The Ambiguity of Disruption

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Overview

- A disruptive technology changes the basis of competition

- The relationship between tech change and competition is complex

- How is competition changing in TV/video?

- What are the complexities and challenges?

VCDWG Report

- The current VCDWG agenda is geared towards developing the "Beyond TV" book

- For the next several months, the group will
  - Examine current trends in the industry
  - Understand the longer-term implications
  - Extract higher-level significance

- First trend we explored: unified video services

Unified video services

- Integrate traditional carrier-based TV services (cable, satellite, telco IPTV, terrestrial OTA) with OTT video (and usually includes personal media)

- Typical implementation = Hybrid STB + unified search & discovery interface

- Examples: Sezmi, Cox + TiVo + CableCard, Google TV*, Project Canvas, CuboVision
  - * Google TV 's box "daisy chains" to an operator STB and also runs on connected TVs

The content divide

- This trend highlights the "content divide" between traditional and OTT delivery platforms
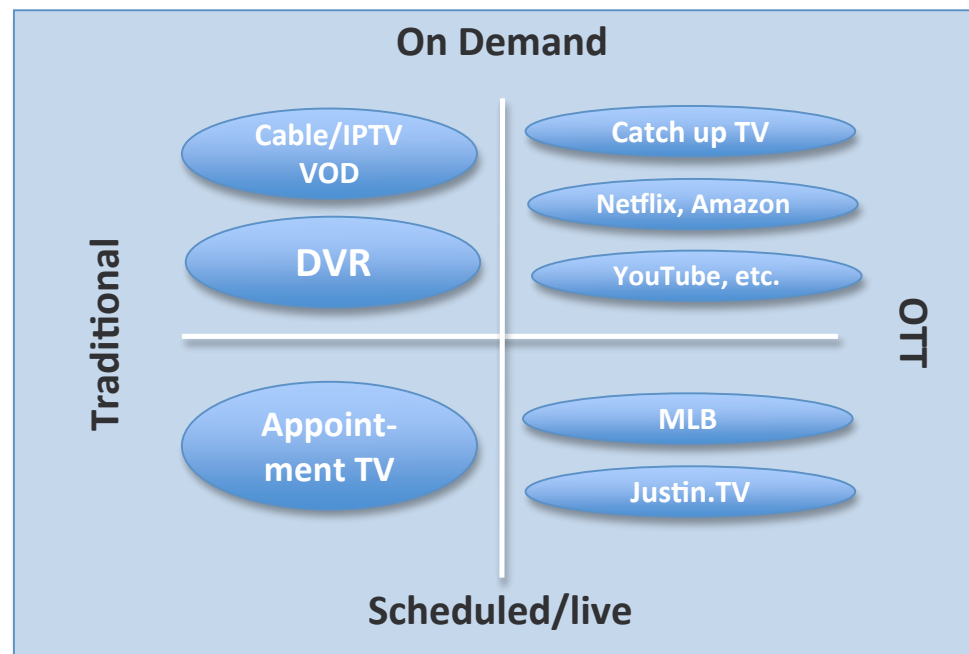
| Traditional	OTT
– Premium content (ESPN, Fox News, Food Network)	– Catch up TV
– High cost, high quality	– Movies
– Short tail	– Web original
– Prime time/First-run	– UGC
– Some niche programming	– Long tail
	– Pirated

Scheduled/live vs On Demand

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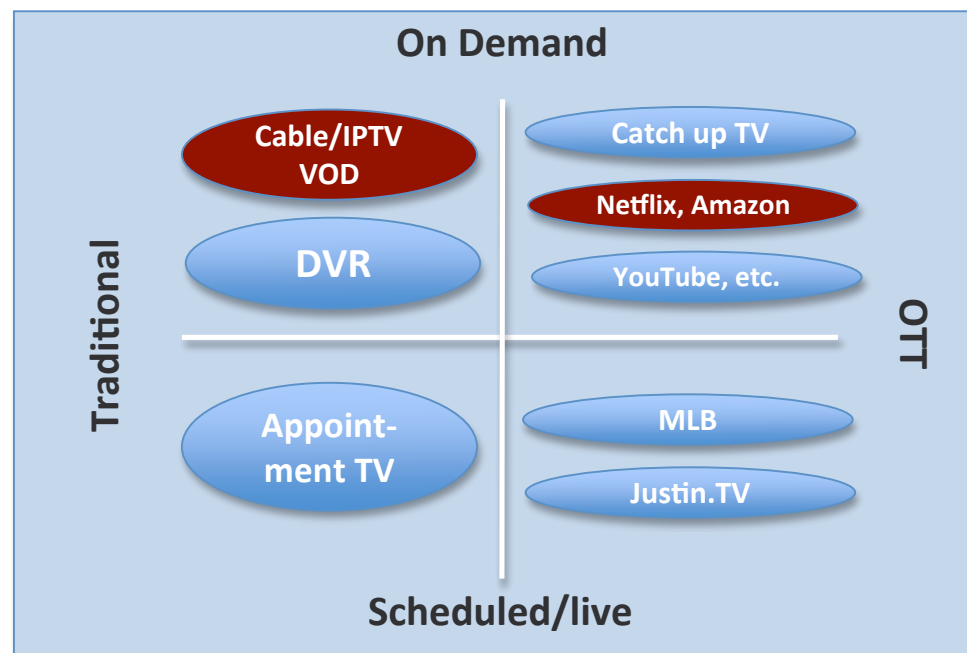
Personal content

- The unified video trend also highlights the emergence of personal/private (non-sourced) content as a new content category
  - Locally stored (or cloud stored?) personal content
  - Becomes part of the same infrastructure for sourced content

The primacy of premium content

- Premium content accounts for 80-90% of viewing

- While OTT viewing is steadily increasing, it remains a complement rather than a substitute
  - Cord cutting stats are still iffy – highly contradictory
  - Cord cutting anecdotes are now accompanied by "going back to cable" anecdotes

The exclusivity of premium content

- Premium content remains exclusive to operators
  - Fear of piracy online
  - Not enough ad money
  - golden handcuffs (monthly affiliate) fees keep premium content owners tied to traditional pay TV operators

- "It's impossible to compete effectively without premium content"

- But this perspective is based on the incumbents' terms of competition, so let's challenge it...

The strategic value of premium content?

- Production quality of Web content will improve (think early cable)

- UGC could gain a mainstream audience and compete with traditional TV

- New forms of content will continue to emerge

- On demand more important than asap

- Golden handcuffs loosening

- *Other aspects of the video experience become as important or more important than the content*

A medium in transition

- McLuhan: New media always imitate the old, initially serving as a vessel for the old, but then new uses are discovered

- Christensen: A disruptive technology changes the basis of competition

Performance trajectories

- Sustaining technologies improve on the established set of attributes

  new & improved

  - Faster, bigger, more… better

- Disruptive technologies introduce a new performance trajectory based on a different set of attributes

  new & different

  - Considered weaker (lower quality)
  - But valued by a new set of customers (early adopters)

Competitive dynamics

- Incumbents and insurgents compete on different terms

- This makes for ambiguous and confusing (and interesting) competitive dynamics
  - Incumbents and insurgents compete on different terms
  - is online video *better* or *different*?
  - the new experience is still being defined

- And is further complicated by the fact that the product has several dimensions
  - Distribution, consumption, production

Traditional TV vs OTT

- Initially positioned as opposites ("experience divide")
  - TV vs PC
  - Lean back vs lean forward
  - Passive vs active
  - Long form viewing vs video snacking
  - Paid vs free
  - QoS vs best effort (QoE)

Traditional TV vs OTT

- Boundaries blurring, cross pollination
  - Traditional TV interactive apps
  - OTT content available on TV (STBs and connected TVs)
  - YouTube introduced lean back mode
  - Both traditional & OTT content watched on TV and mobile devices
  - Some broadcast networks bought Web original content

- The experience will continue to evolve, it's just the beginning

What are some current "new" differentiators?

- Search & discovery
- Content curation (recommendations)
- Social, personalized experience
- Participatory, collaborative
- Slick devices
- Apps/app stores
- Etc...

But there's still a long way to go...

?

Looking ahead…

- Andy Lippman (speaking about Justin.TV): "they have absolutely *no respect* for what came before them"!

- Marshall McLuhan: new uses are discovered *based on the inherent properties of the medium*

- Raymond Williams: No Marshall, television is *social practice*

- Jacques Attali (on music): Music runs parallel to human society, is structured like it, and changes when it does… In the final phase, musical activity is entirely localized, made by a small community for that community. There is no clear distinction between consumption and production.

The Fight between Carnival and Lent, Pieter Bruegel,1559

The limits to disruption?

- Next talk by Charlie Fine

The End