The Ambiguity of Disruption

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Overview

- A disruptive technology changes the basis of competition
- The relationship between tech change and competition is complex
- How is competition changing in TV/video?
- What are the complexities and challenges?
The current VCDWG agenda is geared towards developing the “Beyond TV” book.

For the next several months, the group will:
- Examine current trends in the industry
- Understand the longer-term implications
- Extract higher-level significance

First trend we explored: unified video services
Unified video services

- Integrate traditional carrier-based TV services (cable, satellite, telco IPTV, terrestrial OTA) with OTT video (and usually includes personal media)
- Typical implementation = Hybrid STB + unified search & discovery interface
- Examples: Sezmi, Cox + TiVo + CableCard, Google TV*, Project Canvas, CuboVision
  * Google TV ‘s box “daisy chains” to an operator STB and also runs on connected TVs
The content divide

- This trend highlights the “content divide” between traditional and OTT delivery platforms

<table>
<thead>
<tr>
<th>Traditional</th>
<th>OTT</th>
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<tbody>
<tr>
<td>Premium content (ESPN, Fox News, Food Network)</td>
<td>Catch up TV</td>
</tr>
<tr>
<td>High cost, high quality</td>
<td>Movies</td>
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<tr>
<td>Short tail</td>
<td>Web original</td>
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<tr>
<td>Prime time/First-run</td>
<td>UGC</td>
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<tr>
<td>Some niche programming</td>
<td>Long tail</td>
</tr>
<tr>
<td></td>
<td>Pirated</td>
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</tbody>
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Scheduled/live vs On Demand

- Content can be further sub-divided into scheduled/live and on-demand content

![Diagram showing Scheduled/live vs On Demand]
Content can be further sub-divided into scheduled/live and on-demand content.
The unified video trend also highlights the emergence of personal/private (non-sourced) content as a new content category

- Locally stored (or cloud stored?) personal content
- Becomes part of the same infrastructure for sourced content
The primacy of premium content

- Premium content accounts for 80-90% of viewing
- While OTT viewing is steadily increasing, it remains a complement rather than a substitute
  - Cord cutting stats are still iffy – highly contradictory
  - Cord cutting anecdotes are now accompanied by “going back to cable” anecdotes
The exclusivity of premium content

- Premium content remains exclusive to operators
  - Fear of piracy online
  - Not enough ad money
  - golden handcuffs (monthly affiliate) fees keep premium content owners tied to traditional pay TV operators

- “It’s impossible to compete effectively without premium content”

- But this perspective is based on the incumbents’ terms of competition, so let’s challenge it...
The strategic value of premium content?

- Production quality of Web content will improve (think early cable)
- UGC could gain a mainstream audience and compete with traditional TV
- New forms of content will continue to emerge
- On demand more important than asap
- Golden handcuffs loosening
- *Other aspects of the video experience become as important or more important than the content*
A medium in transition

- McLuhan: New media always imitate the old, initially serving as a vessel for the old, but then new uses are discovered.
- Christensen: A disruptive technology changes the basis of competition.
Performance trajectories

- Sustaining technologies improve on the established set of attributes
  - Faster, bigger, more... better

- Disruptive technologies introduce a new performance trajectory based on a different set of attributes
  - Considered weaker (lower quality)
  - But valued by a new set of customers (early adopters)
Competitive dynamics

- Incumbents and insurgents compete on different terms
- This makes for ambiguous and confusing (and interesting) competitive dynamics
  - Incumbents and insurgents compete on different terms
  - is online video better or different?
  - the new experience is still being defined
- And is further complicated by the fact that the product has several dimensions
  - Distribution, consumption, production
Traditional TV vs OTT

- Initially positioned as opposites ("experience divide")
  - TV vs PC
  - Lean back vs lean forward
  - Passive vs active
  - Long form viewing vs video snacking
  - Paid vs free
  - QoS vs best effort (QoE)
Traditional TV vs OTT

- Boundaries blurring, cross pollination
  - Traditional TV interactive apps
  - OTT content available on TV (STBs and connected TVs)
  - YouTube introduced lean back mode
  - Both traditional & OTT content watched on TV and mobile devices
  - Some broadcast networks bought Web original content

- The experience will continue to evolve, it’s just the beginning
What are some current “new” differentiators?

- Search & discovery
- Content curation (recommendations)
- Social, personalized experience
- Participatory, collaborative
- Slick devices
- Apps/app stores
- Etc...

But there’s still a long way to go...
Looking ahead...

Andy Lippman (speaking about Justin.TV): “they have absolutely no respect for what came before them”!

Marshall McLuhan: new uses are discovered based on the inherent properties of the medium

Raymond Williams: No Marshall, television is social practice

Jacques Attali (on music): Music runs parallel to human society, is structured like it, and changes when it does... In the final phase, musical activity is entirely localized, made by a small community for that community. There is no clear distinction between consumption and production.
The Fight between Carnival and Lent, Pieter Bruegel, 1559
The limits to disruption?

- Next talk by Charlie Fine
The End