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The Multi-Platform Distribution Conundrum

How to Bring Together Content Management and Monetization in Multi-Platform World

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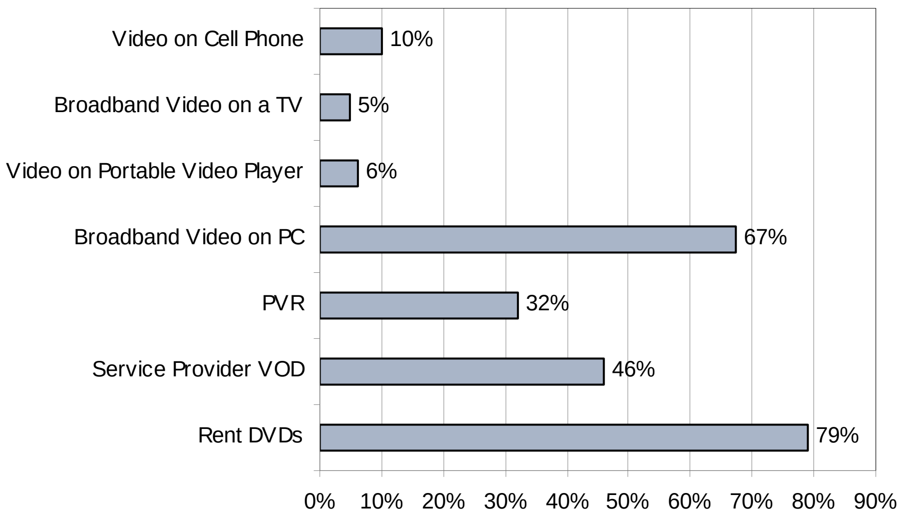
Today's consumers live in a world of exploding options for delivery and consumption of video content. They no longer consume most of their video content from linear broadcast delivery on a single TV, but watch it on a mix of end-user platforms that leverage time and place-shifted technologies, all wrapped in a number of potential ad and pay-based models. A recent ABI Research survey of online US households shows how today's consumers are adopting many of these technologies, from physical media such as DVDs to service provider VOD to online and mobile TV.

Consumer Adoption of Various Video Delivery Options (US Online Households)



(Source: ABI Research)

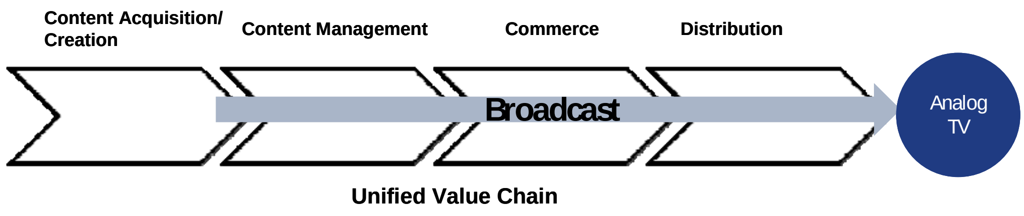
With this explosion of options for rich video content, many service providers, content owners, aggregators, and device manufacturers are talking about a world of multi-platform distribution, in which consumers will be able to choose how they want to watch content, as well as where and when. However, while this vision of multi-platform distribution is on the lips of many content providers and distributors, in today's market, the actual solutions to customers are piecemeal and partial at best. Solutions such as Slingbox allow consumers to move content to different devices, but the quality is low and the technical know-how needed is high. Service providers offer triple-play bundles with accompanying content portals for broadband subscribers, but the actual content on these sites is, at best, only a fraction of, and disconnected from the much richer pay-TV content they offer through their traditional channels and on-demand offerings. Online video services from large TV networks are beginning to offer premium content, though the platforms available are limited – as is the content.

So what is the reason for these piecemeal solutions? Quite simply, the evolution of devices and the viewing habits of consumers have outpaced the ability of the content and delivery industries to keep pace. The explosion of devices and the consumer uptake of these devices have resulted in a fast-changing landscape, in which consumers are less tied to any one delivery network or the timelines dictated by them, but also one in which they have more choice and at the same time are increasingly frustrated by the disconnected nature of all these choices. The idea of follow-me TV or fluid content that moves from device to device, network to network, is one that has largely been realized only in company press releases and product marketing collateral.

1.1 The Disconnected Value Chain

Before digital distribution and IP connected devices, the value chain for delivery of content was fairly easy to understand. In fact, horizontal integration of media was something that was not uncommon, as large media companies owned or had close associations with the creation and management of content, as well as the distribution network. Sony, Time Warner, and other large studios were able to create content and distribute it through their affiliate stations, all with fairly straightforward content management from the point of creation to the ultimate distribution and end-points. Even syndication of content was fairly straightforward, with long-standing agreements dictating how shows would be put into the hands of various broadcast outlets and as well as the splits for advertising and various other methods of compensation. Figure 1.1 illustrates this old-world value chain.

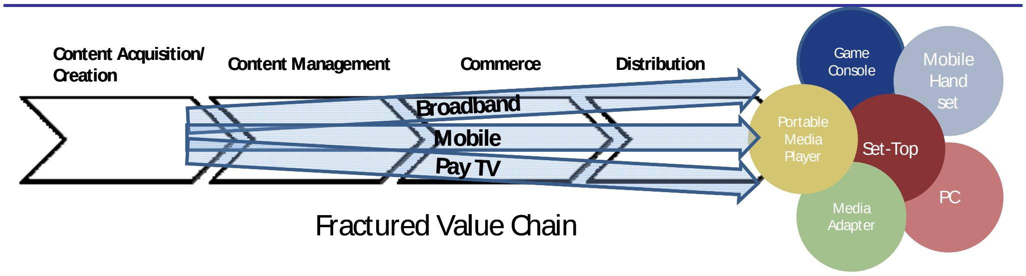
Figure1.1 Old-Media Value Chain



(Source: ABI Research)

In the new world, the number of choices a content owner has to push content to consumers has grown dramatically, corresponding with the growth in end-user devices and networks. While offerings across these networks may ultimately be tied together through a unified brand, such as ESPN or CNN, the actual way in which the content that flows through these networks is ingested, stored, monetized, and ultimately distributed, is variable and disconnected. In fact, as the value chain moves farther to the right towards commerce and distribution, it becomes increasingly fractured along the lines of the delivery networks and devices that connect to them. Figure 1.2 illustrates this fractured value chain.

Figure1.2 New-Media Value Chain



(Source: ABI Research)

On the content creation side of the value chain, many of the same toolsets are in place from the broadcast and media production world. Companies such as Avid, which have long legacies in video production technology, have looked to create a broader set of offerings to allow content owners ways to edit and create content with their non-linear editing products, and then manage it through digital asset management software, storage, and video server products. Other companies such as Adobe and Apple have also made significant headway in the video creation and content management side of the value chain, offering desktop video editing and management software, as well as accompanying codec and player software for various end-user platforms.

However, this consolidation of the different pieces of the video production and creation side of the value chain however still has not resulted in less fracturing of overall delivery. Media companies with different divisions that serve various distribution networks are still often required to have separate technology solutions that can be leveraged to deliver content to the traditional pay-TV, IP, and mobile worlds. Service providers and content aggregators are also left piecing together many of the various back-end solutions. The need to create business rules, assign content protection, manage tracking, and transcode to the appropriate resolution and screen size all need various pieces of technology solutions that result in a hodgepodge of software and hardware that often comes from a variety of vendors.

ABI Research sees that many of the large vendors (such as Microsoft and Adobe) are looking to create platforms that can work to consolidate and unify the "right side" of the value chain. Adobe, which owns the Flash server and media platform business, announced that it would be merging its platform business with its mobile business unit, which could ultimately mean more of a unified solution set for content owners looking downstream for media delivery across IP and mobile networks. For its part, Microsoft has a fractured set of offerings across the mobile, pay-TV, and broadband network while maintaining some level of commonality in its development tools with .NET and underlying OS. Overall, the various media development frameworks are a hodgepodge across the different offerings such as IPTV, gaming, Media Center, and the web. However, Microsoft's recent push to make its Silverlight rich Internet application framework (in particular Silverlight 2.0) work across mobile devices (the company has an agreement with Nokia to put Silverlight on mobile devices) could result in more cross-platform support. Going further, this would be particularly important if TV based support of Silverlight were to come in later versions.

1.2 Are Broadband Video Application Service Providers a Solution to the Fractured Value Chain?

On the commerce and distribution side of the value chain are a variety of players who have a stake in the market. From online and mobile content aggregators, pay TV and broadband operators, and CDNs to online, mobile, and pay-TV ad-insertion vendors all the way to the consumer device platform providers, a variety of technology solutions exist that can be part of overall delivery and monetization. Further complicating this situation, consumers can choose to use a subsidized/ad supported content model or choose to purchase content directly and own it.

These choices have implications working backwards into the value chain; the type of business rules, the content protection, how the content is encoded, and what type of player the consumer uses are all decisions that must be made ahead of time. The content owners, even those that have a unified content creation and management framework from which to send content to the various delivery networks, have a number of decisions to make about how they ultimately want to monetize their content. Increasingly, ABI Research believes that as they realize their customers are increasingly being split among the various viewing options at their disposal, they will choose to leverage a number of delivery networks to get on as many screens as possible, with as many monetization options as possible. In the end, all of these choices are making it more difficult to use up-stream toolsets to manage these choices as content moves closer towards the end-user.

In the world of multiplatform distribution, a number of players are looking to offer hosted solutions that can enable delivery of content across the broadband and mobile domains, with increasing ties to the pay-TV world as well. The broadband video ASP is an emerging category of vendor that offers hosted software platforms to bring together the pieces of the online video value chain, with solutions for distribution and commerce, as well as the end-user player and UI pieces. These companies, which may have started by offering a portion of the value chain, are increasingly looking to bring together more of the overall value chain such as bring content providers solutions that have publication, UI, hosting, monetization and commerce, user tracking and business rules, content protection, and transcoding.

We at ABI Research believe that CDNs as well as service providers are increasingly looking at these application layer players as acquisition targets that will help them offer their own hosted solutions better. Providers that specialize in bandwidth know that the price of bandwidth will continue to go down, and offering increased value on top of their bitpipes help them differentiate. Perhaps this is one of the reasons that Comcast acquired thePlatform, a broadband video ASP, in 2006. Yahoo, an online aggregator and large portal company, has recently acquired Maven Networks, another provider of online video technology services. These acquisitions are, in our mind, a testament to the value of these providers and how they fill a need in the increasingly convoluted multiplatform distribution world.

The Entriq acquisition of DayPort is another example of the continued consolidation in the digital media value chain that will bring a more complete solution set to end-users who want to manage content as it moves further downstream to the end-user. Entriq, a company that has specialized in media control and monetization solutions, acquired DayPort, which has a real-time content workflow, asset management and syndication toolset that serves content owners and affiliates (such as those owned by CBS, Clear Channel, Harpo Productions, and Martha Stewart) and assists them to publish short shelf-life content such as news and entertainment online. The company also has a reporting and analysis toolset that tracks content usage and trends, to make recommendations to the business rules. These capabilities, together with Entriq's commerce and control expertise, offer a suite of solutions that gives customers greater flexibility to create offerings using a variety of business models. Now combined under the Entriq brand, this solution set has helped expand the business for the company, as many of Dayport's clients are interested in media controlled syndication expansion, and many Entriq clients are in discussions to solve their high-volume, work-flow and syndication needs.

ABI Research sees that there will be an overall need for these types of providers to help bridge the various parts of the value chain to reach multiple end-points using a variety of business models. The increasing diversity of end-user platforms and the corresponding demand by consumers for increasing freedom of movement for their media will result in a continuous pushback into the value chain for those companies that can provide unifying frameworks for overall media distribution in a multi-platform world.

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