

Cloud media trends

Howard Greenfield speaks to two industry experts with their finger on the pulse of cloud media consumption.

Today's media is turning into a cloudscape of services built on newly minted consumer technologies that are changing commercial offerings and consumer spending patterns. But these changes are not easy to perceive unless you're watching them all day long for a living. That's what senior TDG analyst partner Colin Dixon does, and we discussed this trend recently.

"Consumers are being put in control, that's the new thing," says Dixon (right), who has held senior executive positions at Microsoft/WebTV, Liberate and Oracle and writes widely-read reports on new media such as *TV Everywhere Market Update 2012*. He believes there is a growing appetite for access to traditional video, music, and print media in the cloud. With today's 30 trillion unique web pages alone, according to Google's latest count, which is up from 1 trillion in 2008, everything seems to be moving online, and that's what everyone is beginning to expect.

Users are being attracted to the cloud because it not only allows them to store and stream personal media files but also enables home DVR functions, security, and social media interactivity. When TDG surveyed 2,000 US broadband users about perceived value in cloud media storage, more than half said "Yes" (actual user responses were: Photos 56%, Movies 51%, TV 49%, Music 52%). What does this mean? According to Dixon, "consumers want to jump now". They want the convenience of cloud access, but are watching for signs of mass adoption, ease-of-use, and monetary benefits. The trend is unstoppable, he says, because consumers want a uniform prime-time experience on their phone, laptop, or tablet.

The traditional media culture will take time to fully habituate to this virtual model. Media services such as Netflix and Pandora are flourishing, but licensed movie formats in the cloud such as UltraViolet are only a small part of consumption of movies at home. Physical disk ownership and retail disk sales are still popular. And consumers don't feel they have control on iTunes or Vudu, which are only portable within the Apple or UltraViolet systems ("consumers don't want a life time commitment to Apple").

Portability poses a problem, says Dixon, because it's still too laborious to migrate your existing collection to the cloud. "If you want a Blu-ray HD media experience you need a very fast, reliable connection – which is still not available everywhere. Today's 3 Mbps internet speeds are not adequate to upload 3 or 4 GB movie files, you really need a minimum of 10 Mbps to get in the game for

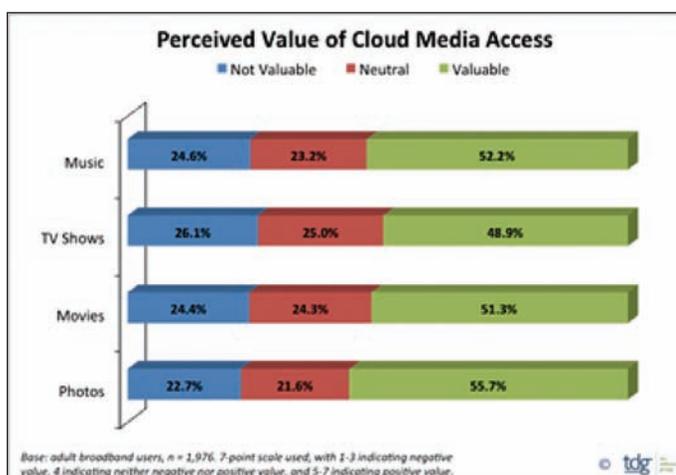


uploading HD content. "Migrating a collection of 100 or more movies into the cloud is logistically extremely difficult to do," he advises.

Today, the books, CDs, and movie DVDs we own reflect who we are. But soon these physical assets will all be stored virtually in the cloud as physical ownership ceases. This is a startling change says Dixon. "What will it do to the design of homes? Where are bookcases, where are my CDs, none of this needs to happen anymore." Dixon also predicts this will foster a new co-operative TV watching. TV will become increasingly cooperative as content becomes more personal.

Media consumption will be done individually – with everyone still in the same room but watching different things together in different ways. "I have a 14-year-old who tells me cable's not fine," says movie producer Walter Latham of the Latham Entertainment YouTube channel. "I go in his room, he has his TV on, but he's not looking at it. He's laying on the floor with his laptop and I don't know how he does this - like lays on his back, his feet are up and his laptop is kind hanging above him, and he's just on YouTube, surfing the web constantly all day. That's what he does."

By 2018, just six years from now, more live video will be watched over IP networks than standard broadcasts, and operators are pushing to get content on consumer devices to satisfy the multi-screen demand.



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Cloud storage and on-demand services are interconnected; they are part of the same migration over the same delivery fabric. Whether it's Netflix for movies, Machinima for games, or Huffington Post for news – these are cloud services – and the consumer will reap all benefits.

As barriers to cloud migration drop, consumers will spend more time online and less time with pay-TV – so the value will continue to fall. "In the US and UK, pay-TV will not collapse, but it will decay over time." This becomes truer as it gets easier and cheaper to store and deliver content from the cloud. "The funny thing is, I run [my new online video channel] from my house," says Latham. "The cool thing is that as long as you have your content on a hard drive, and you have a really cool computer, with really fast Internet access, you can run it from anywhere in the world."