

# THE FUTURE OF TELEVISION & THE DIGITAL LIVING ROOM

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LE 27 OCTOBRE 2010 MARK SUSTER

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We can safely predict the future of TV will be massively shaped by the Internet, how we consume media, how we communicate with friends, how we play games and how we shop.



The **future of television** article was written by Mark Suster and

originally appeared on **his blog, Both Sides of the Table.**

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**Dana Settle** & I are hosting a dinner tonight (10/20/10) with some of the biggest companies in entertainment to talk about the future of television, film & digital media. **Michael Ovitz**, the co-founder of CAA will be the keynote speaker.

Nobody can predict 100% what the future of television will be so I won't pretend that I know the answers. But I do know that it will form a huge basis of the future of the Internet, how we consume media, how we communicate with friends, how we play games and how we shop. Video will be inextricably linked to the future of the Internet and consumption between PCs, mobile devices and TV's will merge. Note that I didn't say there will be total "convergence" – but I believe the services will inter-operate.



The digital living room battle will take place over the next 5-10 years, not just the next 1-2.

But with the introduction of Apple TV, Google TV, the Boxee Box & other initiatives it's clear that this battle will heat up in 2011. The following is not meant to be a deep dive but rather a framework for understanding the issues. This is where the digital media puck is going.

While we won't get through all of this, here are some of the issues in the industry that I plan to bring up and ones I hope we'll discuss tomorrow:

**1. "Over the Top" video distribution** – Apple TV is brand new and is priced at \$99. Given how Apple's products are normally delivered to near perfection it is likely to be a huge holiday hit this year. While their past efforts at Apple TV have been mediocre it seems clear that this time they're really trying to get it right. That said, Apple will remain a closed system designed to drive media onsumption through a closed iTunes system and a take a toll for media distribution.



The device itself will have no storage. So without my weighing into the pro's / con's of this I can say that I believe it will capture a large segment of the market but leave room for "open platforms" to play a big role.

Just as in the mobile battle when Apple goes closed it creates an opportunity for somebody that is substantively open. Enter Google. If you're an **OEM** who wants to move more hardware but you don't have the muscle to create an entire media ecosystem then you're best off finding a partner who can build a software OS, app platform and search capabilities.

So it is unsurprising to see companies like Sony, Logitech & Intel partner with Google. Google balances the universe and helps all of the hardware, software and media companies ensure it isn't a "one horse race."

That said, it would be an understatement to say that traditional media is skeptical about Google's benevolence and many fear a world in which video content margins are crushed in the way that print & music have been with the primary beneficiary having been Google. So while they enjoy a race with two major brands competing they also have three other strategies they'll pursue.

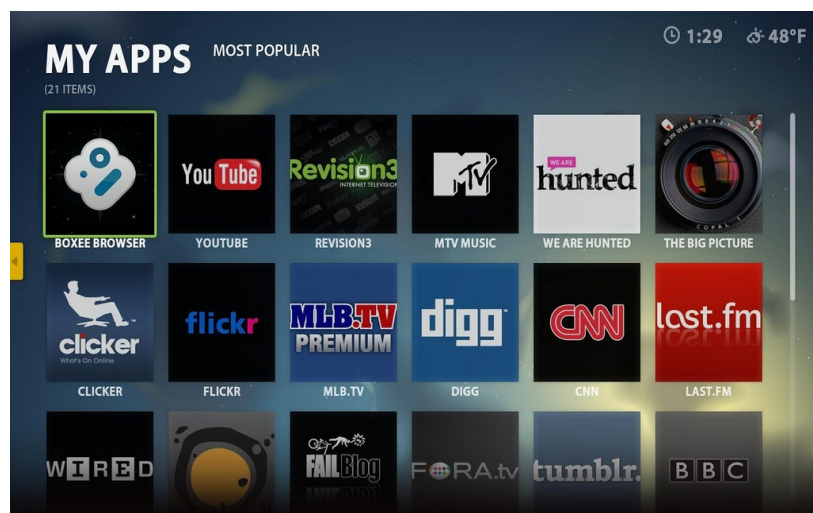
they'll try to "move up the stack" and provide some of these services themselves. Thus you see television manufacturers rushing to create content ecosystems, app platforms, TV OS's and Internet offerings

they'll continue to partner with the MSO's: tradition cable & satellite providers as well as the new FiOS offerings from Telcos. The MSO's are today's distribution platforms and they still have a lot of muscle in the ensuing years

they'll continue to look for independent technology partners. They will find the **Hobbesian** power relationship more palatable than strengthening what they consider their "frenemies" (Apple & Google) and as a result will work with independent players like Boxee.

I have always thought there was room for an independent success story like Boxee or someone similar. I've always believed that such a player would only succeed if they could capture an enthusiastic user base that feels compelled to use their platform to discover and consume content. Clearly Boxee captured the imagination of this early-mover user base 2 years ago. The launch of their new Boxee Box in November and the user acceptance of that will be telling for their future development.

**2. Attempts at "moving up the stack"** – In 1997 I led a project to help senior management at British Telecom define its Internet strategy. I did some market sizing analysis and wrote a strategy paper called, "It's about the meat & potatoes, not the sex & sizzle." I argued that if BT was focused there would be a large business in access services (dial up, ISDN and the equivalent of T1's), hosting services and other infrastructure related products that would be very profitable and they had a great chance to corner the market on a high-market growth business.



My paper warned of the dangers of trying to “move up the stack” and become a content company. At the time all telco’s were envious of Yahoo! and Excite in particular as well as all of the Internet companies with grandiose stock market valuations. The attitude was “I’ll be damned if those young kids are going to get rich off of our infrastructure.” Needless to say BT didn’t follow the advice of my paper and it went bananas for content deals signing a string of money-losing content partnerships. I guess shareholders would have probably punished them for being boring and prudent.

Fast forward nearly a decade and it was unsurprising to me to see the death grip that global mobile operators placed over the handsets. They threatened any hardware manufacturer with not putting anything but operator approved software on the phones. In this way they locked down the device (they controlled the phone distribution market through owning retail stores and subsidizing handset costs). The mobile operators were run largely by the same people who ran the wireline telcos a decade early and still felt screwed by the tech industry. They created a hegemony that delayed innovation until January 2007 when the iPhone was introduced.

The iPhone broke the hegemony with hardware & software that had no telco software on it – thus the Faustian AT&T / Apple iPhone deal. They both gained. They both lost. But ultimately we all won because consumers finally had enough of locked down, crappy software from telcos. Imagine how much mobile telco money still exists in meat & potatoes. Imagine if one of them had created a Skype competitor.

So entering 2011 why does this matter? I see a repeat from television manufacturers and MSO’s. They know that the world is changing and they’re shit scared of what that means for hardware and pipeline providers. The hardware manufacturers are on razor-thin margins and see that having apps on TVs will be a way to build direct relationships with consumers and built higher margin businesses. It’s hard to blame them. But none of this will stick. Not because they are bad companies – but because software is not a core competency.

They will never succeed in these businesses. And I think the smartest hardware providers & MSOs are the ones that will sign unique and daring partnerships with startup technology firms. But the whole market will develop more slowly as we watch this bum fight take place. Get your seats ringside – it will take place over the next 2-3 years.

**3. The “second screen”** – One of the most exciting developments in television & media to me will be “second screen” technologies built initially on iPads and extended to the plethora of devices we’ll see over the next 3-5 years. And this will be real innovation & revolutionary in the way that the iPad is, rather than just being incremental. It will involve 3d (see **Nintendo’s moves**, for example). You’ll likely see applications that draw you into interactive experiences, connect you to your social networks, help you browse your TV better and create a richer media experience overall.



I think we're in the 1st inning of second screen technologies & applications and this movement will create whole new experiences that the 50+ crowd will lament as "ruining the TV experience." The 15-30 crowd will feel like this is what TV was meant to be – social. In my opinion this will replicate what most of us 40+ year olds already experienced when we were in our 20's. We'll have the post show water cooler effect that was popular in the Seinfeld era. We'll have simultaneous viewing parties like we did for Friends or Melrose Place. But most of it will be virtual.

**4. Content bundling** – When there was one pipe capable of broadband delivery leading into our house the person who controlled this could control what we saw and it was delivered in a linear timeframe. As a result it became popular to bundle content together and get us to pay for "packages" when all we really wanted was The Sopranos or ESPN. We all saw what happened when technology let us buy singles on iTunes rather than whole albums pushed by record labels. No prizes for guessing what the future holds for video. The idea of forced bundles will seem archaic. Smart companies will figure this out early. The **'Innovator's Dilemma'** will hold others back. The bundle is the walking dead. Only question is how long it survives.

**5. Torso TV** - Television was designed for a mass audience in a single country. One of the things that has fascinated me over the past couple of years is the rise of global content and its ability to develop a "niche" global audience that is relevant. Think of about the rise of Japanese **Anime**, Spanish **Novelas**, **Korean Drama** or the rise of **Bollywood** entertainment from India. It's not a mass, mainstream audience but I would argue that it's "global torso" content that will be meaningful at scale. Websites like **ViiKii**, which have been launched to create realtime translations of shows by **fan-subbers**, have huge followings already. And I'm sure that this is what popularized the SlingBox in the first place. British, India & Pakistani ex-pats on a global scale want to watch cricket.

I believe that Netflix has won the battle for the "head end" of content from films. They have such a strong base of subscribers and their strategy of "Netflix everywhere" is brilliant. We watch it on the iPad. We pause. We turn on our TV and get it streamed through the Wii. And it's available also on the Apple TV. It's on Boxee. It's even awesome. Game over. IMO. But the torso? It's up for grabs. And I think players like Boxee understand this is a juicy and valuable market. As does ViiKii and countless others racing to serve fragmented audiences the good stuff.

**6. YouTube meets the television** – It was funny to me to hear people say for years that "YouTube had no business model." It made me laugh because it is so obvious when you capture an entire market of passionate consumers in any market – especially in video – that in the long-run it becomes a huge business. So many people are stuck in the mindset that YouTube is UGC (as defined as people uploading silly videos or watching Coke & Mentos explode) and that brands don't want to advertise on UGC.

And meanwhile I've seen several LA startups focus on creating low-cost video production & distribution houses. They are quietly accumulating audiences in the same way that Zynga did on Facebook. And if you think that these guys can't monetize then I'll refer you to everybody's arguments about games – that free-to-play would never work in the US. And meanwhile Zynga is one of the fastest growing companies in US history.



What Zynga understood is that you need to go where the consumers are, capture those audiences, build a direct relationship and then diversify channel partners. This is happening in spades now on YouTube as a new generation of viewers is being served up by a new generation of TV production houses that are currently under the radar screen of many people. This will change in the next 2 years.



And as they explode and become bigger companies YouTube becomes even more of a Juggernaut. And don't forget that as the Internet meets TV, YouTube will continue to be a brand to be reckoned with served up by Google TV's.

**7. Content discovery – new metaphors** – Anybody who tries to search for a program to watch on TV on an EPG (electronic programming guide) knows just how bad they are for finding “the good stuff.” And for a long time the Internet has been that way, too. The best online video search tool (in terms of usability) that I've seen is **Clicker**. By a long shot. Do a little test yourself. Trying searching for something on Hulu. Then try the same search on Clicker. Try it first for content that is on Hulu and then for content that is not. And Hulu's search is actually reasonable.

Much of web video search is bad at finding “the good stuff” including YouTube itself. Try searching “Dora the Explorer” in YouTube and then try it on Clicker. And then try it on Hulu. I feel confident that any user trying this will not go back from Clicker (no, I'm not an investor).

But as the Internet & TV merge it will be a major fight for how you find the good stuff. Google isn't that good at video search today. Will this change in a world of Google TV's? Boxee prides itself on social TV & content discovery. Will their next version blow us away and be the way we search our TVs? Will the MSO / EPG world improve (answer: not likely)? What about discovering content on our TVs via Twitter or Facebook? Or some unforeseen technology? Will we discover stuff through second-screen apps?

Technology such as that being created by Matt Mireles over at **SpeakerText** is trying to make video transcriptions and make video more searchable and discoverable. Imagine that world. I'm sure others are focused on solving this great problem.

The amazing thing about content discovery is that it can alter what is actually viewed and thus becomes a powerful broker in the new TV era where pipes don't have a stranglehold on eyeballs.

I have no idea who will win. I only know who won't.

**8. Gaming & TV** – One of the great unknowns for me is what role the console manufacturers have on our future media consumption experiences. There are about **60 million 7th generation game consoles in the US** between the Nintendo Wii, Xbox and PlayStations against about **110 million homes**.

And while free-to-play games are becoming hugely popular and as my own kids spend as much time playing **Angry Birds** (you can't tell me you don't want one of **these** – I already pre-ordered 2 for Hanukkah!) on the iPad now as they do Super Mario Bros. on the Wii – it's clear that the games manufacturers will find a way to be hugely relevant in the digital living room fight.



As will the media companies. Disney acquired Playdom and Club Penguin. EA bought PlayFish. Google has had long-standing rumors around Zynga. It's clear that games will feature in the Internet meets TV meets Video world. They're all battling for mindshare & share of wallet. Watch for continued game creep into TV.

Don't believe me? Check out what the younger generation does on **Machinima** these days. People record their game experiences and make them into videos to share. Games meets videos meets TV. To make it easier for you to understand – check out **this video** (NSFW – language – but good graphics & example of future. You can get through first 1.20 safely).

**9. Social media meets digital content** – I think the social media story is more obvious in many ways. It's clear that when people watch movies now they Tweet about it when they get out and this has an impact on box office sales. Social media buzz can boost or bury content. The current generation of players are trying to **skate with the puck at their feet** by simply offering “check-ins for TV” the next generation will connect us in ways we don't even imagine now. I've seen some really innovative companies trying to solve this social TV problem but their stuff is so new I feel I can't talk about it out of fairness to them. But I'm hugely interested to watch how this space evolves.

**10. The changing nature of content & the role of the narrative** – A lot of Hollywood people say that the traditional “narrative” of filmed entertainment will hold in the Internet meets TV world. They say that long-form storytelling will be where the ad money will flow and people will still want to consume professionally written, edited and produced content.

While I agree that there is a bright future for the talent that is uniquely in Los Angeles I think the future of TV & Film will be as different as the transition from radio to TV was. As is widely known **“many of the earliest TV programs were modified versions of well-established radio shows.”** Why wouldn't we think that 50 years from now our initial Internet meets TV shows won't seem just as quaint. Consider:

The 22-minute format with 8 minutes of 30-second commercials was designed for linear programming. Why is the number 22 magic? In a non-linear world do we need a standard length?

The world is filled with amazing writers, directors, actors and producers. Many of them don't have the money or access to be in Hollywood or the ones that are here lack the ability to reach an audience. Companies like **Filmaka** have been trying to solve this problem. What happens when content production & distribution is easy to professionally produce and distribute at mass low-cost scale? Will we still have predictable story lines? Or can we develop more fragmented content to meet the needs of fragmented audiences and interest groups?

What happens in a world where content producers have a direct relationship with the audience and can involve the audience directly in story creation? Or maybe even as wacky as involving the audience in the story itself?

Isn't Arcade Fire's **Wilderness Downtown** already an example of the future where you can involve customized assets to an audience? We each see a similar story but with different backgrounds, characters or maybe even music? In a world where the house that I grew up in can play a role in the story (as with Wilderness Downtown) – anything is possible. Isn't it obvious that content customization to the audience is the future?

I'm such a big believer in the power of writing, editing and producing. When I'm given the choice I always watch independent film with complex characters and non-cliche story lines. I see a future in which Hollywood still is the center of global video content creation in the same way that Silicon Valley remains the center of technology development. But democratization of production & distribution will clearly change the world as we know it today.

And I'm excited to participate in that revolution.

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### LIVE TV

le 28 décembre 2011 - 15:15 &bullet; SIGNALER UN ABUS - PERMALINK



*Very interesting article, we can see that the future seems to be beautiful but there will some disadvantages like the restriction of our real social relations.*

VOUS AIMEZ



VOUS N'AIMEZ PAS



LUI RÉPONDRE