Business Models in Mobile TV

Paris Tech Telecom – December 18, 2009
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Agenda

- Mobile TV facts & figures
- Mobile Traffic : The Broadcast / Unicast alternative
- Mobile TV Business Models : an inventory
- Stakeholders analysis
- Regulation
- What shapes the market ?
- Concluding remarks

Mobile TV : Facts & Figures

General

- Visible customer appetite
- Fully developed and satisfactory technologies
- A "natural" evolution and merger of two strong market trends : TV + Mobile

EUROPE

- Ca 5m subscribers, mostly 3G based
- One of the early / popular 3G usage drivers
- Impact of the iPhone
- DVBH in a limbo
- From 3% to 6% penetration in France over 2009

US

- Ca 10m subscribers, mostly 3G based
- Mobile TV (3G) 7m subs (4 month for the last m)
- The strategic push of a wireless powerhouse : Qualcomm / Flo TV
- 3mns on 3G / 30mns on broadcast

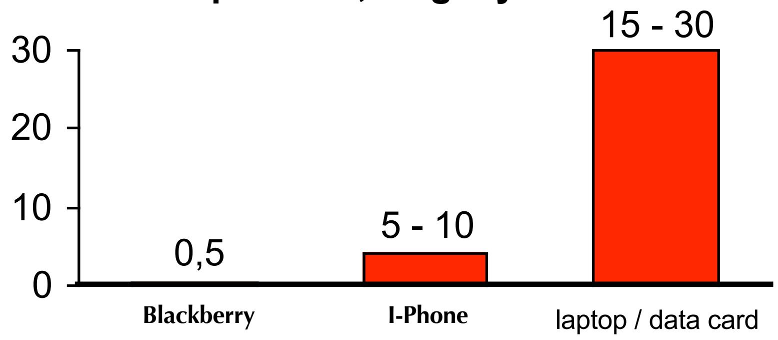
ASIA

- 60m subs in Japan / 30m subs in Korea
- Broadcast dominance… but not necessarily the future
- Emergence in China with CMMB (Broadcast)

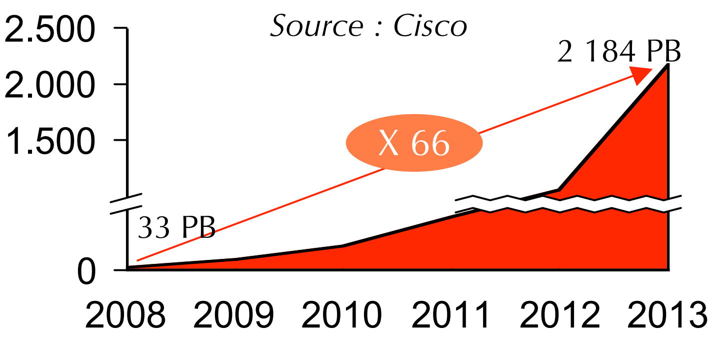
Mobile TV and Traffic growth for wireless data networks

Growth drivers for data traffic

Typical daily data usage Western Europe 2008 , Megabytes/user



Huge growth of traffic ahead



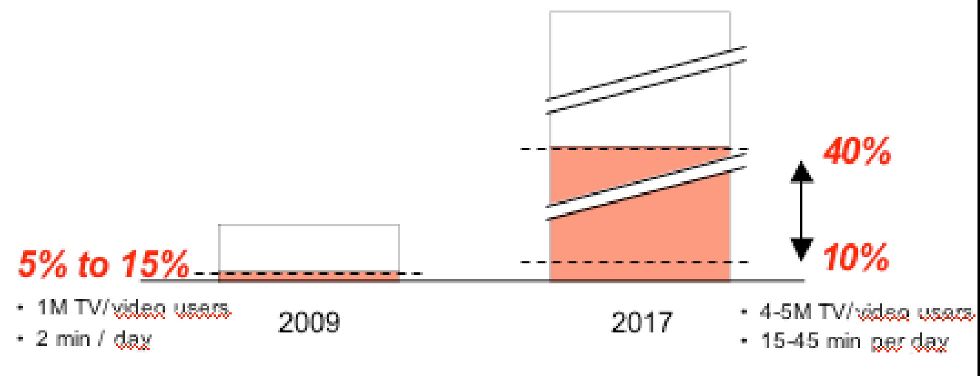
1 PB ~ 1000 000 GB

TDF estmates

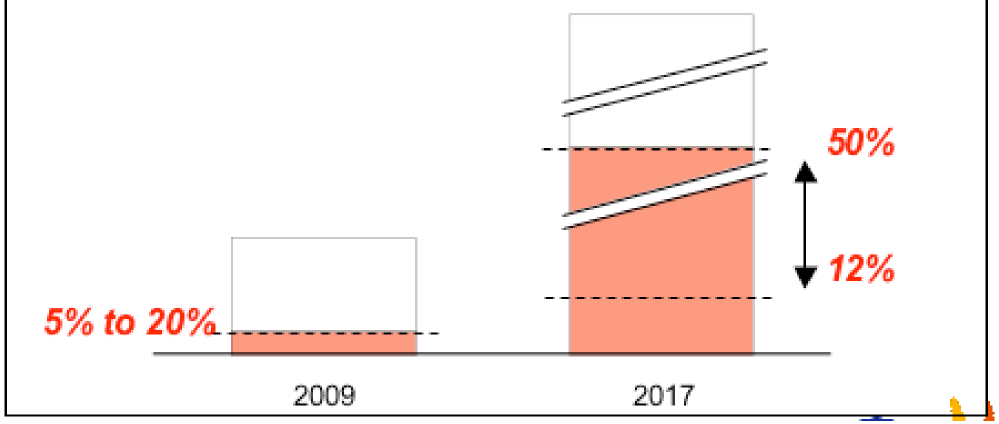
Traffic to grow x25 – 75 up to 2018

Estimates for a typical Western Europe MNO of 20M customers

Share of Video / TV in network load



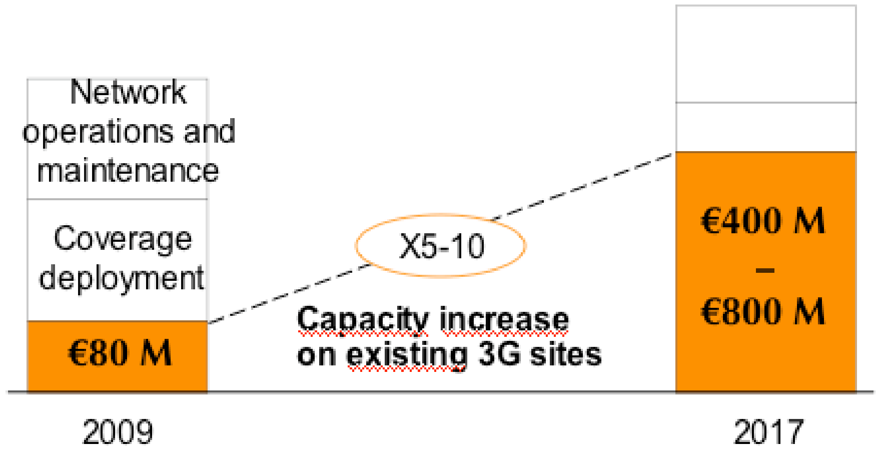
Share of TV / Video at busy hour



…. Which will cause huge growth in network costs

- Installed capacity per site in the densest areas to grow from 0,7Mbit/s / cell to 50 Mbit/s
- Different technological cellular options to increase capacity exist
  - HSPA upgrades, unused carrier, new spectrum acquisition, LTE…)
- Significant progress in cost / Mbps expected
- But nevertheless significant investments expected: x5 – x10 on current spending level on capacity build up

Estimated annual cost of network capacity upgrade for a MNO* without any budget constraints

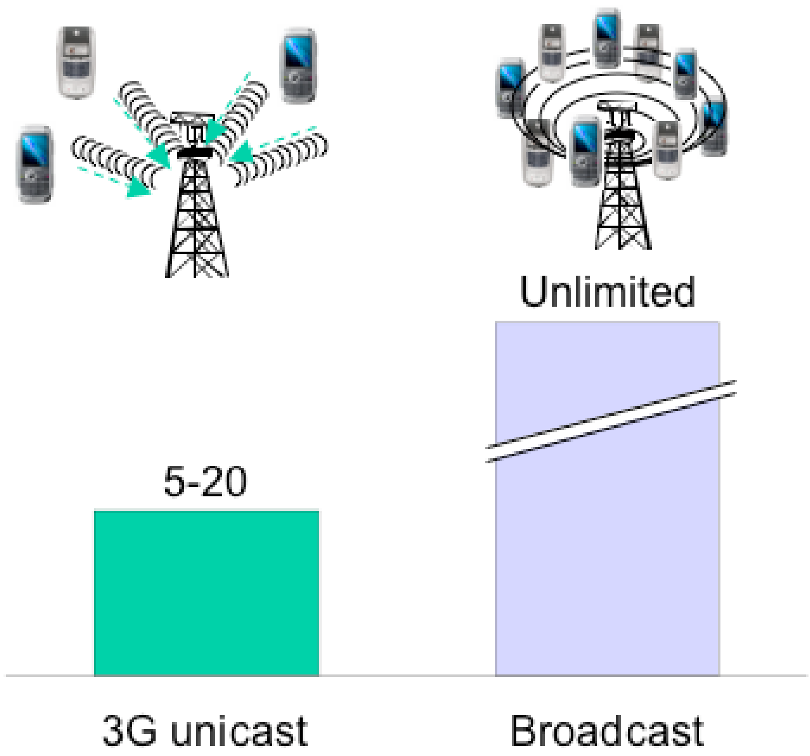


(*) Typical European MNO with 20M customers

€2-4 Bn of aggregated incremental network capacity costs could be spent over the period (capex+ opex)

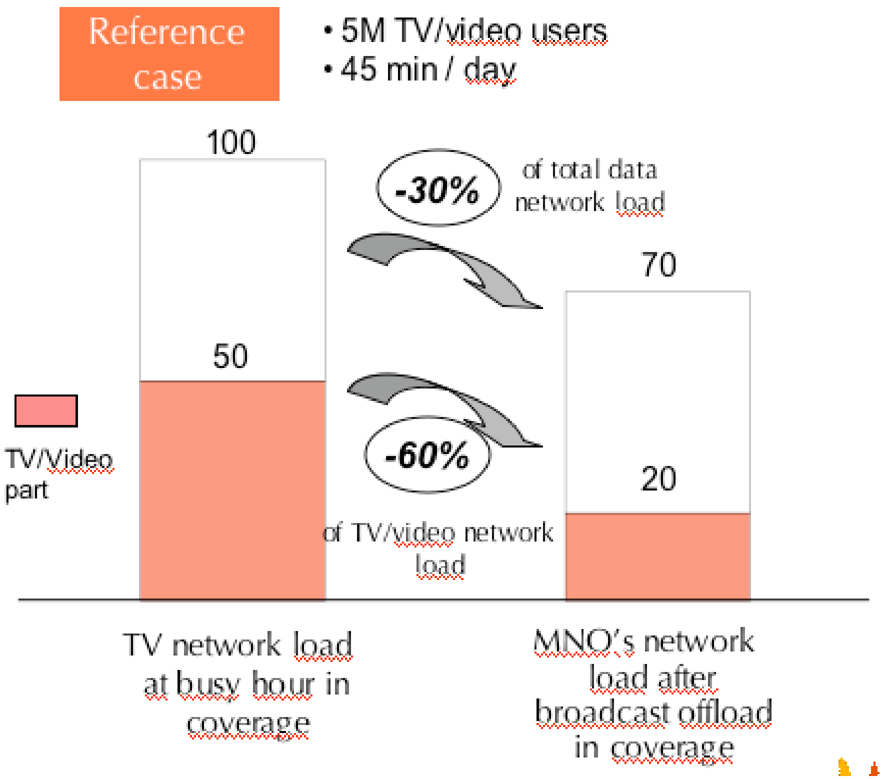
Broadcast vs Unicast (1)

Broadcast – unicast : comparison of number of simultaneous users per cell

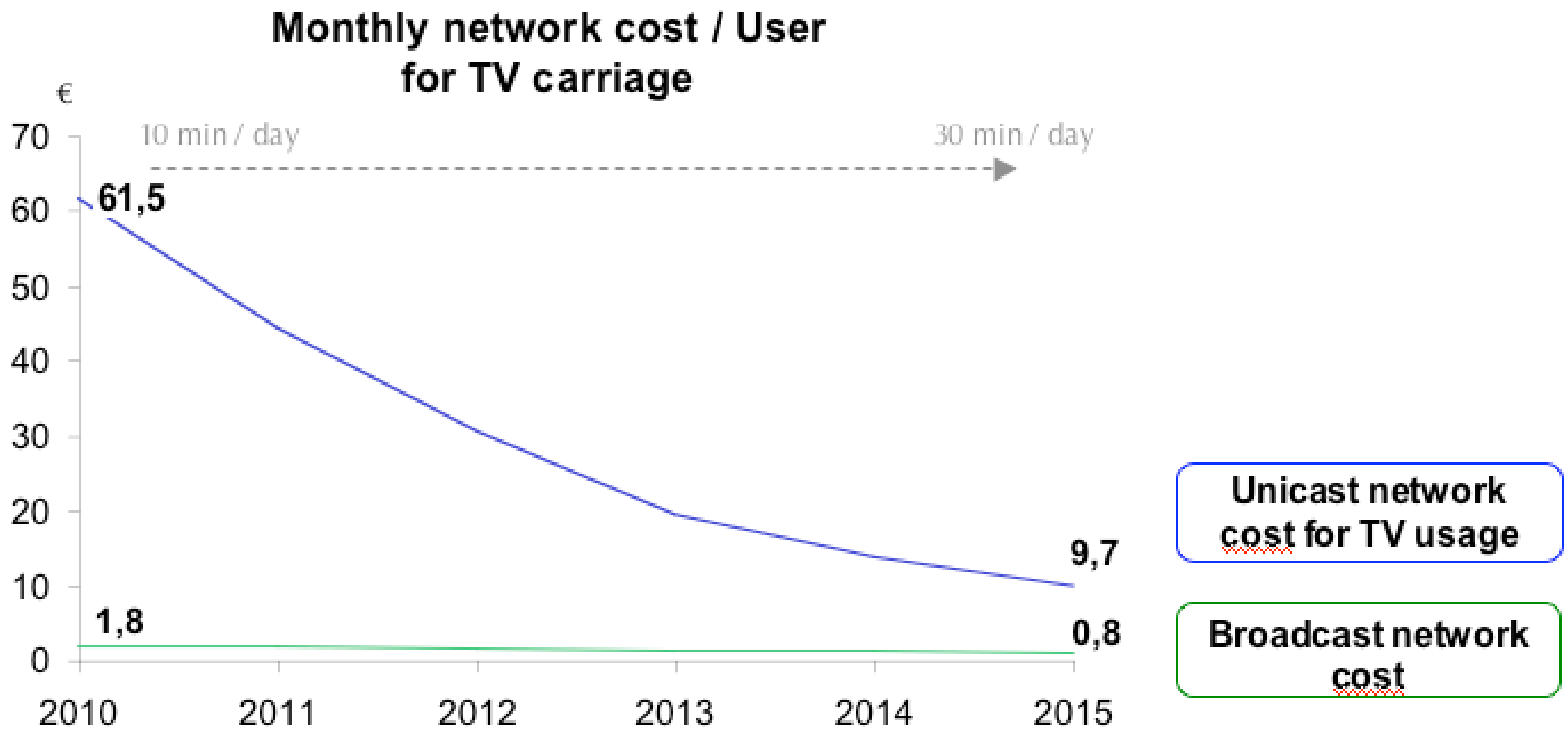


Simultaneous users / base station

Part of cellular mobile TV traffic offloaded on a broadcast network in coverage (17%, basis 100)

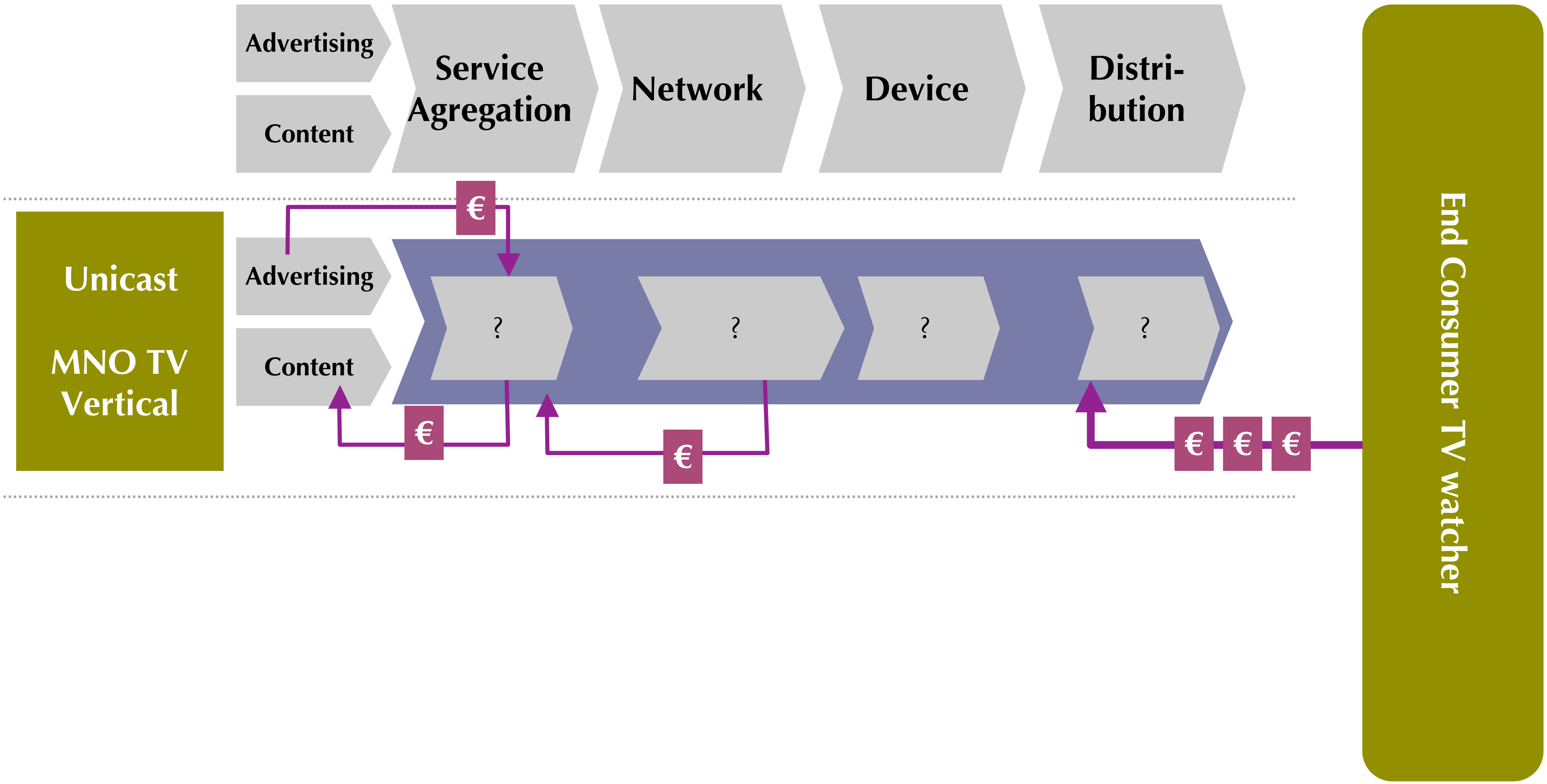


Broadcast vs Unicast (2)



Source :TDF estimations, hypothetical European MNO of 20 M customers

Mobile TV Business Models : key variables



Business Models in Mobile TV (1)

Unicast

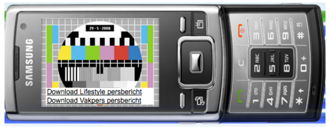
Model	Characteristics	Example
MNO Vertical	▪ 3G network ▪ Mobile operator as sponsor / distributitor ▪ TV gets Rev share	Sprint TV® *Watch shows, sports, news, movies and more.*
3d Pty Offer on 3G	▪ 3G network ▪ Paid subscription to 3d party ▪ Rev share 3dpty to MNO and to TVs	mobitv
TV Direct	▪ TV app on iPhone ▪ 3G network (unpaid) + wifi	

Business Models in Mobile TV (2)

Broadcast

Broadcast MNO Vertical

- Mobile operator owns operate network
- Mobile operator as sponsor / distributor
- TV remuneration : variable



La TV sempre con te.

TV Sponsored

- TVs pay / run the network and programming
- Free to Air
- Interface is industry standard ==> available on all phones for free

Shared Network

- Neutral 3d party operates network
- Wholesale offer to MNOs
- No end user visibility

Dedicated Service Provider

- Dedicated network and service package
- Branding, distribution

An interim status of business models (1)

Unicast

MNO Vertical	▪ Highly visible launches … and slowing dynamics ▪ A double sided situation for MNOs … which makes them quite shy in the end ▪ Are the MNOs controlling the market growth ?
3d Pty Offer on 3G	▪ Not very developed ▪ MNO not willing to host such network hungry services ▪ Is there enough value to be shared ?
TV Direct	▪ Enabled by the new platforms iPhone type ▪ The retaliation (attempt ?) of TV channels anxious of abusive disintermediation ▪ Will MNOs let it go on ? Traffic control measures ▪ Finally a TV has customers and CRM ?

An interim status of business models (2)

Broadcast

Broadcast MNO Vertical

- One MNO not sufficient to create a market
- Potential regulatory obligations (forced open access / wholesale offers)
- Frequency limitations

Shared Broadcast Network

- The “obvious” good idea ; regulatory OK, savings, ..
- … that is not emerging so quickly
- Not Invented here syndrome
- MNOs not so used to cooperative initiatives
- Potential Trojan horse of non MNO providers in mobile TV

?

TV Sponsored

- Japan and Korea broadcasters gets tired of paying network with little benefits
- Seems that the traditional Free to air model does not apply in mobile

Dedicated Service Provider

- Fills a gap : Mobile TV needs a committed and incentived market maker
- Straight strategy and intention to make mobile TV happen

?

The MNO hesitation with Mobile TV

	Loves it because …	Fears it because
Unicast	▪ 3G penetration driver ▪ Marketing anchor topic ▪ ARPU growth / protection ▪ Dominance in delivery of content & digital entertainment ▪ Pre-empt product to avoid disintermediation (TV players)	▪ Traffic/network nightmare ▪ Value destruction ; low yield of Mbyte
Broadcast	▪ Cost x 1/10 ▪ Quality ▪ The solution for mass marketing and distribution	▪ Not invented here ▪ No control of network ▪ A trojan horse to disintermediation ; a non MNO service provider can deliver on « my » platform ▪ A new handset issue

The key issues for the stakeholders

TVs

- Would like / MUST exist on mobile
- Free to Air model where TV pay network does not play; advertising revenues are years ahead
- Forced intermediation by MNO is not a satisfactory option
- Paid streaming not a long term solution
- TVs are not in a position to influence devices

Device Makers

- Plenty of technology
- What do the client = MNO need / want ?
- Cf FM

Regulation aspects

- Telecom & Media regulations
- Frequency assignment
- Technical standard (from indicative to assertive)
- Competition between platforms
- Handset control = dominant position ; will it be abused ?
- Competitors co-operating in shared platforms ; is it acceptable ?
- Cultural diversity / content regulation in media

Who is shaping the business model ?

Top Down Government Policies	Hybrid & Uncertain	Business Initiatives
▪ ASIAN Model (China, Japan, Korea) ▪ Will it reach its goal of global push to national technology ?	▪ Europe ▪ Top Down = "preferred" technology (DVBH) ▪ Reserved Free frequencies ▪ No mandatory measure ▪ Fragmented market ==> diverse strategies and initiatives	▪ US ▪ Sponsors put significant capital at risk to establish a new business ▪ Set their own rules ▪ Auction of frequencies
Clarity Momentum - Volumes Things happen Opportunity gets created	**Compliance with Free market / technology neutrality principles Listen to the customer / market**	**Clarity Momentum Things happen Opportunity gets created**
Risk to go against the market Value destruction	**Slow development Under-competition Network saturation services scarcity**	**Business risk of (significant) value destruction Over-competition**

Concluding remarks

- A new market is emerging « for sure »
- Create opportunities and threats for the stakeholders
- Strong stakes
- TV = exist in the mobile life of the customer ; avoid forced intermediation and « raw material »
- MNOs = avoid dumb pipe; maintain yield; protect customer base
- Many diverse business models : still uncertain
- Significant Regulation issues, competition and sectorial
- Strong cultural differences on how the market gets its direction and structure….
- Let us see what happens……