Will Berryman's speaking notes for the Network Insight Seminar - Digital TV growth & policy: 2 December 2005

1. Introduction –

I could list a plethora of devices where content is being deployed.

The glossy Christmas catalogues reveal a range of gadgets and platforms like enhanced mobile phones, the iPod (and a range of other MP3 players. PSP, X Box, Nintendo games platforms, handheld video and computing devices.

In the press there are trials of DVB H and 3G enhancements and 4G devices.

To go through a list of each type of platform and the brands and standards within each platform would take for too much time. But they would reveal one thing and that is a telling reality about the concept of convergence.

Convergence has always been the kind of goal or digital "Nirvana" that a lot of us have aimed at.

In fact one of the introductory concepts that have been presented for this segment of the day is the "triple play" of triple play, IPTV, DVB-H, 3G, a concept hinting that there is some form unifying concept that will unite content deployment towards some form common platform – even though each of these technologies are distinctly different. Both in their technology and the way in which the user of the technology gathers content or utility out of them.

2. Rather than leading to convergence I think the mass of technologies and platforms that we are seeing on the market these days demonstrate the opposite of convergence.

Convergence is a misleading concept.

It is the concept where content and device will merge to a common platform that we will be able to deal with in the same ways we have dealt with TV and Radio and Cinema.

It always leads us to think of technological change and the media as being something that will happen in a manageable way in the future.

It gives us a reason to wait for the technology to settle down and evolve; a concept which is comforting and allows us to delay the inevitable reality that more and more of our audience are finding value with content received on a device that is not in the traditional realm of our current endeavours.

Indeed comforting – it's why media companies think in terms of platforms and other unifying concepts.

It means that we don't really need to deal with it now.

However the world just keeps getting more complex and does not seem to be converging at all.

The world that we as media practitioners deal in is not immune from the laws of nature (apart from the legislative restrictions we put on it)

The laws relevant to us are the laws of thermo dynamics and most notably entropy – the concept where all things (including it seems technology and technological invention) move from ordered to disordered states.

Lets call the concept of media and device divergence, "Media Entropy"

And Media Entopy is not the only pressure on us (and you can be thankful that I am not going to give you a high school lecture on thermodynamics)

Our world is also one of economic decisions and pressures.

The economic pressure on media combined with Media Entropy leads us to consider that other comforting concept that we bandy about in a device rich world and another concept which I think is a misleading statement:

And that is "content is king".

This is another comfort statement that our industry often makes. It equates to what we do is King so once again we don't need to worry about the future because we will always be king.

In the economics of media and entertainment content isn't king but audiences are king. Audiences consume content and this consumption these days in a world of Media Entropy can not consider the device in which media is consumed to be a constant taken for granted.

In fact the media, the device and the method of consumption are all part of a complicated series of interactions that we have not had to deal with in the past.

The relationship between audiences and content has never been more complicated. This relationship involves content, device and retailer all in equal importance in the chain.

It's not a market per say but an ecosystem where each part needs the other part equally to round off the transaction.

Why equally?

Because the hot part of the economic chain is in the device and the device is not just about entertainment but utility and function.

Content becomes one part of a complex relationship where to the audience (who needs to consume both the content and the device to make it pay) utility and entertainment are often of equal value and as much as it offends us utility often wins.

What do I mean by utility – well simply we buy mobile phones to make calls and receive text.

And we use our PC's for email more than anything else.

Most websites we use are for utility purposes.

An iPod is a practical filing and transport system.

In a digital device word - utility is as much a king in many cases as content.

But utility, because it's increasingly hard to sell, needs to be dressed up and this is why content is important.

A phone call is a call and a text a text and the manufactures always need reasons for people to up date their gadget.

The products that inhabit this ecosystem are hard to predict.

The device manufactures are not that interested in standardizing the platform for the either the sake of the content company or the retailer.

They get their jump by making the consumer regularly replace the device and they do this through continually innovating and reinventing the device.

This will not stop as the means to continually reinvent the device through technology will not change; technology is a continually accelerating concept – hence Media Entropy.

The issue for content companies is that is creates a plethora of conversations in media companies.

This diverts from conversations about content and narrative and entertainment and the marketing of these things – crucial as the world becomes more cluttered.

Media companies, in this country particularly, still see themselves as largely vertically integrated companies looking to predict and control the entropy in media.

When they feel they have a degree of control they go about bolting on a new function to deal with the new device and deployment.

As the world becomes more complex there is a limit to the number of conversations a single content company can have to try and straddle the change, let alone predict it.

Successfully dealing with change and Media Entropy involves a new series of business relationships, partnerships and ventures throughout the ecosystem that allow content companies to be agile and ahead of the curve – minimizing their internal conversations to the things that will bring them value and maximize what they do.

In short finding the maximum value in the ecosystem, ensuring that the whole ecosystem grows and thus their share of return in it.

The company that I work for, Technicolor, is important in the ecosystems because of its ability to allow content companies to maximize the internal conversations they need to extract their value from the ecosystem.

Technicolor does not make content but it continually increases its capacity to deal with new technology and functions and works with its client to allow it to maximize its content and audience conversations so that it can deal with the changes of it audiences and the new executions of its content on different devices.

The company that I work with focuses its conversations on ensuring it has the right capacity to react with agility to the needs of the client. I f we don't the client goes to another service provider.

In Australia to date this type of business relationship has been limited.

Our media companies have largely remained vertically integrated and seen themselves as entropy killers.

Too often, as a senior executive in a national broadcaster I have been flabbergasted in industry meetings hearing colleagues from throughout the media state how we will tell a range of multinational consumer electronics companies about what standards they will develop in Australia, how they will deploy them and how they will be sold.

This from a country with a population of 20 million people!

In Europe these complex and innovative relationships between content companies and their service companies is becoming more wide spread in dealing with Media Entropy.

There are some successful analogues in Australia - for example NineMSN – where the Nine Networks internet business is developed through a joint venture with Microsoft.

It is very successful. It is profitable, in growth and well used in Australia and it has let the Nine TV network get on with its business.

The business models of many of our Pay TV channels rely on complex service relationships allowing them to market to their audience with a higher value than traditional media, giving them revenues disproportionate their audiences and seeing whole genres of content, like children's TV moved to subscription TV.

The Transmission service infrastructure across digital and analogue TV is another good example.

In the company where most of you will know me from, SBS, we moved our 600 transmission services to the management of the Macquarie Communications Infrastructure Fund (managed by Scott Davis, a co speaker of mine in this session) Broadcast Australia business. It eliminated complex transmission discussions from the valuable time that we had to discuss the core interest of the business and that is audience.

However in Australia we have seen few visible relationships with device companies and retailers – the other important parts of the ecosystem.

It is a difficult issue for many of the vertically integrated businesses in Australia, where bulk and all the capex in a platform leads us to believe that our media company is worth more in a market where every day we wait for government media reform that we hope will see buying, selling and reinvestment in our media companies.

In media entropy with all of the new executions and the need to get into a complex ecosystem I propose that that thinking like a vertically integrated business and bulking up actually does not increase the value of a business but strains its intellectual capacity and makes it an inefficient business.

A note to conclude on.

In a recent forum here in Sydney our major TV CEO's got together and had a chat about our industry in Australia. I was not there but read the press commentary and can only make comment based on this source.

One CEO, refreshingly stated the obvious. Yes there was fragmentation in the media and yes there were a lot of new platforms and services but FTA TV in terms of its numbers and the dominant business model of CPM advertising it was still the number one game in town.

True.

But in a media ecosystem where the device, content and utility and the means of supplying that device are intertwined as they never have been before it's probably prudent to do more than state the obvious.

Relying on bulk numbers to create a media economy that grows value as a proportion of the economy greater than the GDP is getting harder and harder.

On with our small population it needs to be if we are to have a sustainable local media

The key question is about audience value and not numbers.

What do the audience value?

A mobile device with phone, messaging and some entertainment (and the need for the maker of that device to make sure it is replaced every two years) is valuable to the audience or consumer.

If your telly breaks you will be cranky –

If you have spent many hours lovingly encoding your music collection, selecting games and amusements, acquiring video from world wide sources, collating your digital photography collection onto a range of devices I think you will be a little more than cranky if it vanishes.

My conclusion is that we need to look to this value – which will be hidden amongst a plethora of changing devices and applications and as media companies we don't have time or the intellectual capacity to cover them all off.

To do this we need a new set of business relationships, partnerships and ventures.

We need to stick to our knitting and grow a larger, more comprehensive media economy and we need to do it now.

Its happening around the world and the value of the whole ecosystem is greater than one single part of it.

That day when Nokia, Sony or even my current master, Thomson, is going to settle it all for us with one standard or one device that does everything is not going to happen or standstill it does.

We need to embrace the entropy for what it is and stop deluding our selves that alone we are king and as individual companies we can control global technological change.,

We need to find the right partners and get on making Australia a leader in world media, where it has been and where it should be.