

Change = Opportunity

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Change = Opportunity

Change = Danger

- It is said that...
 - The Mandarin hanogram for crisis is similar to that of change and is composed of two syllables:
 - One means “danger” and the other means “opportunity”
 - The inferred translation could be, “Change is a dangerous opportunity”
 - The danger of change may be easily seen while the opportunity may be hidden
- Whether the saying is true or not, the message has value... let’s look at opportunity

Actually...

危

Mandarin character wēi, the first component of “Crisis”; alone it does mean “Danger”

机

Mandarin character jī (in simplified form), the second component of “Crisis”; alone it means “Incipient moment; crucial point (when something begins or changes)”

機

Mandarin character jī (in traditional form)

So, the second component doesn't really mean opportunity”, but the point of the story is valid.

This year's CES...

As Shelly Palmer eloquently noted:

"CES this year is a place where invention has given way to innovation. Today we have ecosystems in which individual parts must not only coexist but also work together; where devices have gone from cool to useful; and where applications have gone from being parlor tricks to being emotionally satisfying."

Quoted by Steven Hawley in Tracy Swedlow's [itvt] newsletter

Shelly Palmer is head of the Advanced Media Committee of the National Academy of Television Arts and Sciences

The talk...

1. Change
2. What is going on now?
 1. Interactivity
 2. Advertising
 3. Multi-Channel
 4. Cross Platform
 5. Consumerism
3. What is coming?
 1. Ubiquitousness
 2. Personal control & self targeting
 3. Measurement & Performance-based pricing
4. The opportunity
5. The challenge

Just what is happening today?

1. Interactivity
2. Advertising
3. Multi-Channel
4. Cross Platform
5. Consumerism

Let's look at these...

Interactivity – finally, iTV

- Comcast alone has delivered about **1.5 billion** on-demand orders
- Intel's Viiv, Microsoft has Xbox to Vista, Google's Video Store, Yahoo's Go TV, Apple's Front Row & iTunes, ...
- The iTVAlliance is working with J&J, P&G, GAP, Visa, & Pepsi; production groups include Jerry Bruckheimer, David E Kelley, JJ Abrams, Mark Burnett, Joel Silver, Todd Stevens and others; all at the NATPE

How Much Interactivity?

- Think of the Game Show Network
- Think of playing along with Who Wants to be a Millionaire?
- Think of Voting for Dancing with the Stars or American Idol (which draws about 30 million votes per week)
 - One weekday last year, the US phone system was clogged with over 230 million calls above the norm; Idol recorded 24 million votes: over 200 million calls were not able to record votes!

Already Trained

- It is already in view consciousness
- Viewers around the world are already trained for television interactivity: VOD, dual-screen, true iTV, ... just use the remote control
 - UK has used Teletext for decades, and has had true iTV for some time (eg, QVC)
 - US has On Demand
 - ...

Advertising

- The Super Bowl on ABC: 90 million viewers
 - \$2.5 million per 30 second spot
 - Many will have tie-ins to online content (eg., so-called “2-screen” interactivity), re: Rick Mandel
- Telescoping Ads: the technology exists and awaits acceptance of business models
 - E.g., Guy Ritchie’s 10 minute or so BMW movies

- Ad Value: look at the shift from the major broadcast networks to the ad supported cable networks:
 - Now cable has 53-56% of the Prime Time audience!
- Think of watching a hockey game and the courtside banner has a different message in every region the game is telecast

Agencies?

- What are the ad agencies doing?
 - Are they reacting or leading?
 - Think how much easier it is for them to make diverse spot buys to target an audience using Comcast SpotLight
 - Think of their opportunity with telescoping and all the other things we are talking about

What About Ad Clutter?

- What does clutter do to response?
 - Several sources indicate that Americans are exposed to over 3,000 ad messages per day
 - What do TV viewers do during ad pods?
 - What do Tivo users do during ad pods?
 - What do you do?
 - What about clutter in your newspaper, magazine, drive home (radio/billboard), line of sight, in the sand, in the toilet stall, etc, etc
- Is targeting the answer? An answer?

Multi-Channel

- You know “multi-channel”
- Ad dollars continue to flow to the Internet
- It is all about reaching the consumer where they are...

Today:

You go to where the consumer is; they don't come to where you are

- Qualcomm's new chips & their MediaFlo network and Texas Instruments' Hollywood chip and their network offer competing technologies
- Sprint PCS Vision Multimedia Services has been offering as many as 600 video clips a day to PCS subscribers who own a special Samsung phone
- AT&T Wireless / Cingular launched its own multimedia service, based on the same wireless broadcast network used by Sprint: Idetics MobiTV

Cross Platform

- iPod to the consumer...
 - A shuffle costs \$100
 - It holds 250 songs at \$.99 each
 - The cost of delivery of a song approaches \$0.00
 - Where is the money? It's the razor blades
- Consumers will pay for what they want

Consumerism

- At CES, there were HD big screens at under a \$1,000, less than a new color set in '66*
- Panasonic, Samsung and others have new iTV-capable TVs in the consumer marketplace
- The hardware is always, ultimately, “free” once the consumer is on board

* In adjusted dollars

Hardware is “free”?

- Mr. Ohtsubo, CEO, Panasonic - CES 2004:
 - A few days ago I was in a big supermarket here in the United States. In one aisle they were selling a calculator. It was the size of a credit card. And the price was only .99 cents. And it had a solar panel. So the power-source was completely free. A few aisles over, they were selling a bottle of Evian water for \$2 dollars and 49 cents! Isn't that ironic? Electronics less expensive than water!
- Okay, maybe not free, just very inexpensive

- Really, the incremental cost of the functionality is *essentially* “free”
- Think of cell phones...
 - Consumers demand their phones be free
 - But they will pay \$4.99 for a ring tone
 - Ring tones are a **\$1 billion** business!

What's Coming?

1. Ubiquitousness
2. Personal control & self targeting
3. Measurement & performance-based pricing

Imagine...

- You can easily Google the entire library of visual content ever produced, and view any video content you want... up to and including current movie releases
- You can view this content on any video display in your home (or office or wireless player)
- You can interact with this content to play along, effect changes to behavior, buy what is advertised, bet on outcome, Instant message the content with your visual/verbal comments to your friend

Ubiquitousness

- Definition:
 - Source: *WordNet (r) 1.7*
 - **ubiquitousness** n : the state of being everywhere at once (or seeming to be everywhere at once) [syn: [ubiquity](#), [omnipresence](#)]
- So, what don't you get about ubiquity?
 - Globally, over 200 million cell phones are sold every quarter
 - There are more than 1 billion televisions in use
 - Half of these are in the US and China, combined

Portable Video is Everywhere

- Is Cable Toast? *
 - Cable still passes 99% of US households
 - > 70% of US households subscribe to cable
 - < 15% subscribe to satellite; < 15% over the air only
 - Cable's advantage: TV is still relatively passive and easy: it is a relaxation activity

* Idea from Leslie Ellis, www.tranlation-please.com

Personal Control & Self Targeting

- Back to the iPod and iTunes...
 - Consumers wanted to buy one song, not an album
 - They want a good and they want it now
 - They want to decide now about your “stuff” and consider the need addressed
 - They want to control the search
 - They want to target to their needs/wants/desires
- A successful business model works (eg., iTunes)

- What used to be a chore may now be:
 - Entertainment
 - Theater
 - Service
 - Food is delivered to the home for a fee
 - Dry cleaning is picked up and delivered
- Convenience trumps price
- Fun trumps price

Measurement & Performance-Based Pricing

- Money flows to consumer value
- You want to pay for customers, not just exposure
- You want to pay for what you actually get
- TV is moving into usable measurement...
and I don't mean Nielsen's PPM
 - Initiatives are underway across many MSOs

The Opportunity

- Changing Business Models
 - Matt Stump in MultiChannel News talks of Brian Roberts, Comcast CEO, comments at the Citicroup E-M-T conference:
 - “Move beyond TV” ... adding 20,000 phone customers per week, has 800,000 data-only subs
 - Has 22 million subs, but passes 17.2 million homes who take no Comcast service
 - In the past, Comcast would lead with video; now will market a voice+data bundle
- Think of the continuous change we face...

- EchoStar + SBC/AT&T?
 - Verizon offers a DirectTV package
- RBOC fiber to the home with data/voice/TV
- Plus Wireless everything, everywhere
- Then there is Google, Yahoo, Microsoft, AOL and endless combinations and permutations

- What can a cable company do to compete?

- Comcast has connected with Sprint/Nextel to offer branded wireless services that integrate the subscriber's video experiences with the mobile technology
- Cable companies are talking with the likes of Google, Yahoo, AOL, all of the content producers and forming beneficial alliances
 - Eg., Comcast & Starz, Comcast & Sony's MGM
 - Starz: 575 free movies/month on VOD
 - Sony/MGM: 3,000 movies & 35,000 episodes

It is all about extending...

- The relationship with the customer:
 - Self service vs personal control
 - Issue vs resolution as cement to the relationship
 - Cost to acquire vs cost to maintain the customer

The Challenge

- You have resources...
- Your competitors may not

Manager

Entrepreneur



Has resources

Manages & protects them

Has no resources

Is opportunistic & aggressive

- This may make them more dangerous, not less dangerous

Summary

- Change is constant but its pace accelerates
- The consumer is in control; help them make choices that meet their needs/wants/desires
- You must continuously adapt your business model
- Do not hang your hat on what you have, but rather, on your ability to learn, adapt, and sustain your competitive advantages
- There is not one right answer... what works for you?