



## Vantage Point: Content Delivery

*A seismic shift in content consumption and delivery*

Over the course of the last decade there has been a seismic shift in how consumers typically acquire and consume content. In the past, people consumed various types of content and media in very distinct and specific ways:

- Video content was delivered through traditional TV providers such as cable operators and DBS providers
- Music content was accessed via the radio and physical media (CDs, etc.)
- Print media (books, newspapers, magazines) were consumed in their native format

However, with the advent of the Internet, consumption of different media slowly began to shift to include an online component, first with print media (news, etc.) which worked even over relatively slow dial-up connections, and then music as wired broadband connections proliferated, and finally video, as broadband service speeds have increased dramatically over the last several years.

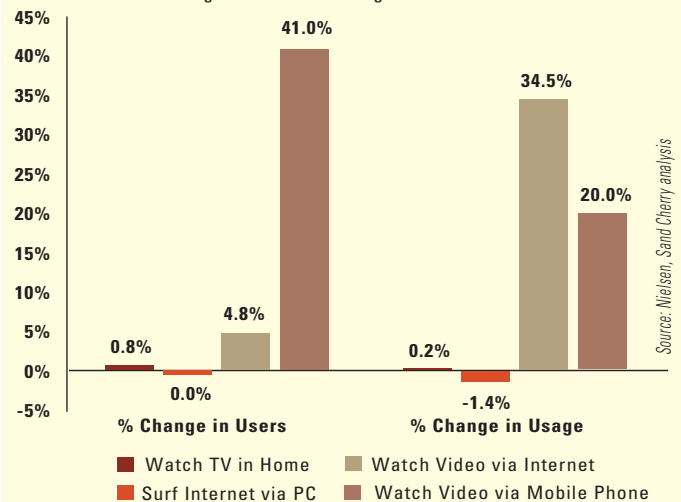
With the advent of iPods and MP3 players, etc., the PC then became the platform to manage and load this content onto mobile devices for consumption “on the go” Mobile phones became another multimedia device onto which content was loaded, first via the PC, and then as data connections on mobile devices became more prevalent and speeds increased, this content was streamed directly to these devices.

### THE IMPACT OF FASTER FIXED AND MOBILE BROADBAND NETWORKS:

Today, consumers access consumer content through a myriad of platforms and connections, both wired and wireless. With fixed broadband connections widely available at 20+Mbps (and latest generation Wi-Fi technologies capable of distributing content at equal speeds throughout a household) and new 4G wireless broadband connections now approaching 10Mbps, all types of content and media can be readily accessed and consumed (on a download and streaming basis).

As a result, while traditional TV viewing and Internet surfing via the PC have stagnated, the growth in watching video over the Internet, especially via mobile devices has increased significantly. With the explosion of Internet connected TVs

**Shift in Traditional Content Viewing Habits**  
% Change in Users and Usage – 2010 vs. 2011



and media players, and the rapid proliferation of smartphones and tablets, content consumption/viewing patterns are fragmenting and the distinct needs of these new styles of multimedia content consumption are challenging traditional business models.





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*"In the modern era of consumer electronics, if you are just building devices you are unlikely to succeed, today it is [about] a seamless service." – Jeff Bezos, CEO of Amazon*

### THE SHUFFLING OF THE TRADITIONAL CONTENT DELIVERY VALUE CHAIN:

As a result of these changes, the traditional value chain for delivering content (especially video content) to consumers has fractured. Traditional players with successful business models built on a rather closed and linear content delivery process are seeing their core revenue streams threatened. Studios are under pressure from multiple distribution platforms and new content sources (e.g. YouTube); distribution players are seeing decreased traditional viewing in favor of mobile and Over-The-Top (OTT) video services, and traditional device manufacturers are seeing consumers shift viewing patterns to new device categories.

In the meantime, these changes are creating openings for new players and those existing players with the market vision to expand their reach successfully. (See chart below)

### THE NEW WINNERS?

On the content aggregation side, Google and Apple have made significant headway in the market by linking together various parts of the value chain. Google has moved from being an online content aggregator into UI and devices (think Android), while Apple has seized market share by successfully migrating up from device level into interfaces (e.g. iPhones, iPads and iOS) and content aggregation (iTunes, Apple TV).

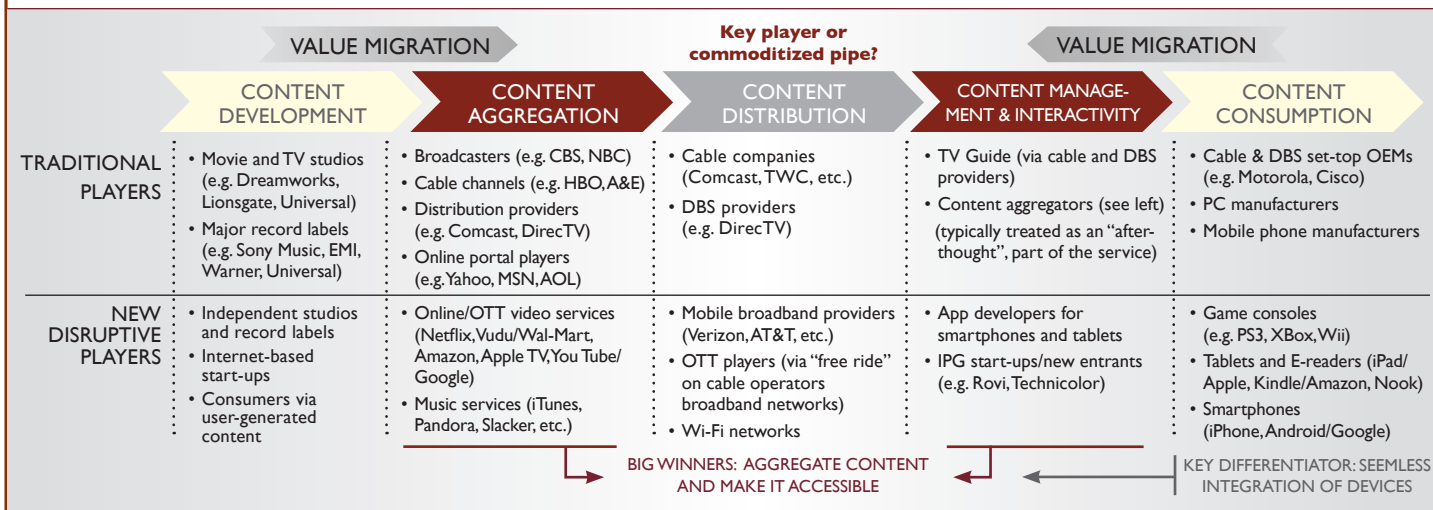
Even more interesting is the emergence of major retailers as key players. Wal-Mart's purchase of Vudu could just be the starting point of their play in the content delivery space. More importantly, Amazon's introduction of the Kindle (and Kindle Fire) marks their play to expand their reach further down the value chain, tying together their vast and growing library of multimedia content with the seamless integration of user interface and device.

In the process, stand-alone device manufacturers (e.g. Samsung and Sony) may have both their legacy devices such as TVs and new categories such as tablets relatively commoditized if they cannot match the seamless integration of content, interface and device that Apple, Google and Amazon are pursuing.

Lastly, the key distribution providers (e.g. cable operators, DBS providers) are seeing the value their "bread & butter" video services being gradually undermined by new video delivery platforms (OTT and mobile), threatening (in the long run) to turn them into a "commoditized dumb pipe" dependent upon a less monetizable broadband access revenue stream.

As a result, leading cable and satellite providers are also trying to expand their reach across the content delivery value chain. Comcast's acquisition of NBC Universal transforms them into a leading player in the content development and aggregation space. Dish Network has acquired Blockbuster to create a compelling online video competitor to Netflix. And all the leading cable operators are launching mobile video platforms and applications (e.g. TV Everywhere) and integrating their content and services into new devices (e.g. iPads, Xbox 360, TiVo, Internet connected TVs and media players).

The future viability of their managed video services depends upon their ability to successfully provide a broad and seamless set of content delivery and consumption options for consumers that will differentiate their premium services from newer offerings from Amazon, Google and Apple, who are missing this key content distribution component of the value chain. Whether they can move quickly enough and remain relevant to consumers in this new content landscape is the key question.



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