Three scenarios for TV in 2015

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Abstract: By offering three visions of the future of television through 2015, this article aims to highlight some of the socio-economic changes that the television sector may experience in the long term. It highlights the structuring impact that PVR could have on the sector, as well as the upheavals that may arise from a new paradigm of internet TV. It also highlights the options now open to TV channel operators wishing to set up a mobile TV service and the threats facing mobile telecommunications operators in the development of this market as a result.
Key words: television, forecast, media usages.

The TV sector is currently in turmoil and is only gradually sizing up the challenges and opportunities presented by in the rise of IPTV, the growth of VoD services, the emergence of TV services distributed on a P2P basis via the internet, the phenomenon of video podcasting and user-generated contents, the expected success of PVRs and multimedia PCs (Media Centres) and the forthcoming launch of commercial mobile TV offerings based on the DVB-H standard in Europe.

In view of the large number of ongoing changes, the future of TV sector not only looks uncertain, but is also sure to see major changes.

These transformations are forecast both on the level of the programme offering to be marketed to television viewers in the long term, and the characteristics of television consumption ten years down the line.

From this point of view, trying to set the scene for the future of television would seem to be one of the best ways of anticipating the changes that forthcoming decade may bring. Such an approach avoids reducing the outlook to a single "futurist" vision that may appear either overly simplistic or excessively complex and thus open to criticism!

The main objective of this article is consequently to present three growth scenarios for TV through 2015. It begins with an analysis of factors of change that may drastically alter long-term television consumption. The paper goes on to describe various scenarios and finally examines a few of the economic changes that may be experienced by the TV sector.

■ TV, Europe's favourite medium

In major European countries exposure time to the media is currently approaching 10 hours per day!

Despite the emergence of new digital media and competition from other "major media" (radio, the press, magazines and cinema), Europeans still have the highest exposure to television.

Statistics published by the EIAA (European Interactive Advertising Association) at the end of 2004 show that TV remains the leading electronic form of entertainment for Europeans. In fact, time spent watching television accounted for one third of total time devoted to the media on a daily basis in Europe, while the internet only accounted for 20%.

Media consumption of Europeans in 2004
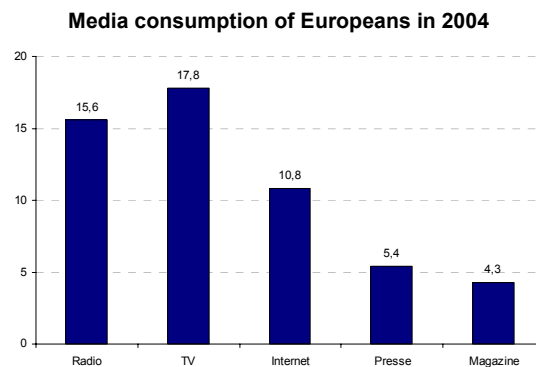
Source: EIAA – Media Consumption study 2004

■ Are TV channel operators under threat?

Although it still enjoys a special status in the eyes of most viewers, the TV service as we know it today, that is to say mainly broadcast terrestrially, by cable or via satellite and based on linear TV programming, now seems to be under threat.

The TV sector is effectively facing a range of changes and potentially disruptive factors that are likely to upset the current market balance. This article focuses on the factors of change that may revolutionise television consumption in the long term, and are thus likely to play a part in the mid-long term challenges and opportunities related to the higher household penetration of tools and equipment promoting the emergence of concepts such as personal TV, mobile TV, home networks and "Egocasting" [1].

Personal TV: the next step?

With the number of VOD services growing and the equipment of TV households with PVRs, new generation set-top boxes and PC Media Centres increasing, TV should be less and less synonymous with the linear programming imposed by TV channel operators in the future. The world of TV will, on the contrary, steadily move into the era of personal programming. Television viewers should then control their own consumption. They should be in a position to consume what they want, when they want and, depending on advances in portability and mobility, they should soon be in a position to watch TV programmes wherever they want too.

Mobile TV turns into a reality

Since the beginning of 2003 most mobile telecommunications operators have been offering video via their multimedia portals and for downloading. Streaming services, which emerged at the end of 2003, were seen as a

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[1] This term was adopted by IDATE after its appearance in an article written by Shelly Palmer, Chairman of The Advanced Media Committee of the National Academy of Television Arts and Sciences (NATAS), published on August 11th 2005, entitled "The Age of Egocasting" (http://advancedmediacommittee.typepad.com/emmyadvancedmedia/2005/08/the_age_of_egoc .html). Notwithstanding this quote, the term Egocasting was used for the first time by the historian Christine Rosen in an essay entitled "The age of Egocasting". (http://www.thenewatlantis.com/archive/7/rosen.htm)

second stage in the development of mobile video. The third stage will be that of mobile TV broadcast on traditional TV networks designed for telephones or other pieces of mobile equipment such as PDAs, for example.

Most mobile TV offerings are currently in the pilot phase. Over the course of the next two years the number of commercial offerings based on the DVB-H standard nevertheless looks set to grow.

During this transition period, and despite the existence of "competing" equipment (PDAs, laptops, mobile TVs, as well as multimedia personal players of the iPod variety), the telephone should play a central role in individuals' electronic entertainment consumption, notably as far as the consumption of audiovisual programmes is concerned. Mobile TV is effectively seen by telecommunication operators as a strategic activity: against a background of falling fixed telephony revenues, video and TV enables these operators to contemplate an increase in their ARPU, especially as the results of several surveys have revealed high levels of consumer interest in this type of offering.

The inevitable rise of internet TV

The internet is obviously a key factor in the long-term evolution of the TV sector: over 60% of European households are almost certain to have a broadband internet connection by 2015.

Moreover, the emergence of an "alternative universal TV" on the internet, via the growing number of vlogs, personalised TV platforms, video search engines, streaming software programmes based on peercasting, and audiovisual programmes specially designed for web-based distribution (web reality programmes, for example), would seem inevitable.

Vlogging and podcasting: two booming online trends

The phenomenon of blogging on the internet is exploding, and blogs using video, vlogs, are now beginning to appear. The vlogger community is still relatively small compared to the world of blogging. It is nevertheless beginning to take shape via the use of tools such as, for instance, the video RSS aggregators FireANT and Videora 1.0 or the Vlogdir directory, which "tracks" vlogs on the internet.

Like blogs, vlogs cover highly diverse topics ranging from cookery lessons to mini-reports on local film festivals, not to mention the broadcast (or, for that sake, narrowcast) of family events and personal videos.

On top of podcasting [2], vlogging makes it possible to envisage the development of a new TV model enabling the diffusion of "hyper-specialised" contents to communities of users interested in specific topics. Thanks to the use of a video RSS aggregator, podcasting effectively empowers users to build a "personal TV" programming schedule. Programmes can subsequently be transferred to their digital personal multimedia players for deferred viewing.

An expanding offering of online TV services

Parallel to vlogs, an offering of video and TV services, marketed by the major media groups and web-based players, is developing rapidly on the internet.

The major media groups are devising specific programmes for the internet, which are often free. Catalogue owners like Disney and Warner Bros have also moved into the online distribution (free and/or P2P) of some of their programmes. The big internet brands such as Yahoo! and AOL are also very active in that field. VOD services offering TV programmes are also spreading over the internet. In fact, legal software applications for downloading films and TV programmes based on P2P distribution systems are emerging, as are streaming and personalised TV software based on peercasting (Open Media Network - OMN), Broadcast Machine Software and Veoh Networks etc.).

Towards a new paradigm for TV?

The internet TV offering should improve in the years to come.

Several factors would seem to support this trend:

• It is in the interest of TV channels: broadcasting their service on the internet represents a way of "catching back" their audience, and, for

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[2] Podcasting is a way of distributing audio and video files via the internet that uses the RSS and Atom syndication formats. Podcasting enables users to automate the downloading of audio or video programmes, notably to their digital personal players or to the hard disk of their PC, enabling them to view these files immediately or at a later date.

commercial TV channels, of limiting the financial risks of a massive transfer of investment in televised advertisements to the internet

• In general terms, players from the IT world such as Microsoft, Intel and Apple are working towards the adoption of a new TV model based both on the digital home network and on the distribution of universal TV programmes via the internet.

• TV distribution systems based on streaming and P2P, such as those using RSS feeds, make it possible to envisage the growth of innovative personal TV services that should, in theory, be cheaper to produce.

Over the next few years, and parallel to today's TV offering, the TV sector could consequently move towards a new alternative growth model, characterised by:
- the boom of a video programme offering created by television viewers on the internet,
- the enhancement of online video and TV services developed by major media groups,
- the recognition of P2P and podcasting as serious alternative channels for distributing TV over the internet.

Home networks - a prerequisite

The set up of multimedia domestic networks in households based on data exchange on the one hand and pooling the functions of all pieces of electronic household equipment on the other, would seem to be a prerequisite for future changes to the television paradigm as we know it today.

Home networks effectively form the basis of a new, open environment for media consumption and an ecosystem, in which consumers are set to have easy access to protected multimedia content [3] from the internet or other sources at any time from their homes. To achieve this, consumers should use a remote control, as well as a PC (a central unit and adaptors) and a series of domestic electronic devices (televisions, laptops, PMCs, MP3 players, portable games consoles, smartphones etc.) synchronised with the PC. These will be seamlessly interoperable and networked using a wireless technology (belonging to the WiMAX family).

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[3] And notably to TV programmes.

The generalisation of home networks lies at the heart of the philosophy adopted by companies such as Intel, Microsoft and Apple and many other players in the IT and consumer electronics world, as well as a large number of internet access providers and cable operators when it comes to building the future of television. It consequently forms the core of their short and mid-term growth strategies.

■ Three scenarios for the future

The scenarios below have been developed bearing in mind that changes in the field of TV in the long term will be guided more by transformations in end demand, regulation and commercial innovations than by the availability of technologies.

Each of these scenarios thus takes television consumption by individual viewers as a starting point, which is re-contextualised in the larger framework of overall media usage. Of course, the scenarios also take technological changes into account and are therefore firmly rooted in a climate of convergence.

SCENARIO 1: "TV in complete freedom"

Usages and equipment

By 2015 access to TV services should be almost ubiquitous; namely it should be possible for viewers to watch a news bulletin, an episode of their favourite series or a live show in any location and at any time, provided that they have a piece of digital receiving equipment, preferably mobile. Ownership of a piece of mobile multimedia equipment will also have become relatively widespread, whether this be dedicated to receiving audiovisual services (TV, video, music, video games etc.) or a latest generation mobile telephone.

In view of the richness of the offering both in equipment and in mobile services and content, a large number of Europeans should subscribe to a mobile TV offering. The penetration of mobile TV should reach 50% of the population by 2015, and 80% of subscribers will use this service every day for almost one hour on average! Under these conditions, the reference point

in the TV market in terms of marketing should no longer be the household, but the individual: the TV market will consequently have entered the age of individual TV.

Underlying market structures and business models

Although the changes described above do not seem very "revolutionary," this scenario nevertheless assumes a few major developments in the structure of the TV market and the related business models.

In this scenario, the mobile TV consumption by subscribers is set to grow significantly, amounting to around one hour per day.

In terms of the service offering, changes concern the mobile TV market where two types of offering will compete with each other:
- the terrestrial offering organised by mobile telecommunication operators and mainly targeting mobile telephones;
- the satellite offering for television sets and laptops, marketed by pay TV platform operators in conjunction with consumer electronic equipment manufacturers.

This offering is rich and particularly well segmented:

• Satellite pay TV platform operators offer a "best of mobile" of fixed services, as well as an offering of specific content and services adapted for mobility.

• Mobile operators market a linear TV offering based on the DVB-H standard, as well as original and innovative programmes on demand via 3G networks.

This scenario assumes no major upheavals to existing business models:

• The model for mobile pay TV is similar to that of fixed pay TV via satellite.

• The most significant change involves TV advertising, which sees the rise of interactive and mobile advertising.

Scenario 1 – Usage of various media in 2015

2005

2015
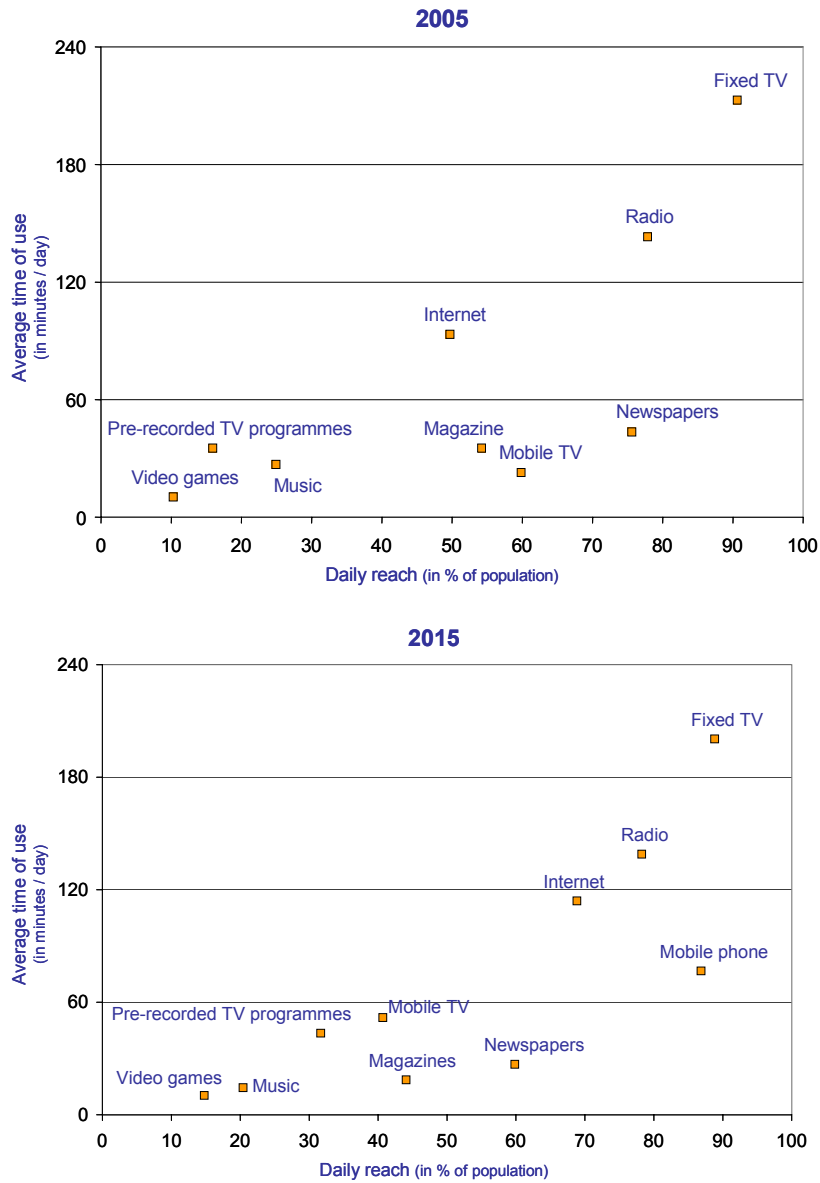
NB: The time devoted to the press, magazines, music, radio, TV and video games refers to the time spent reading, listening to or watching these media excluding the internet. Pre-recorded TV programmes refers to the time spent watching DVDs, VHS cassettes, pre-recorded programmes on a PVR and programmes accessible via VOD.

Source: IDATE

SCENARIO 2: "Welcome to the age of Egocasting"

Usages and equipment

This second scenario is based on the fundamental hypothesis that the internet has become the favourite medium of a large section of the population by 2015, and notably of target consumers under the age of 45 years old. TV should no longer be at the centre of media consumption: as society plunges into the culture of hyper-personalisation, television viewers will no longer subscribe to the "formatted" programmes that most TV channels will have continued to offer. They will switch to vlogs, personalised TV platforms [4], and the VOD services available on the internet, which not only deliver more original content (multimedia), but also allow viewers to contribute to the topics that concern or interest them. TV should thus have entered the age of Egocasting.

The video and TV offering on the internet has been taking shape and expanding since 2005 thanks to the efforts of internet players including the big brand names, software solution providers and TV producers, who are bidding for their own "survival."

Against this background the audience for "traditional" TV channels should drop significantly. Mobile TV fails to attract consumers, who prefer to opt for the podcasting model for nomadic video consumption, notably thanks to:
- ever cheaper ways of accessing broadband internet (by 2015, over 85% of households will have broadband access);
- the availability of an expanded range of multimedia players of the iPod variety on the market as of 2006.

Consumers will also be particularly drawn to home network offerings structured around PCs or PVRs and marketed by internet access and IT equipment providers. By 2015 45% of households should consequently be equipped with a PC Media Centre, and over half should have a multimedia home network.

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[4] Aggregators of RSS video or streaming software programmes enabling users to access an enhanced TV offering via a P2P distribution system.

Scenario 2 – Usages of various media in 2015

2015
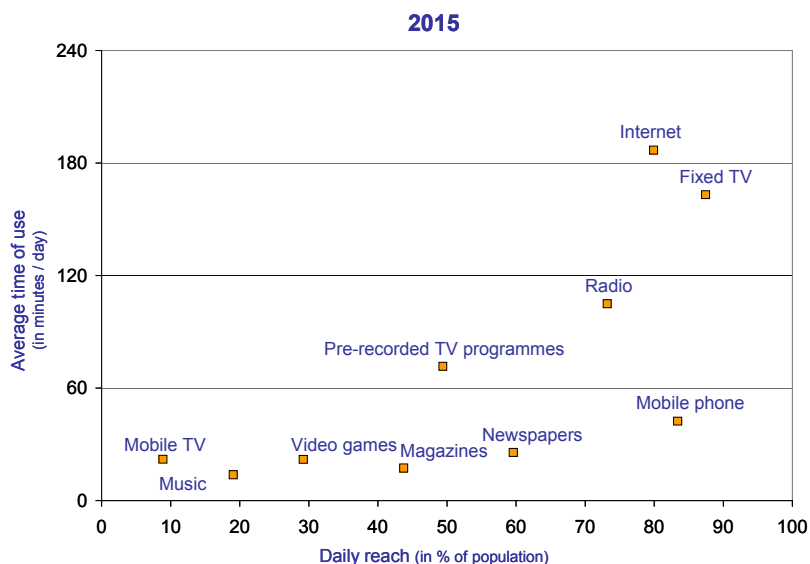
Source: IDATE

Underlying market structures and business models

As regards the underlying market structures and business models, this scenario points to far-reaching changes.

First of all, a series of "exogenous" events have taken place favouring the "domination" of the internet:

• Between 2005 and 2015 the public authorities have taken steps to ensure that the internet network becomes multi-casting, or that P2P is now largely used as a means of distributing TV via the internet.

• IT and consumer electronics players have launched a series of concerted initiatives to promote the benefits of digital multimedia home networks and the PC Media Centre.

• As of 2006-2007 wireless fixed alternatives to DSL (WiMAX and its derivatives) make it possible to cover certain populations that had been served poorly or not at all by traditional broadband technologies.

This second scenario subsequently assumes the emergence of a universal alternative TV offering:
-   distributed on a peercasting basis via the Internet,

- structured around on the big internet brands using powerful search engines and programme guides,
- providing a TV offering from across the world consisting of niche programmes and vlogs, webTV, VOD services etc.

It also calls for strong growth in the VOD offering available on the internet, as well as via cable and ADSL networks. This VOD offering should be available for both television sets and PCs.

The offering includes a non-linear version of the programmes shown by TV channels, as well as VOD services launched by independent cinema and audiovisual producers wishing to recoup on their catalogues.

Against this background the free-to-air TV market will also face its fair share of problems.

These difficulties should mainly be related to the drop in overall TV audience figures and a major flow of televised advertising spending to the internet. As a result, this market segment should enter a period of major restructuring, especially given that, unlike in the first scenario, the mobile pay TV market will not materialise, as consumers are likely to prefer the "iPod model."

In terms of business models, this second scenario assumes a few major upheavals. These drastic changes are mainly linked to the emergence of the "alternative universal TV" offering on the internet.

This new offering should effectively call into question a certain number of the golden rules defining how the TV sector operates:
- notably by enabling television consumers to contribute to the programme offering;
- or by assuming global distribution for TV programmes;
- or by attributing a strategic role to TV guidance tools, as they become the only way of "capturing" television viewers.

Moreover, TV enters the age of Egocasting, which:
- sees the advent of the consumption of audiovisual programmes on demand whose copyrights are stipulated by their owners;
- leads to an evolution in advertising towards a business model dominated by rigorous measurement, highly selective targeting and personalisation of the message. This model specifically assumes that advertising spending will be concentrated on programme access platforms, and that the latter will redistribute advertising revenues

according to the popularity of the various programmes and services that they "host."

SCENARIO 3: "The reign of TV portals"

Usages and equipment

This third scenario is based on the assumption that over the 2005-2015 period, a large number of television viewers have been attracted to the concept of personal TV enabled by PVR and VOD services. TV has consequently entered the age of personal TV. Television consumption has therefore become largely non-linear.

In 2015 personal TV can be consumed at home, as well as in mobile contexts. As a result, the mobile TV market should be structured on the basis of two models:
-   the iPod model based on the use of portable PVRs,
-   the model of the real-time broadcasting of TV programmes centring on the use of the mobile telephone or special devices equipped with a hard disk.

Thanks to marketing initiatives by consumer electronic manufacturers, which saw the DVD player market run out of steam in 2005, the household rate of equipment in PVRs (or DVD player/recorders with a hard disk) has taken off rapidly in Europe, especially since the pay TV platform operators (via satellite, cable or ADSL) were very quick to latch onto this trend. In 2015 60% of TV households should consequently have the option of customising their TV consumption and watching most TV programmes on a slightly deferred basis or after having recorded them (on their fixed or portable PVR).

Against this background, the major media brands should move fast to position themselves, so that they continue to be the "reference" not only for real-time TV consumption, particularly on a live basis, but also in a universe of TV consumption on demand.

Underlying market structures and business models

Although this scenario may appear more to follow on from current trends, it still assumes several significant changes in terms of market structure and related business models.

From a usage point of view, the key change lies in the fact that on average, 45% of time in front of a TV screen will be spent watching recorded programmes, deferred broadcasts or on demand offerings. Moreover, the time devoted to TV, fixed or mobile, should rise overall, whereas the TV audience, in real or non real-time, should remain concentrated around the big TV brand names. Lastly, in households that have started using VOD services, consumption should increase dramatically from 2005 levels.

At the initiative of major media groups and TV channel operators, the fixed digital TV offering should be restructured around television portals that create a unique environment for each major TV brand, that should enable not only:
- access to the linear programme offering,
- but also access to a non linear version of these programmes.

These portals will naturally be interactive. Moreover, they should enable viewers to access a range of services, and notably relational marketing campaigns and interactive advertising. They should also include a sophisticated audience loyalty system, often developed in partnership with advertisers. As a result, control over television portals would seem to be of key strategic importance for the big media brand names, not only to capture television viewers, but also as a fresh source of revenues.

In terms of business models, this third scenario also assumes several fundamental changes.

With the boom in personal TV, the TV business is set to evolve significantly by moving towards a model that directly finances a TV programme, instead of a programme grid. This transformation implies new economic and financial relations between producers, TV channel operators and TV platform access operators.

The boom in personal TV notably assumes that players in the sector are in a position to renew the model of TV financing based on advertising by building a new kind of relationship with advertisers. By entering the age of personal TV, television is effectively breaking with the advertising model based on broadcast slots. Personal TV should consequently promote the

emergence of new forms of TV advertising including product placement, the financing of programmes by brands, split screens and targeted interactive advertising.

More generally, the coming of the age of personal TV should be synonymous with a boom in interactive television, leading to the enhancement of programmes, as well as more direct links to television viewers.

Scenario 3 – Usages of various media in 2015
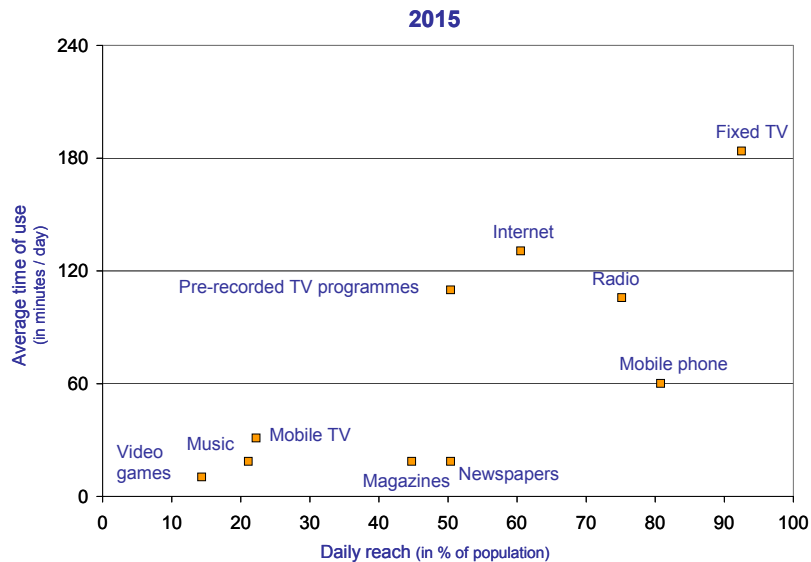
Source: IDATE

These changes not only imply the development of new business and financial relations between advertisers and TV channels, but also involve rapid changes to the competences of the main protagonists in the television sector. With the generalisation of VOD offerings, the business of broadcasting in particular should steadily evolve towards that of a "TV programme aggregator or distributor." It will no longer be a question of linear TV programming, or of maximising audience share throughout the day, but of maximising TV programme "sales" via a television portal that is "recognised" by TV viewers. TV channel operators should consequently become non linear content vendors.
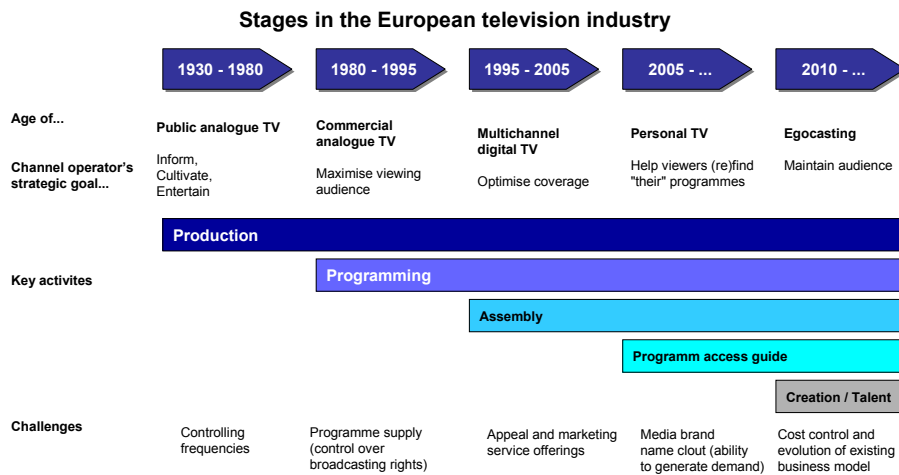
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■ Conclusions

By offering three visions of the future of television, its usages and associated business models, this article highlights the importance of the opportunities and challenges facing the TV sector over the next 10 years. It should also enable us to understand that the future of TV depends on a large number of factors whose combined effects will, in the end, be extremely difficult to apprehend.

The reality of 2015 is probably situated at the crossroads of the three broad visions described above, with several variations of these scenarios potentially feasible.

Without being able to describe exactly how the TV sector will look in ten years time, it is nevertheless safe to say that TV is evolving towards a new paradigm whereby television consumption will be less linear and more interactive, personal and nomadic.

Stages in the European television industry

	1930 - 1980	1980 - 1995	1995 - 2005	2005 - ...	2010 - ...
Age of...	Public analogue TV	Commercial analogue TV	Multichannel digital TV	Personal TV	Egocasting
Channel operator's strategic goal...	Inform, Cultivate, Entertain	Maximise viewing audience	Optimise coverage	Help viewers (re)find "their" programmes	Maintain audience
Key activites					
Challenges	Controlling frequencies	Programme supply (control over broadcasting rights)	Appeal and marketing service offerings	Media brand name clout (ability to generate demand)	Cost control and evolution of existing business model

Production / *Programming* / *Assembly* / *Programm access guide* / *Creation / Talent*

Source: IDATE