

The State of IPTV.2

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Overview

Despite a wide and varied content landscape and the excitement surrounding Internet television, first Internet ventures failed and IPTV.1 did not take off*

Is the timing finally right for IPTV.2?

*IPTV (Internet Protocol TV) refers to TV/video over Broadband Internet

Summer of 2001...

In the summer of 2001....

Why Did Internet Ventures Fail?

- Disappointing broadband penetration
- Technological difficulties
- Insufficient revenue streams
- Poor fit between content and audience

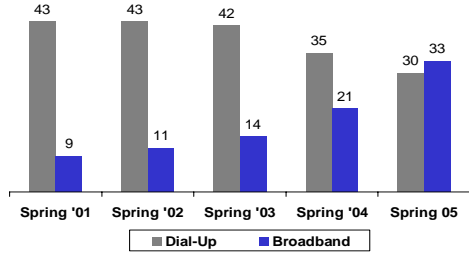
***“Everyone had great ideas...
It was just before their time”***

(Peter Scott, Nascar.com, 2001)

Spring of 2005...

Increase in Broadband Penetration:

in % of Total US Households

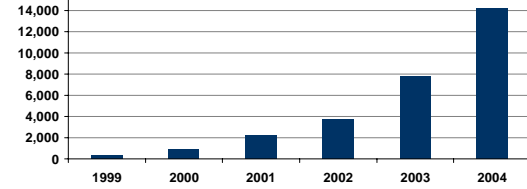


Source: Home Technology Monitor, Spring 2004 Ownership and Trend Report, Spring 2005 | 2004 BB – NBC BD Estimates, May 05, Veronis Suhler Stevenson, 2004

Growth in Video Streams Served

Total video streams served/viewed rose 80% in 2004 to 14.2 Billion*

Total video streams served annually (in Millions)



* 79.3% of video streams served were viewed at Broadband rates
Source: AccuStream iMedia Research, 2005

Improved Technology

2001 Video crashed and stalled, poor quality, multiple video standards. Long download time

- 2005** Improved quality video, still no guarantees
- Open standard video adopted
 - More sophisticated media players
 - RSS (Real Simple Syndication) feeds – easier to distribute and receive content
 - Reduced costs of DV camcorders and computers

Result: Improved user experience. Lower barriers of entry

Revenue Streams

2001 Investors and advertisers pull out of Internet market. Very little audience generated revenues.

- 2005**
- Advertisers are returning: Internet fastest growing medium for advertising spending in 2004 (+33% from \$7.2 to \$9.6 Billion)
 - Major sites have run video ads (5-15 second “pre-roll”)
 - Syndication and subscription models

Result: Possibility of increased revenue streams. Will people pay for streamed content?

What about the content?...

Content Landscape: Audience

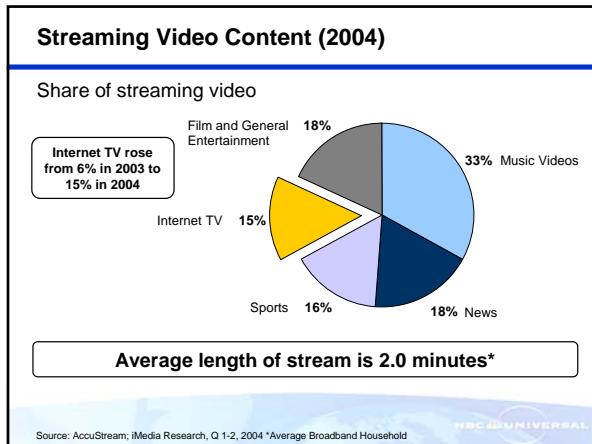
2001 Majority of BB users at work (72% vs 20% at home)

- 2005**
- Growing BB usage at home and schools (52% home, 64% school)
 - Internet Streaming – not just from work
1 in 4 streamed from home (66% from work, 48% from school)*
 - Online Video users skew male and older



Result: Streaming from home may have positive implications on long form TV/Video content

Source: *Comscore Media Metrix, Nov 04 ** Online publishers, Magid associates, 2005, N=27,841



Content Landscape: Content Providers

Broadcasters

- From individual clips to Broadband Channels
- Both re-purposed and original web-only content
 - MTV overdrive
 - ABC Video Player
 - CBS: Top videos
 - NBC: NBC Screening room
 - ESPN 360

New online networks:

- Current.TV (www.current.tv)
- Omn.org (open media network), (publicTV content)

Content Landscape: Content Providers

Hollywood Studios:

- Better quality movie trailers (Apple.com)
- Web based VOD service. (MovieLink, CinemaNow)

Syndicators & licensors:

- Rise of video search engines: Yahoo, MSN, Google
- Distribution of original content
- Local media Network (LMN) aggregating 147 local TV networks
- RSS feeds – easier to distribute and receive content

Content Landscape: Content Providers

Independent Dot.coms:

- Short films: iFILM
- Independent movie makers (Duality.com)
- Alternative content (JibJab)

User Generated Content

- Substantial Growth
- Lower barriers to entry, easy to use tools
- Growing numbers of Vlogs and Podcasts
- Vlogging communities: (vidblogs.com, <http://freevlog.org/>)
- Vlogging networks Rocketboom (daily vlog – news)
- Business opportunities; advertising, archiving (google vlog)

The State of IPTV.2: Conclusions

Growing Opportunity and New Challenges

- Increased BB penetration
- Improved user experience
- Revenue streams
- Better fit between content and audience
- Changing Viewing Habits
 - Mobility, Portability, On-Demand, Choice, Viewer Control
- New Challenges
 - Piracy, DRM, Multi Platform IPTV distribution
 - Different content for different devices?

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