

# OTT is closer than it appears

SNL Kagan says the U.S. pay-TV business lost 119,000 subscribers in Q3. Looking closer, one discovers that cable really lost 741,000 households, while satellite and telco gained 621,000 subscribers. Looking at the glass half-full, losing 119,000 paying customers is better than losing 216,000 subscribers, as was the case last quarter.

The question for content delivery networks, including cable, has to be: Is the loss caused by cord cutting? As the SNL Kagan report summarizes, "It's becoming increasingly difficult to dismiss the impact of over-the-top substitution on video subscriber performance, particularly after

Outgoing NBC executive Jeff Zucker concurred, saying in response to a question about programmers delivering their content directly to the Web, "You know what matters more than anything? Brand ... Broadcast networks will have schedules for [the] next few years, but in an on-demand world, content matters more than schedules."

What kind of changes could OTT delivery bring to the media marketplace?

Long-form video will remain on the large screen, said Netflix CEO Reed Hastings. "There are some use cases where the kids can watch in the car or you finish a movie on mobile that you started watching on TV, [but] the big deal is watching on TV where you click and watch the movies there."

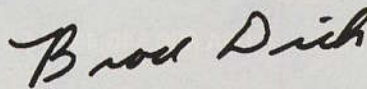
Hastings predicts that Internet-enabled TV sets will comprise a third of the sets sold this year, two-thirds next, and virtually all TV sets by 2012 will be Web-enabled. Both Hulu and Netflix now offer an \$8 per month subscription plan for OTT content delivery, and never dismiss Google TV despite its ongoing battles with content owners. In late November, Verizon signed on as a Google TV partner; Verizon's 3.3 million FiOS subscribers will soon have access to more than 50 networks. In addition, the video streaming service Vudu launched on Sony's PlayStation 3 gaming console just before Thanksgiving.

Viewers can now select from more than 50 devices and software packages that deliver movies, TV shows and videos via OTT technology to a person's desktop, mobile device or TV. Viewers regularly embrace technology that provides more viewing options, and nothing is likely to diminish this trend.

A report from The Diffusion Group, "The Economics of Over-the-Top TV Delivery: How Television Networks Can Shift to Online Content Delivery," claims OTT viewership will catch up to live broadcast consumption in 2019, and then become the dominant form of delivery by 2020. The study says that while total TV viewing time remains flat, from 2008 to 2009, the amount of online video consumed increased 84 percent.

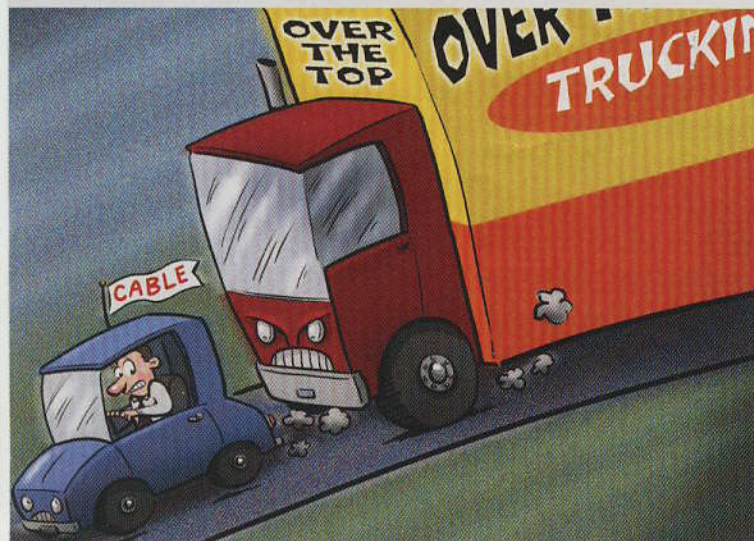
The cable industry can ignore the speeding object in the rearview mirror, but that doesn't change the reality that it's getting closer.

BE



EDITORIAL DIRECTOR

Send comments to: [editor@broadcastengineering.com](mailto:editor@broadcastengineering.com)



seeing declines during the period of the year that tends to produce the largest subscriber gains due to seasonal shifts back to television viewing and subscription packages."

Executives from two of the largest MSOs disagree, claiming their research indicates precisely the opposite. Time Warner CEO Jeff Bewkes said, "The trend, as far as we can see it, continues up ... It's all good." Viacom CEO Philippe Dauman echoed this view, saying the concern about consumers cutting their cords was "much ado about nothing."

Despite those two claims, other media executives see OTT gaining ground on cable. Speaking at the Web 2.0 Summit, former News Corp President Peter Chernin said, "I think the traditional media people are nervous about both these technologies [Google TV and Apple TV]." He reminded the audience that 50 to 90 percent of the largest media companies' income comes from multichannel (cable) business. "They're nervous, not inappropriately so, about being disfranchised from the cable model," he said.