



REPORT ON THE CONNECTED TV ROUNDTABLE January 30, 2009

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Strategic Communications for the Digital Media Industry

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The following report is based on a roundtable discussion of executives in the media, marketing and Web industry that took place on January 30th, 2009 in Stamford, CT. The content of this report simply reflects what was discussed in the roundtable and does not reflect findings, agreements or analysis.

All questions, comments or changes (by participants) should be directed to Ephraim Cohen at The Fortex Group – cohen@fortexgroup.com or (203) 569-9436.

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SUMMARY

The Connected TV Roundtable, moderated by Ephraim Cohen of The Fortex Group, began with a focus on the Connected TV (please see presentation slides at the end of this document). With comments by several participants including Steve Ronson of A&E, David Jack of Yahoo!, Liam Wright of Beeing and Scott Berry of Digitalics, the forum expanded to encompass discussion of the future of media consumption and monetization as well as how the TV connects with PC-based Web and mobile media.

The follow key statistics highlighted the points about the potential for the connected TV.

- Heavy Internet users watch 30 more hours of TV per year than do non Web users (Nielsen 2008)
- 31% of in-home online activity occurs at the same time the user is watching TV (Nielsen 2008)
- 10.2 million people watched the Obama inauguration online through two content delivery networks (37.8 million watched it on TV) (Nielsen, Akamai and Limelight)
- 8-12 year olds were involved with media for 60 hours a week, as a result of their use of more than one device at a time (source was a roundtable participant's research).

KEY TOPICS OF DISCUSSION

- The connected TV and an on-demand viewing experience will serve as compliment to, not a replacement for, the more traditional, programmed approach. According to the general consensus, the programmed TV schedule not only remain, but may even be strengthened by Web 2.0 behavior such as social networking
- Social networking will impact marketing and advertising but it may take the television, not the web by itself, to make that happen
- Content will remain king, but the challenge will be to figure out how to monetize it in different viewing environments (three screens, social network integration)
- The synergies and opportunities around three screens – TV, computer and mobile – won't be fully realized until they start to work together, however the mobile device, not the living room box, may become the hub
- The time frame for mainstream adoption of the connected TV and the realization of synergies between the three screens will be 5-7 years

ROUNDTABLE NOTES

Commerce and Content Challenges

Content Owners and Distributors' Challenges Related to Monetization

- *Marketing & E-Commerce:* A key point raised around connecting commerce and content was that, from marketing and e-commerce perspectives, the connection is fragmented but live. As TVs become more connected, they can serve up highly-customized advertising that consumers can take advantage of, either through the TV or on the Web (as they are often already surfing in front of the TV).
- *Current Conflicts:* Even as new opportunities develop, major challenges still need to be solved, including an existing conflict between the consumer/new industries and traditional media and video. Traditional media faces conflicting trends in the market, where consumer behaviors play against the "last mile of control" or the "triple play" of cable. Although the first is quite empowering, the challenge comes in with how to monetize it from the corporate perspective.

Traditional Media and Video vs. Power of Consumer Behavior/New Industries

- *Producer & Aggregator Conflict:* Producers feel empowered to take more control by producing their own sites and creating other avenues for content but lack the business models to earn money from it. Content is still "king," but in the current market, aggregators have the infrastructure and ability to derive substantially more revenue from the producers' content. However, this is an area still in development and we are far from determining the content distribution and monetization models that work best for monetization.
- *Consumers' Roles in Conflict:* The question arose regarding whether the consumer will decide against paying for the "last mile of control," instead opting to have only a dumb pipe into their home (no cable-type service). The consensus was that this type of disintermediation will not be complete and there will always be a need for a programmed environment, especially in cases like live events and social watching. The challenge will be to see if cable service providers meet consumer needs or if they become utility providers to other content programmers.

Connected TV and Programming

Connected TV as a replacement or a complement to current views of programming

- *User-Generated Collective Intelligence:* The use of user-generated collective intelligence to decide what is relevant through popularity metrics is on the rise. Liam Wright of Beeing demonstrated how social networking tied to TV viewing can result in collective intelligence that is used by both content programmers and advertisers (see www.beeing.com for more information). For example, Beeing's "360-degree planet" reacts to the consumers' pinpointing of certain interests related to the content already on their screens (e.g., a Nissan ad where the widget below will display related sites and information about the company). The connected TV concept then augments current programming views, with consumers' downloading the small widget file or splitting the screen lightly to view the widget. Beeing's demo was presented as an example of social watching and the need for both on demand and programmed environments.

TV, Computer and Mobile Activity Synergy and Marketing

- *Advertising remains alive and targeting will increase its importance:* While privacy concerns must be addressed, the connected TV provides an increased ability to not only target by demographic, but to deliver ads in the context of the content being watched. In addition, the simultaneous use of multiple devices and services by consumers (e.g., TV + laptop or mobile device) enables more dynamic branding and commerce-oriented campaigns.
- *Marketing Challenge:* A marketing challenge exists concerning the best way to reach consumers across coordinated TV, computer and mobile screens where the respective possibilities and limitations of each of the three are recognized. This includes using the same content and type of technology for the distribution avenues.
- *Return to Digital & Traditional Advertising Bundling:* A compression in advertising in the last few months is reflecting a return to what works, where digital and traditional units are being bundled. Canoe Ventures, with its per-second feel for consumers' advertising-related actions (attitudes, sites visited, 30 years of viewing patterns, etc.), will be a reflection of such a move when the product launches in 2-3 years.
- *Time Frame for a Mainstream Adoption of the New Synergy Products:* The critical-mass stage will take 5-10 years, driven by issues, the availability of the right technology and/or the effects of cross-cultural and emerging markets. The potential positive effect of the broadband component under President Obama's proposed stimulus package and the crowd-driving momentum (group introducing people to content), rather than individual consumers as a whole, may prove to be driving forces.
- *Social Network Customer Focus:* A new need to have a social network-customer focus rather than a traditional-advertiser focus is a distinct possibility. On the other side of revenue building, a need also exists to increase revenue by focusing on cutting costs/overhead, as many companies must do so in order to move forward. The question that arises is whether this possible new social network-customer focus will open up a new eco-system (new start ups, divisions or marketing firms) where jobs will be created or transferred over from those being lost in traditional media.
- *Traditional Broadcast to Anytime Shift:* The shift from traditional broadcast to anytime, anywhere, on any screen, means media brands may force a brand-marketing shift. The change from marketing a media property to marketing the brand as one that stands for a certain type of content is already under way. However, this may accelerate as, for example, people shift from watching a certain channel to watching its content through a variety of user and third-party controlled platforms or channels.

- *Key Electronic Household Item:* In relation to multi-screen synergy, the key electronic item in homes could become the cable box (or equivalent) where the TV becomes a display screen, a mobile device connected to the home system with a streaming profile option or a multiple electronic system. Another possibility is a “dumb” screen/“dashboard” that the consumer can program to do anything, including holding top TV programs, top websites, programming recordings and more.
- *Market Research & Three-Screen Adoption:* The time question connected to the complete synergy point, where content is programmed to work simultaneously across all three screens, needs to delve into how the incoming social media generation will speed up adoption through market research. With DVRs just now having a deeper impact after the device’s introduction 10 years ago, adoption may happen more over time, as the mainstream sociological environment where people are used to viewing content in their main living spaces with others changes at a slower pace.

Social Networking’s Effect on Advertising and Content

- *Horizontal Model:* There is a natural progression towards a flat (horizontal) model, rather than a linear model, where broadband may become more expensive but the need for cable television may lessen with people starting to bypass cable connections. If the cable middleman is no longer in the middle, the advertiser could come straight to the consumer/companies with ways to encourage those actions possibly stimulated from social media networks.
- *Advertising Space Power Shifting:* A new type of programmed entertainment, driven by social networking, may actually be created where individuals collectively watch and discuss content in various forms. Branding maintains its importance, with traditional media companies looking at the traditional advertising venues and moving some to the new media arena (short-form content, disaggregation of content – i.e., selling books by the chapter, joint venture revenue shares, product share).

Registered Attendees (this may not include last minute participants)

Company	Last Name	First Name
A&E Television Networks	Ronson	Steve
Beeing	Wright	Liam
Connecticut Film Center	Relick	Kim
CT Digital Media	Rawls	Ariana
CT Film Center	Relick	Kim
Curran Partners, Inc.	Vos	Tom
DHR New Media, LLC	Robbins	David
Digitalics	Berry	Scott
Fairfield Partners	Montgomery	Eric
Fairfield Partners Executive Search	Curry	Brian
Goldstein Jones LLP	Jones	Scott
GPS for Management	Baker	Wilder
Sticky Traffic Studios	Belshaw	George
Juice Media	Brown	Heidi
kendron communications	Remoundos	Constantine
Merrill Lynch	Johnson	David
	Green	Paula

Office of Competitiveness Workforce	Miller	Chuck
Overbrook Consulting	Nieberg	Owen
PricewaterhouseCoopers	Bialick	Todd
REMOTV	Penner	Christopher
Robinson & Cole (& CT Digital Media)	Dale	Eric
Robinson & Cole (& CT Digital Media)	Kogan	Eric
SmartEquip	Holland	Michael
The Fortex Group (& CT Digital Media)	Cohen	Ephraim
The Kiria Group	Kiriazidis	Kim
Yahoo!	Jack	David