

THE FUTUREVIEW ADDRESS 2009: ASHLEY HIGHFIELD

EDINBURGH INTERNATIONAL TELEVISION FESTIVAL

1. Dead channel walking

It can be a tricky business predicting the future. What seems clear with hindsight can often appear obscured in the moment.

The head of our post office said in 1878 “The Americans have need of the telephone, but we do not. We have plenty of messenger boys.”

His successors at the GPO do get a tad closer to the mark. Look how far sighted they were in this imagining of their future

In 2006 we were here in this city talking about the future of TV and the Long Tail of Television. We were suggesting that audiences may watch programmes over the internet after they were broadcast, creating an additional tail of viewing. At that time Catch Up TV was a prediction. Today it already has a 3% share of the TV watching audience – the same as Channel 5 – and growing. The BBC iPlayer started the process and, OK, Project Kangaroo never quite found it’s spring, but I think we can say with certainty that one way or another, more and more people will watch more and more TV over the internet.

At Microsoft we are working hard to bring together the technology providers, the content makers, the audiences, and maybe most importantly, the advertisers, in a way that works for all stakeholders. It’s our job to understand what people want from future entertainment, including TV, and to help enable this vision.

Listening to other commentators predicting TV’s future, it would be easy to believe that the industry is populated entirely by dead channels walking, their executives apparently like frogs, unaware of their impending doom, dying slowly in a pan of water that is gradually coming to the boil.

Henry Blodget, the notorious industry blogger, asks if TV companies

are where Print was back in 2002; enjoying reasonably healthy audiences and revenues, blaming any downturn on the economy, and going into the digital age with old world models.

Blodget concludes that TV content will inevitably become available over the net and if the TV industry fails to respond quickly enough, the consequences could be catastrophic.

So, I think it would be reasonable to feel a little pessimistic about all this.

But I'm not. I am an optimist – but I'm an optimist who carries a raincoat.

2. How long have we got

So, how long has the TV industry got to adapt? Has the epicentre of how the world consumes culture already shifted forever from TV to PC? Certainly, the tipping point may already have been reached in the UK earlier this year, when the number of PCs (4.6m) outstripped the number of TVs (4.3m) for the first time with the former growing at 2.6% a year, and the latter declining at around 1%.

The latest Ofcom report confirms this trend: Britons spent an average of 225 minutes a day watching TV last year, just a minute longer than in 2003, but internet usage has ballooned – to 25 minutes a day from just nine minutes in 2003, and rising rapidly.

This shift is even more pronounced if we follow the money. Take these advertising statistics:

TV brings in £3bn a year in the UK.

Internet Search also brings in £3bn a year.

Internet display advertising grosses around \$1bn a year in the UK (with video advertising on the net a small but fast growing part of that).

TV advertising declined 17% in the last year, Web display advertising by 8% (although some of the larger players like Microsoft Advertising took share and saw little or no decline) and the mighty Google saw revenues up around 17% in the UK last year.

So do we think the television industry will voluntarily decide to be brave and cannibalise and reconstitute its own business model knowing that if it doesn't someone else will?

Surely the traditional television business has to aggressively move its content online, build a critical mass of content that the traditional buyers of airtime will understand and buy in to.

And we will all need to grow the monetisation of Video on the net, or else all the money will accrete just to Search.

The money is there. These advertising buyers really are interested in internet video (we've sold out our entire MSN Video Player pilot's advertising inventory) but they want to see TV-like reach and impact. And it all needs to be easy easy easy, and measurable.

On current projections, we are three years away from the reach and the volume of online video being un-ignorably attractive to TV advertising buyers. We are two to three years away from having the ad sales systems and Barb-like measurement systems to enable really easy purchase across TV and web.

At Microsoft of course we're watching this closely.

Microsoft advertising is the UK's largest digital ad sales house and we sell Facebook display ads too. We can see the stigma of buying ads around social media, if the brand works (like Facebook's does), is fast evaporating: give it a year to become a non-issue. Once this happens to shift of spending from TV to web will accelerate even more.

So, realistically, I think the industry has about 2 to 3 years to adapt or face its iTunes moment.

And it will take at least that long for media brands to build credible, truly digital brands: there is no time to be lost.

3. Internet Thinking

Now some things in TV won't change. Cars that crash will burst into flames. Beds will have L-shaped sheets that cover women to the armpit and men to the waist.

Dogs will know who's bad and bark at them.

The same people who make the shows we love on television will probably make the shows we love to watch on the web. It really is all about the content.

But everything else is changing: and the changes that are coming will be seismic: But, importantly, I do believe TV does have a small two to three year window in which to respond. But success will require a new way of thinking to guide us to the right actions.

Let's call it 'Internet thinking'. Internet thinking is to understand our video media environment through the dimension of the internet user.

We need to get inside the mind of what Rupert Murdoch calls the "digital native".

What will those digital natives be watching and how will they expect to engage with a show, its spin offs and its advertisers in say three years?

2012, when analogue TV gets switched off, the Olympics comes to London, just over 150 weeks away. By then, I believe television needs to have reinvented itself.

I think there are three key drivers of this seismic change. Three drivers that we need to consider in reaching those digital natives in that time frame and not losing them to media they find more relevant. Three

drivers of change:

Firstly, New audience facing technology – like every screen becoming a two way interface.

Secondly, New audience behaviours that can no longer be ignored – a viewer who says “give me it legitimately or I’ll pirate it”.

Thirdly, New business models more akin to the net – like getting your audience to not just create the content, but commission it and distribute it for you.

Let’s look at each in turn, and then ask what TV can do to not just survive, but thrive. If you like, this could be an open letter to the next CEO of ITV.

3a New emerging technologies

The future is already with us: Almost every new technology that will be mainstream in the next 3 years, in time for 2012, was invented 10 years ago, according to Microsoft Principal Researcher Bill Buxton.

His is the theory of “The Long nose of innovation”. He says: “An idea may well start with an invention, but the bulk of the work and creativity is in that idea's augmentation and refinement”. And that, he postulates, takes a good ten years. And when you think about it, it makes sense.

Whilst NASA were sending images from the moon to earth -Texas Instruments patented a film-less electronic camera in 1972. But it took another 20 years for Kodak to launch the first commercial model, and then the world changed very rapidly, such that now of course pretty much everyone we know is in possession of digital camera.

Put another way, in the words of cult SciFi author William Gibson, “the future is here, it’s just not evenly distributed.”

So, no rocket science required, no crystal balls, just a magnifying

glass, to look down the long nose of innovation to the nascent technologies already in existence that will change our world.

So what are the technologies that we have already developed that are going to transform our future lives? You can all play this game, but here are my fab four:

Firstly, all user interfaces, or screens, or TVs as we used to call them in 2009, will become interactive, allowing people to participate in limitless ways.

Secondly, with Moore's law in overdrive, (the concept that computer chips' power doubles every 18 months and costs tend to halve), all these devices will get so cheap, they will be almost free. Netbook computers, those £200 cheap and tiny laptops, (which of course with iPlayer and MSN VideoPlayer are now pretty reasonable portable TVs), have caused quite a revolution in the UK in the last year, singlehandedly accounting for all the growth in the computer market during the recession. And they are now already being 'given away' as part of a broadband subscription by CarPhoneWarehouse and Virgin amongst others. Actually, we're also seeing a good chunk of people prepared to pay more for more power and functionality in their little note-books: suffice to say, every home will soon have one or more of these things dotted around.

Thirdly, TV may have the answer to getting high speed broadband available right across the UK. It's called the 'white space initiative'. There is momentum in the States, which could come to the UK, to use this 'white space' between existing TV broadcast spectrum. The technology now exists to use the leftover unused airwaves between BBC1 and BBC2 for example. The opportunity is there to package these fragments up, recycling them if you like, to provide high speed broadband capacity of up to 800Mbs into rural and harder to reach communities. Truly high speed Broadband for all could be close, and it could be driven by local communities themselves.

Finally, it could be that plastic will soon replace silicon in computer chips, resulting in far cheaper, lighter computers and the possibility to install computers in many more objects or locations. Hermann Hauser, who already revolutionized the British tech landscape by being the man behind the BBC Micro, backed, 10 years ago, British start-up Plastic Logic to develop ultra thin, ultra light, ultra cheap chips, and now finally it's reality: a flexible, light screen that needs to be charged just once a fortnight. The Times hailed this as the magical newspaper in Harry Potter come to life.

This is just the beginning. All computers, phones, TV are defined by the restrictions – weight, thickness, cost, inflexibility of their screens. Once this restriction goes, TV content will be truly liberated too.

Oh, and I'm not even going to talk about the potential for 'wireless electricity' to change everything...

Whatever it is that spearheads change, we know that internet and TV technologies can no longer be considered separately.

One of my colleagues at the Beeb once said that broadcasters were constitutionally incapable of responding to the age of social media. I disagree. There's no reason broadcast doesn't have the DNA to embrace social – from Opportunity Knocks thru Multi Coloured Swap Shop, TV has always been 2 way. What it perhaps hasn't embraced is many to many, and ITVs inability to know quite what to do with FriendsReunited, and the BBC's own failure to create Wikipedia, perhaps supports this.

In the next three years TV will become truly participatory.

3b Audience behaviour

We know this is no longer a passive audience. We know there are fewer appointments to view, more demand for on-demand, for individualized content and for participation.

This participation by what we used to call our audience is changing TV for ever. Their engagement is breaking down the traditional barriers to entry into the closed shop of broadcast TV. Barriers to entry into TV content creation have gone; barriers to publishing content, barriers to distributing content, even false barriers erected by schedulers deciding who watches what when: all gone, and consumers are clambering over the rubble.

Last week's Sunday Times carried the story of the Ann Arbor News. Closed as a print paper earlier this year, it has re-opened as a web only concern. Their CEO said it was time to move on. Annarbor.com has outsourced printing, copy editing, page make-up, advertising production and distribution. Now here's the interesting bit: The paper employed 272 people last March. The new venture has a fraction of that number, but employs more people creating content, 37 compared with 30. The CEO has also signed up 80 bloggers to contribute to the site and hopes to triple that number. This model *will* happen to the TV industry.

As an example closer to home, take YouTube make-up sensation Lauren Luke: From a web cam in her bedroom to mainstream TV, and now a product line in the shops, a book, and a game. A complete amateur with no business plan monetizes free TV in a few months and pulls in 4.5m viewers on YouTube.

Synchronised Viewing across multiple screens is with us now. Solus TV viewing (totally fixed concentration on one screen) has fallen from 95% in the 1950s to under 50% now. We watch TV with, almost literally, one eye; the other is on the mobile phone screen, or the computer screen. But whereas the two activities were unrelated in the past, increasingly the two screen or three screen activity is synchronized. Whilst watching football, you're now far more likely to be using William Hill Online's Sportsbook to bet on the next goal.

Whilst watching Jenson Button taking the F1 world championship on

BBC1 on TV, you're as likely to be watching a second in-car camera on your laptop, with leader-board positions in real-time.

3c New business models

There are 3 main new business models that the Internet brings that TV has not yet fully embraced: More and more content becomes 'Free' to avoid piracy as content producers aim to monetise elsewhere such as premium pay content, merchandising, or targeted advertising.

'Free' remains an unresolved issue. It's true that winners on the web seem to be giving something away for nothing. Chris Anderson of Wired magazine, author of the 'Long Tail', has examined this in his new book 'Free', and believes that this is where we'll all be in the near future.

Give the razors away for free and try to make all your money on the blades is his belief.

But on the net, he is skeptical about any pay models succeeding. There is a huge psychological barrier between free and charging just once cent, concludes Anderson.

So, what is the solution to monetizing your web video content?

Now if you ask my sales teams about which models *do* work then the answer you'll get is unequivocal. Targeted Advertising, targeted to groups of people based on their behaviour: the sites they visit, the tasks they perform online: it's immensely powerful, something that is easy for advertisers to understand and, in increasingly, easy to sell, deliver and report on. Providing everybody signs up to Internet Advertising Bureau best practice (and we certainly do), then,

according to an IAB poll, less than 10% of people have any aversion to targeted advertising, especially if they know they can opt out.

This advertising inventory could even be auctioned: another huge opportunity not yet embraced by TV. It works for Google...

The technology already exists in TV to segment different audiences watching the same programme. This means that when the 'ad break' happens different audiences can view advertising that is relevant to them. In a high volume environment such as the MSN homepage, we can and do run four different adverts (and different editorial) based on which demograph you fall into.

TV will have to adopt the internet way of doing business if it is to survive.

4. What you need to succeed

Now let's look specifically at video on the web. So, what specifically will it take for Video Content to succeed? Put another way, if you've got a TV programme, how can you make money from it on the internet?

I believe you need five things:

A huge readymade audience: this rules out most of the minnows; indeed, Joost, Babelgum, Blinkbox, DailyMotion, VideoJug have all struggled.

A strong set of relationships with British advertisers and agencies. After all, these are the guys we're asking to move money from a proven media (print, TV, radio) into online video.

A strong set of content relationships and partnerships. At the end of the day, got no decent content, got no audience.

Robust technology. Somewhat commoditised, but it's still expensive, and content owners want to know their content looks good, and is

rights and territory protected. Technology you can rely on...

And finally, a sure-fire route to getting this IP delivered content back onto the main TV screen. Got a tie in with Xbox?, own a bit of Canvas? Own Sky? You'll probably be OK: otherwise, find some friends, quick (We're a friend, by the way, as many of you in this room already know).

5. X-factor

So let's bring all this together: new technologies, new audience behaviours, and new 'internet thinking' business models. Imagine all these factors in place, what does our televisual world look like? Who's watching what and how?

So let's imagine what the Xfactor will be like in 2012.

You could be watching on-line and voting back in an act that the judges have just rejected.

You might choose to use your phone to check out their audition; every audition from every stage of the competition is available. You have voted three times thru a single-click iPhone App. You never thought you would do that for a TV reality vote.

I say TV, but now X-Factor is distributed across all digital and internet platforms, including games consoles. If the truth be told, you've also bet a fiver on the X-Box live spin off game where you can guess which bands the judges will send off tonight.

You try to ignore the in-game ads but somehow they've figured out that you're a sucker for Harry Potter: must get those cinema tickets.

Back to X-factor. A quick ad-break where your 'Freeview Extreme' box (based on the Project Canvas open standards) now serves you up a tailored advert from Nissan, where different homes get different treatments of same ad – here the parents get the Nissan MPV, and the young man gets the latest Nissan sportscar. Simple, effective: ITV's share price has rocketed off the back of targeted advertising.

In 2012, users are spending £1 to upload their own auditions via an app that automatically measures how well they can sing. Of course, even if they pass this preliminary web-only stage, the chances of making it to the live show are pretty slim, but not a problem, because for another £1 they can download the entire programme and buy a remix app from ITV.com, and then they can edit themselves into the show, and put this uniquely personal version of X-factor on You Tube, and email their mates.

Talent costs have fallen dramatically: Dannii Minogue and Cheryl Cole appear for free, knowing that the programme, especially on-line, drives huge volumes of people to their album sales, and latest autobiographies. With so much of the auditioning being done on-line, the mass crowds and costs of renting stadia are no longer necessary either (a bit of CGI creates the desired impression).

With all the buzz and user engagement, the X Factor final is a huge magnet for home viewing across the nation, with some 20 million viewers: 10 million on digital TV, and 10 million over IP, but no-one cares any more how it's delivered, it's just entertainment...

But don't take this from me: these ideas have come from the results of a poll we've been running on MSN this week, with tens of thousands of responses.

6. Conclusion

These are truly exciting times. I believe our industry will remain one of the most successful, the most creative and certainly the most inspiring.

But to make this happen there's one more element that is needed. Collaboration. Collaboration between content makers, technology providers, and our audiences.

Just as the internet was conceived and has grown in a spirit of collaboration, so the future success of the TV business relies on a set of alliances that will be wide ranging and mutually beneficial.

The cultural change that is taking place is bringing internet thinking into television and with it the understanding that no one is going to make a success of this alone. The winners, like the users, will be those that collaborate and those that share.

Sir Tim Berners-Lee, who set us all on this path, says:

"The Web as I envisaged it, we have not seen it yet. The future is still so much bigger than the past."

TV will have a huge part to play. The Long tail of TV has confirmed to us that there is an alternative future for TV but it is the Long Nose of Innovation, with its new technologies, new audience behaviour, and new business models, which will shape this future and bring it into reality.

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