

Wait, you might ask, doesn't it already exist? After all, 'IP' (Internet Protocol) media has been streaming on the web for more than a decade. Isn't any video stream on the web arguably IPTV?

TV (video) + (delivered over) IP (internet protocol) = 'IPTV'.

Well, the current IPTV offering is characterised by a two-way digital broadcast signal, broadband and set-top based, coming over switched telephone or cable networks. Because we already have streaming Internet video, what would change? And will the promise of increased user control or MPEG quality force the telecoms, ISPs, and portal sites to build out this new platform in the next year?

PORTAL POWER. The broadband foundation is growing, according to the FCC, which announced that high-speed lines serving residential, small business, larger business, and other subscribers increased by 34%, to 37.9m lines in 2004. Likewise, IPTV is one of "the key elements underlying the growth strategies" of Europe's leading telecom vendors Alcatel, Ericsson, Marconi, Nokia, and Siemens, says a recent report from Light Reading Insider. Announcements by Microsoft, BT, Verizon, SBC and other telecom giants suggest there is significant forward movement, with potential cut-over plans.

Delivering prime-time broadcast-quality video over broadband is an increasingly attractive value proposition to more and more companies. "We're excited about IPTV," says Jeff Karnes of Yahoo!, Director Multimedia Search. "It opens up a new channel for us, to expose online content onto the TV set and break the barrier between PC, TV, and other media devices."

There is also a growing inclusion of diverse video

IPTV is coming and it's more than just another streaming technology reports Howard Greenfield from Silicon Valley.

DVR Owners in the US Who Skip or Fast Forward Commercials , 2004 (as a % of respondents)

Skip or fast forward through all commercials



Skip or fast forward all or most commercials



Skip or fast forward through most commercials but also stop and view selected commercials



Skip or fast forward through only a few commercials



Never or almost never skip commercials



Source: Myers Group, June 2004

Chart © eMarketer.

production sources and content. An example of this trend is Yahoo!'s purchase of community-based digital-image service Flickr earlier this year. As "a leader in citizen journalism, and user-generated content" according to Karnes, "Flickr allows folks in the field at news events to capture images and video with consumer or high-end devices, as the quality of devices goes up and the cost continues to go down." Yahoo! is yet to announce its IPTV road map. But CEO Terry Semel, a former 24-year Warner Brothers executive, recent hire Lloyd Braun, former ABC Television chairman and new head of Yahoo! Media Group, and the rest of the media team are working on it.

Streaming media c how will the differe





"I see streaming media as the building blocks, whether it's to deliver content to a cell phone wirelessly or to a set top box via IPTV." - Dan Rayburn, author, *The Business of Streaming Media*

UP STREAM. To mature as a fully-managed broadcast medium that competes with existing terrestrial, cable, and satellite, IPTV will experience growing pains. "The best technology is not always the winner," points out Dan Rayburn, EVP of StreamingMedia.com and author of *The Business of Streaming Media*. "We certainly saw that with the VHS and the BETA VCR player," he recalls, adding that WebTV, Microsoft's IPTV forerunner, sold only about two million units, "so that's not very mainstream."

How then do IPTV and Streaming differ? "Streaming technology still plays a role in IPTV," says Rayburn. In fact, in Microsoft's latest IPTV product, "all their technology and their solution for IPTV is built on top of the streaming media technology they've already developed. It's at the core of their broadcast server," he explains. According to

Rayburn, streaming media provides, "the building blocks that we've needed for so long. 2005 marks twelve years [since streaming came to the Web]. We're now laying the fundamental building blocks for other technologies and applications to utilise streaming media, whether it's to

Expected impact of DVR Technology on the 30-Second TV Ad according to US Advertising Professionals, 2003 & 2004 (as a % of respondents)

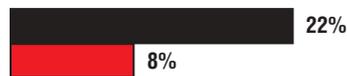
Significant growth of non-traditional ad formats, but 30-second spot will remain cornerstone of TV advertising



Death of the 30-second spot and dramatic transformation of TV advertising paradigm



Limited prospects for technology reaching critical mass of penetration, and therefore only limited impact



I honestly don't know but please call me when you do



No significant long-term impact, TiVo and DVR threat is overhyped



2003 2004

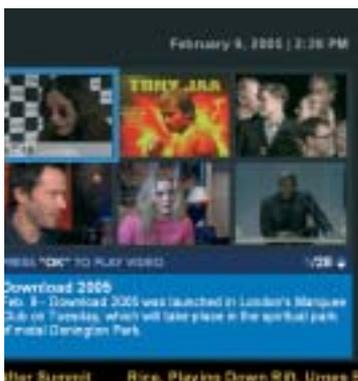
Source: American Advertising Federation (AAF), November 2004

Chart © eMarketer.

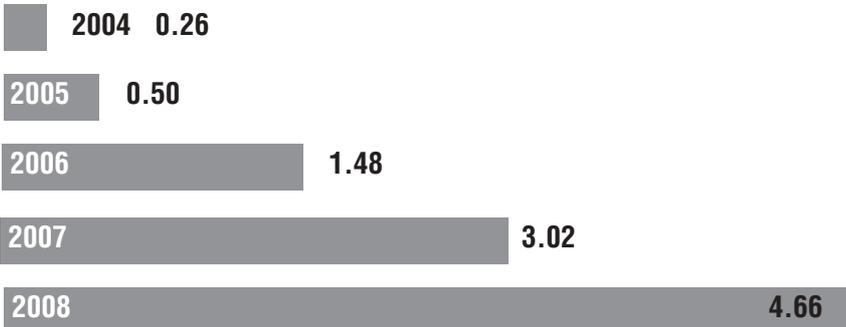
deliver content to a cell phone wirelessly or to a set top box via IPTV."

In Rayburn's opinion, IPTV isn't something that you can just go out and buy. "There aren't really any IPTV offerings out there; it's not like you can pick from IPTV or streaming. You don't really have a choice. You have to do streaming, because that's really the distribution medium right now. You're comparing IPTV, which is a closed managed network, to the Internet."

IPTV: How will it affect you?



IPTV Subscribers in the US, 2004-2008 (in millions)



Source In-Stat, January 2005, Consumer Electronics Association (CEA), 2005

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“IPTV opens up a new channel for us, to expose online content onto the TV set and break the barrier between PC, TV, and other media devices.”

Jeff Karnes - Yahoo!

OLD SCHOOL.

IPTV and Streaming will not be mutually exclusive, according to Rayburn. “It’s the same argument I keep hearing from old school folks who say ‘when the TV came out everyone said it was going to put the radio out of business’”. Besides, Rayburn points out that “IPTV is not going to allow you to get anything wirelessly or when you travel.” But getting further out on the managed network spectrum, he believes 3G for mobile faces other challenges. “I think 3G will take off over



“IPTV is frightening to broadcasters because it is a potentially one-to-one channel, which Internet-savvy companies are better prepared to monetise.” – Nic Fulton, Reuters

time, but it’s not going to be until the next 24 to 36 months, because you won’t see people going out to buy \$400 phones in large enough numbers to be cost effective.

Streaming is “characterised by public standards,” says Nic Fulton, head of media technology at Reuters, by way of helping to define the difference between Internet streaming media and IPTV. Fulton suggests that it is supported through a mix of existing standards for video codecs such as Windows Media, Real, MPEG, etc, and display/user-interface platforms such as Java and D-HTML. “The basic underlying technologies of streaming media and IPTV will likely be the same and in many cases the same content. For example, Reuters TV online is the same content as is available on our Media Center channel,” he notes.

Two factors differentiate streaming from IPTV, according to Fulton. For one, the IPTV interface or “mechanism for discovery” is EPG-orientated “whereas Internet/PC streamed media is generally linked to or from sites and/or search engines”. The other distinction is usability: TV must be driven by remote control (up, down, left, right, select) - the user sits a much longer distance away, whereas a PC experience is mouse-driven and very detailed, in such components as font size display requirements.

USER INTERFACE. “Streaming Media is consumed on a PC, a three-foot experience, whereas IPTV is a 10-foot experience. You will likely consume the content sitting on a sofa,” he observes. “However, it is fair to say that a large amount of content is consumed in an office/corporate environment on a PC,” he adds. “IPTV is frightening to broadcasters because it is a potentially one-to-one channel, which Internet-savvy companies are better prepared to monetise.”

Dedicated IPTV and streaming face the same user interface challenge. Echoing Reuters’ view, we find a “transition from browse to search,” according to Craig Moffett, VP and senior analyst at Bernstein Research. “Where today you browse through channel grids and you channel surf, in the future you’re going to interact with your TV set, like you do with Google.” Moffett believes

that “at least some of the time you will be actively searching for what you want to watch and you’ll be searching through content libraries of movies, old shows, and entertainment from the web.”

TRIAL AND ERROR. Overall, IPTV and Telco TV are in their infancy, according to Ben Macklin, senior analyst at eMarketer.com. “But it is likely that in the next few years, comprehensive digital TV services will begin to be offered to consumers by telecom companies,” he contends. “By 2009, eMarketer expects there to be over 77 million broadband households in the US, so the potential market for Internet TV and video services will be substantial,” says Macklin, who suggests that a question still unanswered is whether telecom companies will be able to adapt sufficiently to become TV and media companies.

As Macklin stresses, creating profitability is not guaranteed. Like most



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 - Craig Moffett,
 Bernstein Research

end services these places need." Rayburn adds that "the technology is no longer what's important - picking and choosing one distribution platform over another". He suggests that what is important is that success will be based on who the provider's end user is, what type of content, how they want to receive it and what the successful business models

complex new products, arriving at the right technical and business model and extracting the value, will take time and plenty of trial and error. There are also big strategic opportunities ahead in both the IPTV and Internet streaming domains. "The most promising segment of the market that I see is the services side," observes Rayburn, who uses the music download industry as an indicator.

"I think the services business is huge; I look at a company like Loudeye as doing something very cool. You never hear about Loudeye, but they are powering the backend of so many of these music services. They're smart; they don't care whether iTunes, or MSN or Yahoo or whoever wins the downloading war because they can provide all the back-

are. "The way to plan for the future," advises Rayburn, "is to understand the business more than the technology. The business principles don't change, even though the technology does."

MARKET DRIVERS. Starting in September, Yahoo will add daily video feed clips from CNN.com and ABC News to augment the video news it already offers from The Associated Press and Reuters. It will be advertising-based and will be offered by SBC Communications, Rogers Cable, BT, and Verizon Communications. Scott Moore, VP of Yahoo's content operations states that "video content is becoming an increasingly important component of the online news experience for Yahoo! News users, and these relationships are an important step in expanding the video content on our site."

New content offerings over streaming and telecom IPTV platforms have built-in market drivers. "The combination of rapidly improving price performance and inexpensive manufacturing is delivering a dazzling array of easy-to-use products at prices below the spending limits of the mass market," says veteran Silicon Valley venture capitalist Roger McNamee, who recently created the Elevation Partners private equity firm with former Apple CFO, Fred Anderson, previous Electronic Arts president John Riccitiello, U2 rock legend Bono, and others, because they see big opportunities ahead. "As the world becomes more accustomed to technology," McNamee suggests, "the most compelling innovations move very quickly".

It's an exciting time in the race for visual magic. Will current streaming portals such as Yahoo!, Real, CNN, and Google need to switch over rapidly to IPTV broadcast-quality offerings? For now, there are mostly only rumblings. "Anyone can have a streaming portal," says Fulton. "I think CNN will be in the IPTV channel line-up. Reuters will also be in there too, and we certainly have a lot of content to offer. Yahoo and Google seem set to battle over search and directing users to content, and will likely compete in the EPG space. Perhaps the key battleground for Google and Yahoo is how to do ad-word-like offerings on IPTV," he concludes.

News Corp eyes Blinkx search service

Mid-August reports suggest that News Corp is in discussions to acquire Internet video web search facility Blinkx. Any eventual deal would reflect News Corp's aggressive strategy to take on leading Internet presences such as Yahoo! Inc.

News Corp chairman and CEO Rupert Murdoch revealed in an early August conference call that the media giant was "in very advanced negotiations to buy a controlling interest in what we think is a wonderful search engine."

News Corp's most recent foray into the Internet space involved the \$580m (476m) purchase of Intermix Media, which runs the popular site MySpace.com. Murdoch has previously indicated that he is willing to spend between \$1 billion and \$2 billion to acquire Web businesses through Fox Interactive Media, a new division of News Corp.

An attraction for News Corp, and its related TV-centric businesses, is that Blinkx is focused on video, a medium that is expected



to attract both audiences and advertisers as the number of homes with broadband Internet connections grows. "There is no greater priority for the company

today than to meaningfully and profitably expand its Internet presence and to properly position ourselves for the explosion in broadband usage that we're

now starting to see," Murdoch said. "Our strategy is quite simple, News Corp at its core is about content. The Web at its core is about personal choice. What we are aiming to do is combine the two, and in the process redefine the meaning of [an] Internet vertical."

Murdoch suggested the company would make additional acquisitions relating to personalisation. "Users will be able to personalise their experience to take advantage of the vastness of the Internet as a whole," he said.