

Winning in Next-Generation Television: Consumers Look to SPs To Deliver New TV experiences

IBSG Service Provider FastFacts

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The Internet is coming to a TV near you—and not merely as a source of amusing YouTube videos. Television is undergoing one of the greatest transformations since the migration from black and white to color.

Recent customer research by the Cisco® Internet Business Solutions Group (IBSG) found that although the average U.K. household has 2.3 televisions, respondents spend more time on the Internet than watching TV. The Internet is an increasing source for entertainment—including video. “TV Everywhere” or “n-Screen” across multiple devices such as PCs, mobile phones, and TV is finally becoming a reality.

Industry players are struggling to understand what these significant market transitions mean to their businesses. Service providers (SPs) and content distributors (telcos, cable, and satellite companies) are trying to understand these opportunities—particularly how they can make money, given that tried-and-true advertising and subscription models are rapidly breaking down.

Cisco IBSG leveraged its research with broadband-enabled consumers to identify seven key messages that are critical to understanding how next-generation television might evolve:

- 1. Homes are becoming sophisticated and connected digital oases.** Of the 2.3 TVs in the average U.K. broadband household, one is almost always HDTV. These households also have one or more computers and at least one other device such as a mobile phone or game console.
- 2. Online video viewing is real.** Our research found that people of all ages regularly view video on the Internet.
- 3. People want to watch online video on their TVs.** They prefer the TV experience – ease of use, big screen and higher quality viewing of the television.
- 4. The key to next-generation television is hybrid solutions.** Broadband householders (especially those under 30) are interested in solutions that allow watching all types of video on their TVs. Most would prefer this service as an extension of their TV subscriptions.

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- 5. Web information can enhance the viewing experience.** Consumers see value in enhancing the television viewing experience with some of the capabilities of the web, but in an unobtrusive, simple way.
- 6. People want social interaction around the TV, not on It.** Consumers currently show limited appetite for friend-to-friend chat and sharing during television viewing.
- 7. Television is not just another screen.** The more relaxed environment and communal nature of television viewing sets it apart from the computer screen in the home. Successful next-generation services will exploit these characteristics by fostering a communal or social experience.

The Road to Success

Market observations and our work with SPs around the globe provide insight into which experiments are working (or not) in the marketplace. In the next three-to-five years Cisco IBSG sees three approaches for value-creation:

- **Competitive offer.** The bundle of features required to deliver a TV service that is at least at parity with competitors in the market and lets SPs leverage their scale and product breadth to appeal to customers' affinity for value
- **New sources of value.** New and supplemental features that create value in their own right. Eventually, competitive pressures may force these services to become part of the bundled offer.
- **Market differentiation.** Features that provide a unique customer experience through innovation, exclusivity, and time to market. While customers may not be willing to pay for these features, they may be willing to change providers or increase their overall spending to access them.

Figure 1 shows how the three- to five-year roadmap for next-generation television features and services might evolve over these three categories.

Figure 1. The Strategic Nature of Next-Generation Television Services Will Evolve Over Time

Next-Generation Television Roadmap				Illustrative Examples
Differentiation	Internet Video Widgets User-Generated Content	Social Networks Recommendations/Search Media Sharing Interactive Content Information		Friend-to-Friend Virtual Lounge
New Sources of Value	Multiroom DVR Catch-Up/Start-Over TV Telepresence	Unique Content N-Screen Multiplayer Gaming	3D	
Competitive/Parity Offer	Video On Demand High-Definition Premium Content DVR Remote DVR Programming	Multiroom DVR Catch-Up/Start-Over TV	Telepresence N-Screen	3D
	Now	18 months	36 months	5 Years +

Source: Cisco IBSG, 2010

SPs are well-positioned to win in next-generation television. Consumers are looking to service providers to deliver the future of video to them. SPs will require new perspectives, new business models, increased speed to market, and new forms of partnering and collaboration if they are going to win against the numerous device, OTT, and content companies vying to profit from next-generation television.

Read a more complete analysis of Cisco IBSG's consumer research and what service providers can do to win this market in: "Winning in Next-Generation Television: Survey Results Highlight Unique Opportunity for SPs To Deliver the Future of Video to Consumers," found at: http://www.cisco.com/web/about/ac79/docs/pov/Next-Generation_TV_IBSG_SP.pdf

More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

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