

## Is Silicon Valley still a hub for international companies to do technology business development?

Yes! Organisations commonly develop business beyond their borders, but California's San Francisco Bay Area is a kind of magnet where digital projects have an epic success rate including multi-billion-dollar innovator start-ups such as Google, Apple, HP, Facebook, LinkedIn and countless others.

Companies from around the world come to the golden shores to explore the local chemistry—and to emulate the business creativity and growth. Europe's Airbus is a recent example with a \$150m Silicon Valley VC fund created this summer: Airbus Growth Ventures. It tapped several local financial managers from Andreesen



Howard Greenfield speaks to the Luca Franchi, the man at the heart of Sky's search for future TV technology.

Horowitz venture capital and Google to run the new aerospace investment project and is off and running.

**GLOBAL.** Pan-European broadcaster Sky is another prospecting for innovation. No stranger to expanding global reach, Sky serves 21 million subscribers across Italy, Germany, Austria, the UK and Ireland, and has a history of business efforts in Latin America.

Sky's Luca Franchi, with the intriguing title VP Tech Futures, lives and works out of Sky's San Francisco office scouting new technologies to introduce to colleagues back in Europe. He has the enviable, but challenging, role of surveying fresh video services developments – and identifying the truly promising ones. We chatted about the shift of television transmission toward over-the-top multi-screen delivery.

# Atlantic Crossing

**Euromedia contributor Howard Greenfield covered a broad range of topics during his discussion with Sky's Luca Franchi**

### What's your mission in California for Sky?

**Franchi:** Our goal is to stay close to where developments are guiding the industry – same reason we've invested in Roku to leverage OTT device opportunities – a foot in the household for different services and a

### What is Sky's big OTT business opportunity?

**Franchi:** We see great opportunities in leveraging our existing rights and bringing together the coming long tail of content, movie rights, TV box sets, and sporting rights. The industry is probably headed to VOD and linear and live TV all-in-one service - complementary to pay-TV. After all, some customers are tending to do not want satellite dish or cable, as we've seen in the UK where our OTT offering NOW TV has even very well received, allowing us to target this segment directly, including other OTT

Sling more recently. All point to a need for specialised knowledge and expertise in a pure digital play, particularly when it comes to episodic releases (*Game of Thrones*) and linear (live) television. The ability to support hundreds of thousands of concurrent viewers, all logging in at the same time, and the need to maintain other service calls, whether it be device concurrency checks or DRM, results in the need to build highly scalable services with enterprise grade uptime.

This means, in the most simplistic terms, having a service that is available and robust

## “Because I'm in the middle of it, I sometimes overlook the fact that OTT is difficult!”

guide back to a Sky-branded experience – so it helps to have a box, device in the home.”

### Has Sky cracked 'social TV'?

**Franchi:** We ran experiments with social communication: Recently launched in UK, a social button / social post ability to announce as well as trigger remote records on your DVR and tell your friends that you're watching – has prompted others to want to watch and log in to Sky services. As the Sky environment can do this it creates that network effect, especially with Sky users logged in – helps 'close the loop' for the pay-TV operator. But customers are still reluctant to give their data even to Facebook and others.

services (BBC iPlayer, ITV, Channel 4 OD, etc.) to facilitate consumption of such services – and to get it directly if they can from other online sources.

Also, we've started to see more niche rights in the US market with a rise of sports related video networks, and more generic content companies taking VoD and creating linear programming like Pluto.tv (which Sky has invested in).

### With Sky's technical strengths, will you have a shorter path to OTT success?

**Franchi:** Because I'm in the middle of it, I sometimes overlook the fact that OTT is difficult! You may recall issues that HBO experienced a few months ago, and again

so that our customers can view what they want, when they want, from old to just-in-time releases. And again, this is hard when it comes to OTT – many broadcasters and content creators have had to make tough decisions whether to build these capabilities themselves or to outsource them, as many have already gone through pain in launching their streaming services.

And while Sky has built much of its core platform in house based on its specific needs and with the greater ability to control and own it moving forward, we continue to assess and play with third-party video-based solutions and companies that can help us gain greater differentiators in this space, for our own benefit and ultimately that of our subscribers.



## Sky: Why we're in the US

As Europe's biggest investor in content, we embrace change and use new technology to distribute our content in new ways. We are platform agnostic, despite a strong heritage in satellite and broadcast. Sky has always sought to challenge the status quo – we've been at the forefront of embracing new and disruptive forms of content distribution, particularly in mobile and internet TV.

To sustain our innovation leadership, we partner with technology leaders – both established and emerging – to create new and better products, to make the Sky experience even richer for our customers, to make our business run more efficiently, and to find new sources of revenue to support content investment.

We are interested in collaborating with innovators who can not only help improve what we offer our customers, but who are willing to collaborate with us – testing new concepts, experimenting with new technologies, or exploring new business models.

As well as supporting innovation at home in Europe, we're also active in the US, developing relationships and identifying strategic investment opportunities. To help achieve this, we have opened a dedicated office in San Francisco.

"Today, with most TV broadcast experiences, when you turn on the TV, it displays a grid," says Franchi. "It's not a personalised experience, not something specific to me. It's not based on what I've watched, what's on my PVRs, or what's highlighted on my Facebook. Many solutions have tried to bring this together, but few have really created a dashboard," he says.

**TRENDS.** Franchi tracks trends in new content services, machine learning for data targeting, as well as new social media, mobile, and personalisation. Sky has been in OTT since 2012 with NOW TV and has had to deal with the proliferation of new TV names such as Netflix and others entering the UK market.

Franchi believes the industry continues to head toward an all-in-one VoD, linear and Live TV service model. "Many customers are tending to not want satellite dish or cable – and to get it directly if they can from other online sources," he observes. He also notes

outside the box, respond to trends and take actions.

**DEMO.** I sat in on a demo discussion between Branchi and Ulla Engstrom, CEO of ThingLink, a Helsinki-based digital media start-up with executive offices in Silicon Valley (Palo Alto). Thinglink allows users to augment their video and images with maps, links, and interactive features. Its brand customers include Discovery Communications, CBS Interactive, and New York magazine.

Thinglink came to Silicon Valley because 90% of its customers and partners in the US. "We were founded in a garage in Palo Alto," Engstrom advised, "I originally assembled the engineering team in Helsinki, but two years later we needed

more niche rights in the US market, including increasing sports-related video networks and other creative linear programming such as Pluto.tv (which Sky has invested in).

Feeding information back to the Sky team is key and blue sky explorations can be a challenge, says Franchi. "You don't know who will take ownership, so we found it easier to have internal executive sponsors and themes that arrange across the

*"We continue to assess and play with third-party video-based solutions."*

business." Sponsor teams create priorities and recalibrate a couple times a year—refining, digging deeper in areas such as data, infrastructure, and networking solutions. Franchi considers himself both a facilitator and provocateur. Executives visit from Europe every year, getting away from day-to-day operational functions, and seek new input to help them think

to do our sales in the US."

Engstrom thinks video is the easiest preferred way to consume media for the new generation becoming ubiquitous in the classroom, advertising, fashion and elsewhere. "But the big question," she says, "is how will we make video actionable for better engagement"—which is what her company is building to deliver to over-the-top audiences.

**UNSTOPPABLE.** Competing in today's media landscape, where multi-screen device penetration is unstoppable, requires spotting new interactivity trends that will create new audiences and retain current viewers. Sky and other organisations need to stay on top of digital trends for their success and

survival and San Francisco is a good territory for trend-spotting.

A 2015 Deloitte media report argues this is particularly true for mobile video viewing which "now diverts our attention while sitting on the sofa watching TV". Advertisers must find a new way to convey their brand message, outside the thirty-second ad. The report concludes they "must find ways of adapting to the new distracted consumer behaviour to create the 'cut-through' they once enjoyed."

Sky and others analyse local developments, and there's rich global data behind tomorrow's video services market trends showing up in the California Bay Area. One recent GSMA report even asserts that in 2014, the mobile industry generated over \$3 trillion of economic value across 236 countries. But, as Franchi emphasises, OTT is not easy. "So, we continue to assess and play with third-party video-based solutions and companies that can help us gain greater differentiators in this space, for our benefit and ultimately that of our customers."



### About Howard Greenfield

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