



How OTT Will Change Everything

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By David L. Smith, July 20, 2007

We've all heard the term Emerging Technologies, but there's confusion over what an Emerging Technology is. The easy answer is that it is a technology extension of an existing medium, a new media technology or a new content platform. Some of these technologies are in place now but don't have critical mass; some have market penetration but are not being used to their full capacity by advertisers; and some are just a gleam in the eye of developers.

Emerging Technology Over The Top (OTT) is more than a gleam, but certainly hasn't achieved market penetration, yet. So now is the time to give it a serious look.

The easiest way to describe OTT is that it is a vehicle for web video and TV convergence. We have been talking for years about convergence; this technology is here now and gaining steam rapidly.

Here's a more technical definition:

Over The Top

The classic definition of OTT is the distribution of voice, video and data services without going through the MSOs or telcos. In this case, we are talking about a television set (usually a flat-panel) that is connected to the public internet as well as a private content distribution network (CDN) like a cable, satellite or telephone company. With OTT, there is another connection besides the CDN. It is through your computer to the internet and rides "on top" of the existing infrastructure. This means that you can program your TV to receive either the normal CDN, an internet site like YouTube or a GUI Widget that is a guide and search service as your default screen.

Who is doing OTT?

There was much discussion of OTT at this year's CES. Many of the major players have made commitments to OTT applications including Sony, LG, Pioneer, Samsung and others.

There are a number of ways to access OTT now:

- Sony recently announced a Bravia companion box that is an Ethernet sidecar.
- AppleTV is another example. You need to be running iTunes, but a lot of future apps will come with some kind of custom software to enable the ease of use on the part of the computer so why not iTunes? It enables you to watch content from a computer running iTunes on a television monitor.
- SlingBox is another single function OTT box, as is TiVo.
- Xbox extender is a great example. It has a GUI Widget that will help in selecting content. It has content, as Microsoft just announced a deal with Disney to make 35 high-definition movies available for download via Xbox Live. The arrangement will also add future releases from Touchstone Pictures, Miramax Films and Hollywood Pictures. Xbox Live currently offers downloadable movies and TV shows from two dozen content providers, and has more than 7 million members, according to the NY Times.

There are many other single function boxes and sidecars out there, but we see a limit to this. Consumers do not want more boxes in their stack, especially with their home theatre being "cleaned up" with a flat screen. It is logical, however, and the technology and protocols exist for a single box that replaces EVERY box under your flat panel+tuner. This includes your cable box, TiVo/DVR, internet capabilities, et cetera. This box can be built using today's technology for under a thousand dollars at retail and, at volume and with time, will get to under \$500. We



need someone to step up and do this. I know folks with the spec if you are interested, but VCs to date have not shown interest in building boxes.

What OTT Means for Marketers

OTT implications

Your current provider loses the default right to the first screen and gets disintermediated, turning the provider into just dumb pipes. While the company will attempt to package content, the content available on demand will far outstrip the pre-packaged choices offered up. The consumer will have a personalized UI and take control over the programming and the packaging.

We've seen user-generated media (UGM) and user-generated advertising (UGA), now we have user-generated programming (UGP). Anybody with a new flat screen and a Vista-enabled computer (containing Microsoft Media Center) or a Mac could program his TV to default to a website like YouTube or GUI Widget. The GUI Widget might be provided by the consumer, the CE company or a third party. Think next-generation video guide+search.

A couple of things to consider here: Taking the default CDN away is akin to taking the dial tone away from the cable or satellite company. This could seriously affect TV ratings.

A battle is brewing for control of OTT between the hardware folks who want to be gatekeepers versus those who believe that hardware is a commodity and over time that the value will come in the form of data mining consumer preferences and linking ads to video. The latter scenario would be executed by service and application providers not by the telcos/MSOs or hardware manufacturers.

Interesting tidbit here: According to Shelly Palmer and his Media 3.0 blog (where you can stay up to date on OTT issues), 23 percent of U.S. TV households are currently OTT enabled.

OTT example

As mentioned above, the Xbox interface is a good example of the future OTT GUI Widget. In addition to the movie deals mentioned above, the Xbox live service offers online gaming, chat and VOD.

What's next?

Watch for an increasing number of applications and new advertising platforms. There will be many more boxes at the next CES in January of '08, and if we're lucky, a "monster box" that

replaces all others under your TV. We can expect critical mass by the '08 holiday season, which is not far off for a technology that has the capability to go from 0 to 25 percent household penetration. We've already seen how the Xbox brings together online gaming, chat and video.

Are you currently advertising through these media? Have you experimented with advertising messaging using OTT? If not, is it in your plan for next year? It's something to consider.



About the Author

David L. Smith, CEO of Mediasmith, is an internationally known expert in the areas of new media application, media strategy, media planning and metrics, and has a number of awards to his name including an Effie and an ad:tech Individual Achievement award. Trained in the major agency media department environment, he has been in the independent media service field since 1978 when he founded Mediasmith. Smith is a pioneer in the application of computers in media, deployment of interactive advertising and media metrics. His experience ranges from participating in the creation and early usage of the first generation of advertising technology (housekeeping systems, data sources) to the current issues facing the use of metrics in the digital marketplace. He has been at the forefront of new metrics applications, with major involvement on the AAAAs, ARF, OPA and IAB national committees working to establish and refine standards in metrics, business practices and financial issues for interactive advertising. Smith has also contributed his knowledge through articles and interviews in an extensive range of media over the past two decades. He is a regular speaker at Industry events including iMedia, @d:tech, OMMA and others and writes regularly for a number of industry publications and Web sites including iMediaConnection and MediaPost. His advisory board involvement includes OPA, IAB, comScore/Media Metrix, AdEx and a number of start-up private companies. A University of Washington graduate, Smith is married with a seventeen-year-old son; plays guitar; and is a gourmet Chinese cook. You'll find him at the office early most mornings unless he is traveling with his family.

About Mediasmith

Mediasmith is a recognized leader in digital media planning and buying. We specialize in the integration of traditional and digital media, media consulting, search, and audience development with a rapidly growing practice in emerging technologies and their applications. We architect plans across all media, in all markets, in virtually all product categories utilizing the right combination of media options to help our clients grow in the increasingly fractured media environment; from planning and buying, to tracking, optimization, and reporting of ROI on all media efforts. Mediasmith remains dedicated to the evolution and standardization of digital media practices. As committed innovators, we test the latest in metrics and analytics, providing solutions that enable us to act as a catalyst for our clients' media innovations.