction via third parties including Twitter and Facebook.

Facebook’s role in the future of television – as both partner and threat (see fig. 2) – is developing in several ways. For broadcasters facing the threat of an on-demand, over-the-top future, Facebook can help enhance the value of live, scheduled programming. For over-the-top providers such as Netflix, Facebook can help viewers to both discover and build communities around on-demand content. Perhaps most intriguingly, Facebook may emerge as a major distribution channel in its own right. Much of its extraordinary growth has been fuelled by content, primarily social games such as Cityville. If gaming on Facebook has started to plateau, then perhaps the next, even bigger, phase of Facebook’s development could be as a platform for consuming and sharing TV content.

Market futures
TV has always been a social experience, whether viewed with the family, or discussed the next day in the playground or office. Connected devices, especially tablets, extend that experience so
we can easily consume, share and discuss content, even while we are simultaneously watching it on the best screen in the house – the TV.

Operators that offer both TV and broadband are well-placed to provide a compelling cross-screen experience, although, in the connected era, this may involve collaboration with a range of device manufacturers and platforms.

Broadcasters with great content are also well-placed to benefit from social activity, although not all genres will benefit equally. According to our industry survey, sport, news and above all entertainment are the best fit for complementary “second-screen” experiences [see fig. 3]. Movies hardly registered. Some content still warrants our undivided attention, it seems. It’s not just about having great programming, though: Even scarce premium content needs a frictionless companion experience if the value of a pay-TV subscription is to be enhanced.

**Recommendations**

**Build relationships with social media partners**
All stakeholders need to create a portfolio of external partners, including Facebook, to ensure their social offering is relevant to viewers’ needs. TV operators and broadcasters should not rely solely on developing either social apps or social networks in-house to compete.

**Build social relationships with viewers**
The success of social TV depends on the ability of providers to add value to their core content through a companion experience. All stakeholders stand to benefit from a deeper dialog with their consumers, provided it is two-way: Don’t just talk at consumers, but don’t just eavesdrop on their private conversations, either.

**Build a relevant social advertising model**
Building complementary second-screen experiences can help preserve existing subscription revenues, but can also create opportunities – if used carefully – for advertisers to target TV viewers in powerful new ways across more than one screen. Getting the right message to the right consumer at the right time – and on the right screen – is vital to future TV revenues, as old advertising models based on a mass audience become increasingly devalued.

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**Entertainment and sports – not movies – will benefit most from social TV**

Fig. 3: What type of TV content has the biggest opportunities for generating increased viewer engagement through “second-screen” interaction?

![Chart](chart.png)

Source: Informa Telecoms & Media