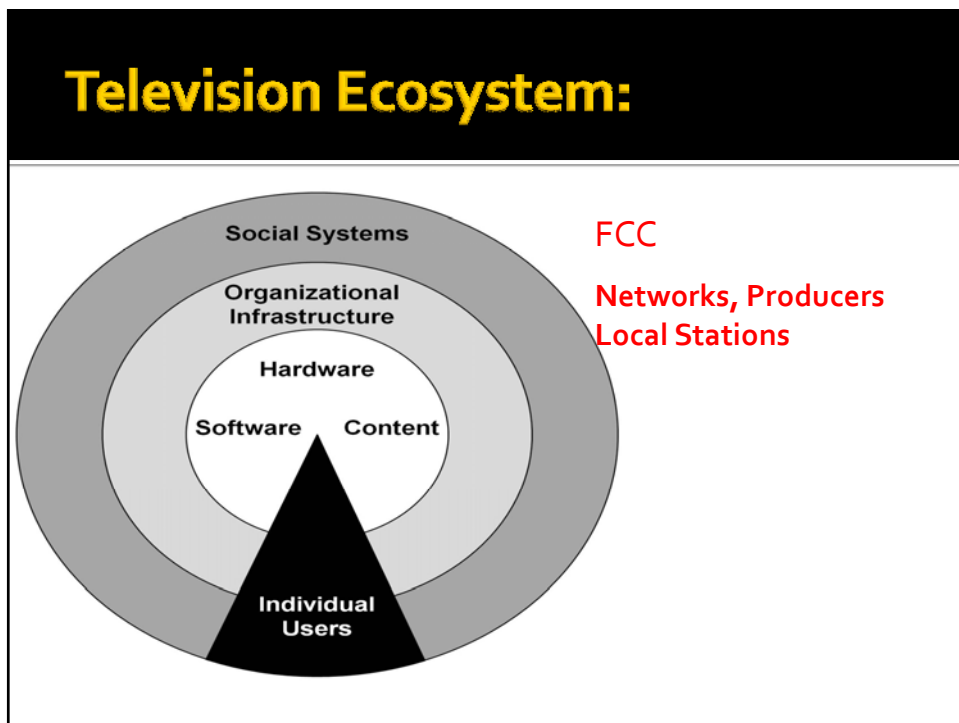




## Future of Television and Video

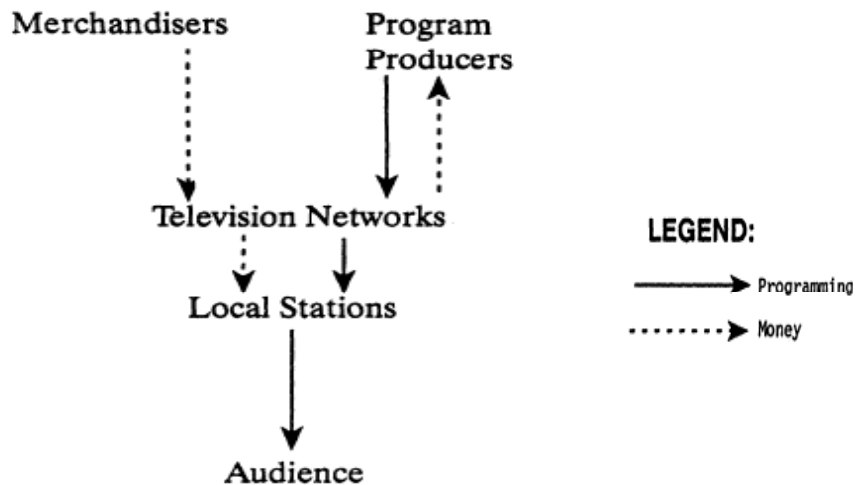
**August E. Grant**  
**J. Rion McKissick Professor of Journalism**  
**University of South Carolina**

Presented at *TFI Communications Technology Asset Valuation Conference*  
 January 28-29, 2015, Radisson Downtown, Austin, Texas



Presented at *TFI Communication Technology Asset Valuation Conference*, January 28-29, 2015  
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## Traditional Structure of Television Industry



## Traditional Revenue Model

■ Broadcast Networks	■ Local Station Group
Typical Revenue=\$4B	Typical Revenue=\$1B
Typical Profit=\$50M	Typical Profit=\$400M

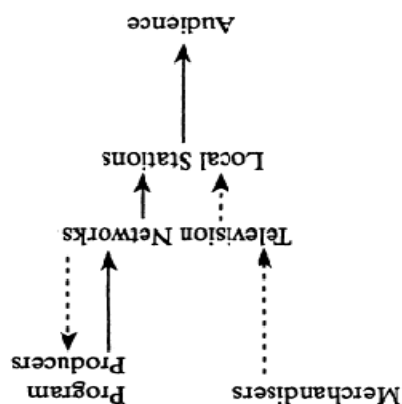
## Television Economics

- First user cost high; marginal cost of all other viewers = \$0
- Inefficient delivery of commercials



## Television Today—Economics

- Networks allowed to own content
- Local television has 2 revenue streams
  - Advertising (95%)
  - Retransmission (5%)
- Reverse compensation
  - Paid to networks
- Networks
  - Dual revenue sources



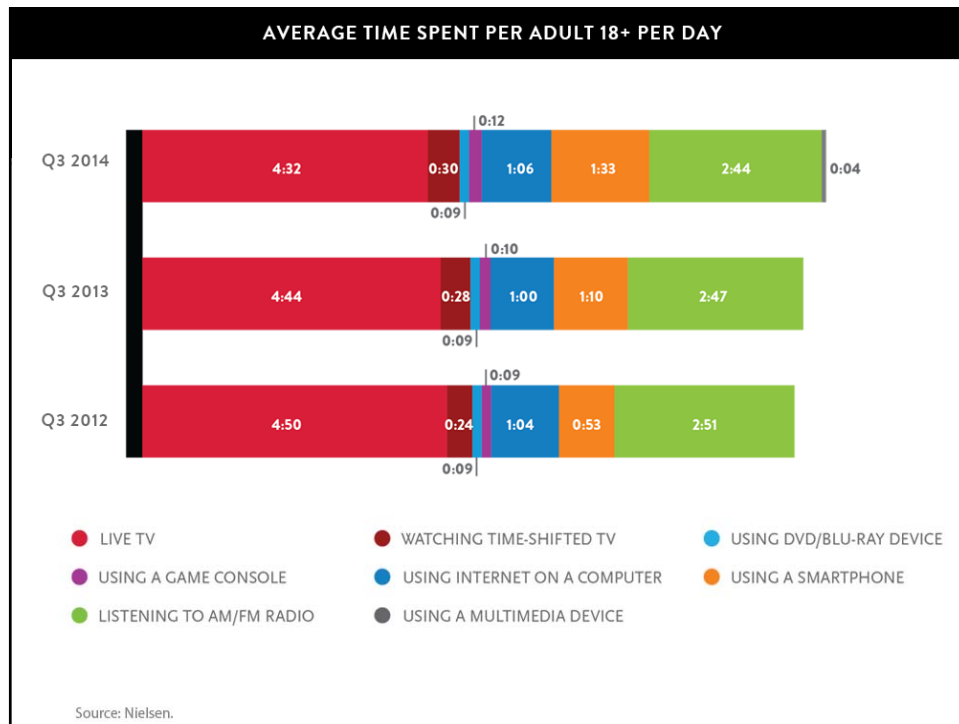
## Television Today: Digital

- Replacement for analog television
- Capability of delivering more channels in limited spectrum
- Primarily a one-screen experience



## Television Today—Audience

- Most popular medium in U.S.
- Most advertising revenue
- Most different ways to consume



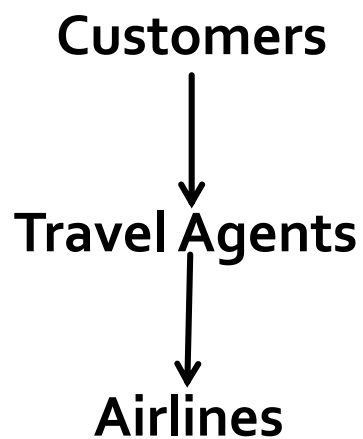
## What's Next for Television?

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## OTT Changes Everything

- Over-the-Top Television
  - IPTV
  - a la carte'
- Roots:
  - Netflix
  - Hulu Plus
  - Amazon Prime
- Now:
  - HBO Go
  - CBS All Access
  - ESPN

## Air Travel Example



## Air Travel Example

Customers



Airlines

## Air Travel Example

Customers



Online Travel Sites

(Expedia, Orbitz, etc.)



Airlines

## Disintermediation

### Programming Channels

HBO GO

NETFLIX

ESPN 3

CBS ALL ACCESS

Customers

## Reintermediation

### Programming Channels

New Aggregators

Customers

sling  
TELEVISION



## IPTV

- Delivery of video content over the Internet
- Virtually unlimited number of channels
- Challenge to traditional television, satellite, and cable television



## The Emerging Distribution Model

- Combination of:
  - Broadcast
  - Cable
  - Satellite
  - Telco (Fios & Uverse)
- Plus:
  - OTT
  - New aggregators
    - Apple TV?
    - Target?

## What about the TVs themselves?

- Big



- Little



## Digital cinema

- Slowly replacing film



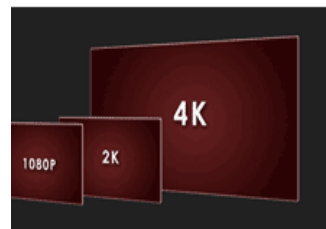
## Video and Digital Signage



## The 4K Revolution

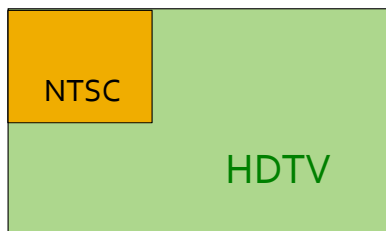


4K

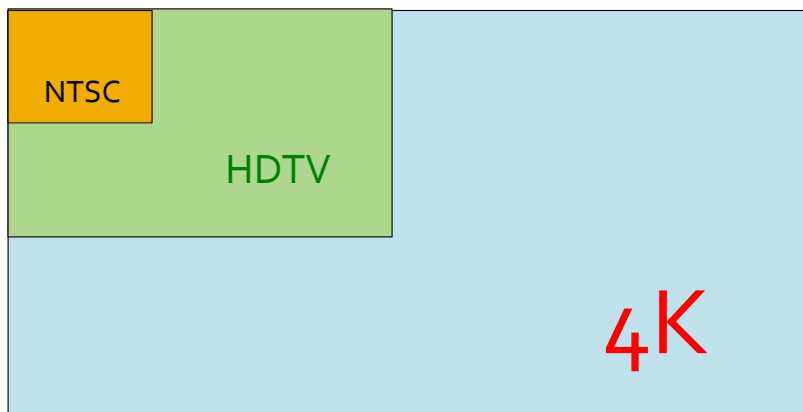


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## 4K—A Comparative Look



## 4K—A Comparative Look



## 4K Distribution

- Primary

- IPTV



- 2016 or later

- Cable Television

- 2020 or later

- Broadcast

## After 4K...

- Even larger screens
- Better motion rendition
  - 60, 120, 240 fps
- More bandwidth needed

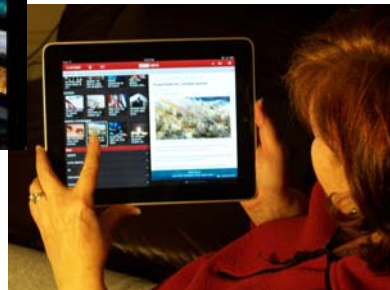
## Emergence of the Screenscape

Primary program plus:

- Advertising
- Data
- Social networking
- Major software application will organize the screen



## Video Everywhere...



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## Impact of Video Everywhere

- Time spent viewing
- New advertising availabilities
- Distraction?
  
- Compare with phone—TV associated with a person rather than a place.

## Projecting the Future

- Technology
- Organizational Structure
- Audience

## Future TV Technology

- Flatter and more portable screens
- Better audio
- IP distribution
- More user control over content
- More immersive

## Future TV Content

- |               |               |
|---------------|---------------|
| ■ National    | ■ Local       |
| ■ Advertising | ■ Advertising |
| ■ News        | ■ News        |
| ■ Sports      | ■ Sports      |
| ■ Comedy      | ■ Community   |
| ■ Drama       |               |
| ■ Movies      |               |
| ■ Shorts      |               |



## Interactive Television

- Multi-screen experience
- Ancillary information (statistics, background)
- Enhanced advertising
- Three-screen experience



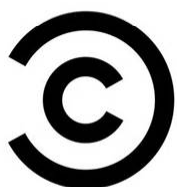
## Future TV Distribution

- Broadcast Networks: Stable



## Future TV Distribution

- Cable Networks: Stable



COMEDY CENTRAL



## Future TV Distribution

- Local Television—Declining
  - Impact on stick value and goodwill



***the local station***



## Future TV Distribution

- Local Cable and DSL: Declining
  - Pipeline to deliver IP access
    - Limited market as aggregator



## Future TV Distribution

- Big unknown: Net Neutrality
  - Critical to making pipeline available to deliver content
  - Attempts to throttle content could lead to anti-trust action (forcing divestiture of programming from bandwidth delivery)

## Future TV Distribution

- New Channel Aggregators: Growth
  - Virtually all TV will be IPTV

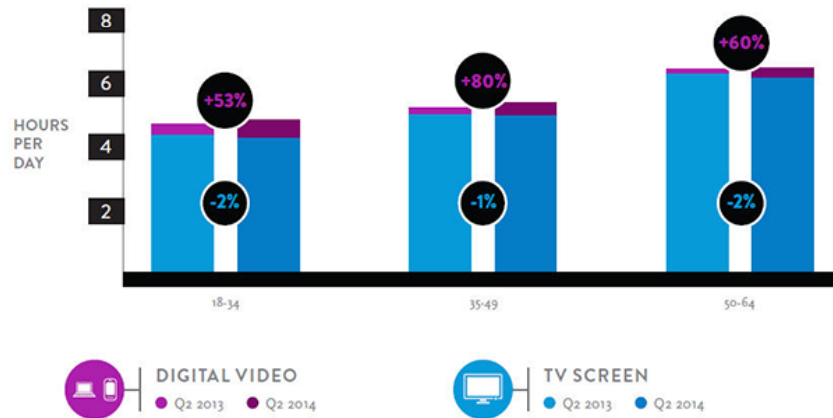


## Future TV Audience Behavior

- More viewing
- More places
- But...
  - Limited DVR capabilities unless build into hardware



## Viewing Varies by Age



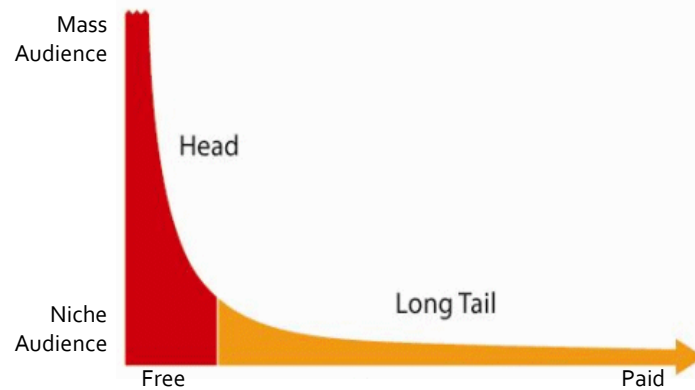
## Future TV Content



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## Future TV Content

- Revenues will continue to increase



## Future TV Economics

- *Broadcasting may disappear* when marginal revenue from targeted ad delivery exceeds cost of targeted ad delivery

## **Not a Factor!!!!**

- 3-D TV
- Curved TV
- Smell-o-vision

## **Last Factor: Changes in Ratings**

- Nielsen

vs.

- Rentrak
- Samba TV

# Thank you!

More Info:  
augie@sc.edu



# The Duality of Media Convergence

Converged Newsroom



Converged Audience

