THE FUTURE OF SMART TV
Perspectives from Industry Leaders

Key insight into the solutions that will drive growth in Smart TV
By John Sunyer
This past year has seen a surge in industry activity around Smart TV. Content owners, broadcasters and technology companies are starting to work together to find business models that will make the Connected TV commercially successful and dramatically change the way we watch television.

The upcoming Smart TV Europe and Connected Content conferences will take place in London on November 1–2 and are designed to help the industry fulfill its potential. The most influential executives in the Smart TV industry will be speaking at this conference and in this report five of these execs have laid out their views on the current and future trends in the Smart TV industry.

The report features contributions from:

- Facebook’s Strategic Partner Developer Karla Geci
- Sony’s Proposition Development Manager Edward Uzzell
- Smartclip’s Vice President Connected TV Shirlene Chandrapal
- Samsung’s Head of Content Services Dan Saunders
- Zeebox’s (previously known by its stealth name of tBone TV) Co-Founder Anthony Rose
New Projects In Smart TV

ANTHONY ROSE: Zeebox is about reinventing the way we watch TV. The application enables users to watch TV with friends and get real-time information around the programmes they’re watching. The app will also give you real-time popularity for every programme and real-time trending information. For example, as a new programme switches to live coverage of a police car chase you might see a huge surge of usage, tempting you to switch to that channel. You’ll be able to see comments made by your friends who are viewing that programme, or any other programme, with zeebox at their side on their iPad, iPhone or computer. We’re inviting broadcasters and programme makers to create their own apps that fit within the zeebox framework. We’re trying to bridge the gap between live TV, app stores, movie stores and catch up services in a way that’s never been done before.

EDWARD UZZELL: Our big drive like many other manufacturers is connected devices and Connected TV. In 2009 our chairman Sir Howard Stringer said that he wanted 90 per cent of our product categories to be connected. This is our biggest challenge. We also have to get value added services onto the devices to enhance the consumer experience.

DAN SAUNDERS: To begin with, it was all about launching new content services – getting catch up TV and VOD providers on board. Of course, content is still at the heart of our strategy – we know this is the main reason why consumers connect their devices. But we also need to improve discoverability. We’re building search and recommendation tools into the platform. We’re also using convergence technologies to help enhance...
the TV experience – with second-screen apps that stream TV to tablet and smart phone for example.

**KARLA GECI:** This is a relatively new area of interest for Facebook and certainly something that broadcasters and television manufacturers have been looking at for some time. In recent months, we’ve noticed that people are really starting to think about how social can play a bigger role in television content discovery. We’re at the point where discovery has become such a big challenge that there is now this urgency around solving the problem. If you only have one hour to get your TV fix, how do you find something you’re really going to be interested in? We think it would be great to be able to see that 5 of your friends have watched or are watching Peep Show, with a call to action that says “watch now” – either live or on demand. That’s cool. So it’s about highlighting content that is relevant to you based on smart data. Innovation is at the heart of what Facebook is all about, but in the case of Smart TV many of our partners have actually approached us to suggest area of innovation and asking for our thoughts on projects they’re working on. So there’s been a bit of a roll reversal, and we haven’t actually sat down as a business and said let’s crack Smart TV per se, but we’re excited to be working with partners who are thinking big and thinking social.

**SHIRLENE CHANDRAPAL:** Smart TV should be able to leverage the real estate that TV offers together with the interactivity of the web. Currently, though, when you click on video ads you can’t go anywhere. So one of our priorities is to build interactivity into the video ad. At smartclip we’re still doing lots of the groundwork by testing the infrastructure and finding partners who can make sense of that ecosystem. There are companies that focus on the technology of making ads interactive but don’t necessarily have the relationships that allow them to sell that into agencies and advertisers. smartclip bridges that gap.
The Rise of Social TV and a Revolution in TV Advertising

SHIRLENE CHANDRAPAL: Interactivity is the biggest challenge facing TV advertisers. Some TV manufacturers design and build frameworks in isolation to the TV advertising world; engineers build something without factoring in all of the most important elements, like cookies, behavioural targeting or being able to recognise users from different devices.

ANTHONY ROSE: It’s going to be the hottest space around in the next two years. There will be a huge amount of activity thanks to the low cost of developing on second-screens and the fact that no one needs permission to do it – i.e. anyone can make an app without the previous gating factors (broadcaster, telco, CE manufacturer permissions) of being able to get that app onto a TV set or set top box. Some of these new propositions will be brilliant; others will be terrible. Some production companies are now beginning to develop new types of TV programmes that are brought to life by the people watching them on companion apps, and in fact require audience interaction to work. This is what I find most exciting.

DAN SAUNDERS: Linear broadcast is still the main way in which we view video content. The experience of sitting back and watching TV fulfils a fundamental human need. But we’re finding other ways in which to use the television device – whether it’s Skype, Twitter or Facebook. Some of these new services do require active engagement, but we’re not trying to change the TV experience, we’re just creating new use cases for the television device. The return-path that connectivity opens up also allows for targeted advertising. So we’re aiming for a future where television and the advertising messaging that supports so much content are more personalised.

KARLA GECI: TV has always been a social experience, long before the advent of Facebook and Smart TV. But with the advent of Facebook, we saw that engagement happening in mass volumes around television brands and shows on Facebook. In addition to connecting with friends and family, Facebook is about discovery of content. Think of how useful TV and electronic programming guides can become when content is surfaced to you based on your interests and your friends’ interests.
EDWARD UZZELL: The death of linear TV is being wildly overstated. One only has to look at the UK broadband infrastructure to see that there’s a long way to go before everything can be delivered over IP. The average connection speed in some areas is so slow it makes it difficult for some people to receive an email! The government can talk about ambitions for minimum broadband connection speed, but it’s going to take a long time to happen. Linear is still by far the best way to deliver high definition and 3D. Most manufacturers launched last year but the big challenge is raising awareness of these services and getting people to connect their devices. The retail environment needs to improve: one of the biggest challenges we face is to encourage stores to connect to the Internet so they can demonstrate catch-up TV and online content propositions to customers in their stores. If consumers are going to spend a sizeable part of their earnings on a new TV, they will want to see the online functionality properly demonstrated I store.

Content Provider and Broadcaster Perspectives

DAN SAUNDERS: Broadcasters are embracing Smart TV. They understand the significant incremental reach and new service scenarios that can be achieved by launching services using this new technology. IP technology might lessen some of the distribution costs, but that doesn’t mean that anyone can become a distributor – it’s still a complex business. Broadcasters have the experience, the content and the brand equity to make services built around Smart TV a success. Of course there’s plenty of room for many other types of content provider, but we’re not predicting the death of linear broadcast.

KARLA GECI: We like to work with companies that are building truly social experiences using Facebook tools and technology. TV Genius is a good example. They’re based in the UK and recently announced their social TV guide that has a Facebook connected experience. So you log in using your Facebook account and they look your likes and your friends’ likes, and filter television content based on that information. This is the kind of thing we consult on. Broadcasters are in a great position because they have content, an EPG, a channel. But there’s another set of opportunities for people who sit on top of a wide selection of content, companies like TV Genius and Numote.
**ANTHONY ROSE:** Our engagement with broadcasters has been brilliant. The most innovative broadcasters see Smart TV as an opportunity to reach out to new audiences. We can give broadcasters real time analytics. For example, we can feed live information back to the broadcaster second by second from the hundreds, thousands or millions of people using zeebox. Broadcasters are enormously excited by this. We thought we’d have to work really hard to reach out to broadcasters, programme makers and device manufacturers, but calls are incoming. It’s very gratifying.

**SHIRLENE CHANDRAPAL:** Advertisers would rather that they didn’t have to build different formats for different devices. And they don’t want to have to think of different ways to engage with different frameworks, especially when you consider the fragmentation that already exists within the TV industry. So the advertising has to be standardised across all platforms if anyone is going to pay serious money for it. It’s a slow process at the moment, but we have high hopes for the next year.

**EDWARD UZZELL:** Broadcasters realise that consumers are driving this technology. Consumers want to access different content on different devices and watch TV on their terms. In many ways, the traditional EPG [Electronic Programme Guide] is becoming less relevant for the younger generation.

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**Companion Devices and TV Applications**

**KARLA GECI:** What I think is an interesting thing for developers to focus on is how to make the overall experience on the television easier using second-screen. Television in the home is a shared device, and personalising a shared device is difficult. But we often see that people watching television are multitasking so there’s an opportunity to use the second-screen to personalise and enhance the TV viewing experience.

**DAN SAUNDERS:** Samsung is in a fairly unique position as we’re the only major brand that manufactures all the devices in the current living room ecosystem – TVs, notebook computers, tablets and smart phones. We see these products and the software behind them as enabling technology for our content provider partners. Although smart phones
and tablets are the most immediate companion devices, we want to branch out to other devices. Smart TV is the beginning, and it’s central, but ultimately we’re talking about the smart home.

**EDWARD UZZELL:** The role of the second-screen is yet to be clearly defined in the industry. It’s thought likely they are going to be disruptive in a positive or negative way depending on your position. However, the main screen’s principal role will still be for linear broadcast, premium video, catch up TV – basically video based entertainment. We’ve seen over the last couple of years that when, say, X Factor is on TV, an entire back channel of communication is taking place on Twitter, in parallel to the linear broadcast. At the moment this isn’t happening in a converged way. The second-screen will offer consumers the chance to have a more customised experience. Younger people may like the Twitter companionship – finding out what their friends and family are saying – but older people might not like the running text based commentary and want to browse on the second-screen for different reasons. One can pick and choose what kind of complimentary experience they want over and above what’s delivered by linear TV.

**ANTHONY ROSE:** There are lots of companion apps being produced in America but most of them aren’t brilliant – I think that they require too much set-up work. I don’t pretend we have the secret to success, but I am hugely excited that zeebox will be a ground-breaking, exciting and compelling proposition when we launch. The iPad is the perfect device to have on your lap as you watch TV. It’s one of the target devices we plan to launch on.

**Market Movements in the Next 12 Months**

**ANTHONY ROSE:** Most TV sets are locked down by broadcasters – they don’t let you overlay stuff on their channels. The second-screen, however, enables anyone to create propositions that can be timed with what happens on the first screen. Nobody owns that second-screen space, and the entry costs are low. That’s why I think this space will explode: more and more people now own smart phones and tablets; people are increasingly using Twitter and Facebook as they watch TV; and we are seeing the rise of broadcasters that want to drive people to these new things.
KARLA GECI: We are trying to work with partners in a scaleable way. One of the things we are focused on growing is our developer outreach programme. We need to get better at how we educate at scale. We’re keen to work with people who are actively using the platform in an interesting way.

SHIRLENE CHANDRAPAL: Smart TV is hotting up this year. I expect more content providers to come on board. smartclip made fantastic revenue last year just from selling advertising into Connected TV. The advertising community see this as a significant opportunity to deliver some of the targeting with the real estate of the branding mechanisms that TV can offer.

EDWARD UZZELL: BRAVIA Internet Video launched 18 months ago and so far, we’re pleased with the number of devices connecting to the network and the volume of content being streamed. But BBC data shows that the percentage of total viewing of catch up TV on blue ray players and TVs and so on, is still only around one per cent. So there is a huge space for us to grow. We’ve shifted our marketing away from a traditional technology-based message, which can be difficult to articulate clearly to consumers on a busy Saturday afternoon in an electrical store. Instead, we are currently focusing on showcasing to key partners services such as Lovefilm, BBC iPlayer, Demand Five and Sky. With the evolution of iPlayer – version three is on the PC at the moment – TV and big screen catch up will play a far bigger part in their proposition. Catch up TV has recently set the world on fire in the last few years, with BBC iPlayer seen as one of the top catch up TV services in the world. The direct to device opportunity also allows many smaller companies who would otherwise not have the scale or resource to reach customers directly. Furthermore, if flexible, they can even steal a march on the traditional incumbents on their respective sectors.

DAN SAUNDERS: All of the building blocks are in place, so it’s an extremely exciting time. The big content companies are really getting to grips with the technology and what it means. In the early stages of development some people suggested that Connected TV was just a fad, but now there’s little doubt that this really is the future. By 2013, the majority of European households will own a connected TV. We are focused on developing the benefits of Smart TV even further, and communicating those benefits to the consumer.
Conclusion

The Smart TV pioneers featured in this report show that ongoing developments in the field of television, web discovery tools and new media technologies have resulted in a diverse and growing field of television set-up boxes and software platforms. Indeed, there is no shortage of companies investing in the future of Smart TV – including content providers, developers and broadcasters.

New players such as zeebox are combining the connectivity and discovery tools of the web with the experience of the television. As Anthony Rose highlights, we will see the development of new kinds of television programmes that require audience interaction on second-screens.

New content providers have also been quick to spot Smart TV’s potential, but broadcasters still have the brand equity, content and expertise to quickly build services around Smart TV, according to Dan Saunders. We are in for a very exciting 12 months that will shape the television industry for decades to come.

Join 200 Smart TV executives in London on November 1st and 2nd

The BBC, Red Bull, Samsung, Sony, Ofcom, ITV, Channel 4, AOL, Facebook, LG, Philips, BSkyB, Brightcove, HbbTV are coming together in November to create their Smart TV strategies for 2012.

It’s the biggest shift in television’s history: Be at the heart of this once in a generation opportunity to completely reinvent the TV

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