

# Connected TV – what’s the hold up?

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## Introduction

Connected TV is here and here to stay, of that there’s no doubt. While the popularity of 3D wavers and the idea of simply putting the Internet on the TV has never worked well for users, you will have to go a long way to find someone in the media who doesn’t see the possibilities of connected TV. And yet for the vast majority of consumers it’s currently a mishmash of technologies, claims and general confusion. Despite this, those users are seeking out connected TV services which offer clear benefits like the BBC iPlayer or LoveFilm.

So where’s the hold up? Why haven’t we seen a greater rush to the market, above and beyond noted trailblazers? The answer has already been written above: that confusing mishmash of technologies is a hindrance not only for the end user, but for broadcasters and other interested parties wanting to enter the market. The plethora of connected TV platforms – be they proprietary or standards-based – is presenting a considerable hurdle to market entrants. This paper will explore why and what can be done to alleviate the problem.

## What do we mean by connected TV?

Let’s step back and define our terms. What we mean by connected TV is internet-delivered video and related services viewed on the main TV rather than the PC. The term has expanded to include tablets: the distinction is that services are viewed on a device, not a computer. It’s about giving people convenient, lean-back relaxed access: it’s not about sitting in a draughty study staring at a computer screen.

There are four main categories of service for content owners: catch-up services (the BBC’s iPlayer being probably the foremost example); VOD offerings (LoveFilm, Hulu, BlinkBox et al.); interactive text/video information services; and shopping. In the last example, we’re not talking about placing a whole inventory online, rather offering non-linear catch-up access to the day’s offerings from a shopping channel, for example.

There’s perhaps a further category that doesn’t quite fit into either catch-up or VOD and that is niche “channels”. These are channels that are economically marginal for broadcast – they may operate for a few hours per day at best – but non-linear connected TV access provides them with a 24/7/365 timeslot to their small but highly committed audience.

## Where's the payback?

There have been concerns raised by some in the broadcast industry that the monetisation of connected TV services is problematic. The key response to that is that we know - and the data is there for all to see – that viewing habits are changing, driven both by video on the internet and PVR technology. We are moving into a developing “pull” universe, though with the proviso that broadcast still has a strong role to play in that. While the market is currently fractured, connected TV offers a new route to market with a significant audience and technology that circumvents the existing pay platforms. If you group together all the homes with some kind connected TV receiver you get a very big platform: you just have to overcome the technical and commercial obstacles to addressing that audience in one go. The simple fact is that if broadcasters do not move into this space then it will become dominated by Internet brands. The real estate that connected TV offers is simply too valuable.

Taking those areas mentioned specifically, if service providers want people to watch their catch-up TV service then they have to put that service where people want it, leading ultimately to the forwards/backwards EPG on the TV. If their business is getting people to watch catch-up TV then the advantages are that they can supply iPlayer-type services to the best screens, not the PC. We are talking about moving connected TV to a mass market proposition.

In the VOD market then it's about selling people content in the place that they want it: if you're selling a movie then let's all have a movie experience watching it.

In the case of information services content owners can provide people with a high value, lean-back experience. Editorialisation – a well packaged information experience - around non-linear content is very important to drive usage. A point that must be noted is that while over time connected TV will gain services a larger audience, one that's more engaged, there is the strong proviso that if they can't monetise an existing audience, say on the Web, then they won't be able to monetise this one. Of course the opposite is also true.

With shopping it's about expanding the opportunity to sell, introducing greater access to the shopping experience so it's not purely linear: users can access product information and the associated “buy” action even though they've missed the linear broadcast.

In terms of those special interest “channels”, for many connected TV is the only viable business model going forwards to access TV screens.

## The problem with connected TV

Returning to the question posed: what's the hold up? What's preventing so many broadcasters and brands from entering the market? There are two answers and it will come as no surprise that they are interlinked. The first is one of consumer knowledge: even those who buy TVs with the ability to connect are not necessarily connecting them as yet. Ethernet ports are remaining untouched. If we take the UK as an example - beyond the major TV brands and even then it has seemed a little

hesitant - there has been no major marketing push to educate and encourage, not even by the BBC. We believe that as awareness of connected TV and its benefits grows more users will connect up their receivers; we are also encouraged by the arrival of WiFi-enabled TVs and Blu-Ray players that make connection much easier. There are also great opportunities on games consoles, the vast majority of which are already plugged into the Internet.

The second issue has proved hugely problematic until now: there's a very large number of connected TV platforms being deployed – at one point recently in the UK the author counted over 20 - each and every one technologically different. Some of the differences are subtle, some very obvious but what this means is that whichever the category of service provider, they have to make a separate application for each and every service and this is preventing market entry. It is not cheap, it is not quick to do and it's holding the market back. This feeds back to the first problem: with so many services not appearing on so many platforms – if indeed they have taken any step into the market – where's the consumer driver to adopt connected TV?

These platforms include all the proprietary ones, including those from the major TV manufacturers, as well those that are standards-based: MHEG-IC, MHP and the rapidly emerging HbbTV. This is a very competitive market with platform suppliers understandably eager to protect their own interests but until now it has held the market back. Looking ahead this platform fragmentation isn't going to change any time soon so the approach to the issue has to: fragmentation will ebb and flow but it will remain.

## **What's required to move forwards?**

What this requires is technology that allows a service provider to access the maximum number of platforms without having to devote the very significant time and cost to writing applications for each and every one.

There are those who argue that HbbTV will ultimately dominate. While we believe that this will happen, at least in part – and we support this – even in a “best case” scenario there will always be legacy technologies out there and there will be platforms (iOS/games consoles) that will continue to plough their own furrow. There will also be more advanced platforms developed in the future that will need to be supported, Those who plan their infrastructure to be flexible and engage with technology companies who can deliver adaptable publishing solutions will succeed.

The second point is that as platform specs are constantly changing, however subtly, connected TV apps can become out of date swiftly, meaning updates need to be written and applied, another key function required of the technology. In essence, the service provider has to be able to create a service once that can then be read many times and that can continue to be read.

As well as the apps themselves, there also needs to be an overall management tool that can access the applications for all platforms rather than having an individual control tool for each and every app. If every application has a separate control tool for simple manipulation then the user is faced with a hideous confusion of interfaces and protocols.

The third key issue is that platforms need to approve the applications prior to hosting them as a connected TV service therefore the applications must adhere tightly to each platform's requirements, requirements that evolve and shift.

In the majority of cases, connected TV services are not going to be run in isolation, rather they will in some way be linked to either an existing website, broadcast channel(s) or transaction service. The ability to handle external feeds and indices and to dovetail with already deployed transaction/asset management systems without distribution is also vital.

## **Removing market entry hurdles**

Service providers have been faced with very considerable hurdles to market entry, as we have discussed. Even now we are seeing platforms come and go, Flash on TV being an example of a technology seen as being in the ascendency but which now feels like it has an uncertain future. It is impossible for service providers to back clear winners: adaptability and choosing the right partners is key.

Returning to where we started, connected TV is here and here to stay. Broadcasters and service providers of all shapes and sizes need to take a real look at the opportunities and be assured that those major market entry issues are now being addressed by new technology. All of the above is now possible, allowing a fleet and surefooted route to market. The audience is out there, as long as you have the technology which can find your users wherever they are.