# What TV Can Be

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# TV Can Be … Interactive

## *Agenda*

- Defining Interactive TV
- How the TV landscape is changing
- Value propositions for Interactive TV
- Revenue opportunities
- Standards
- Microsoft's role and strategy

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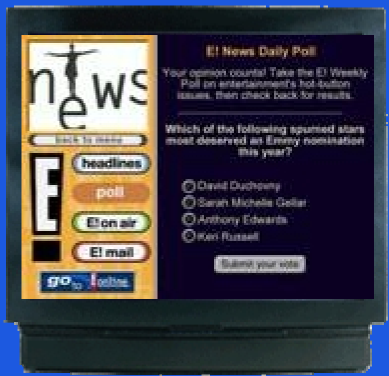



**Enhanced TV**

**Personal TV**

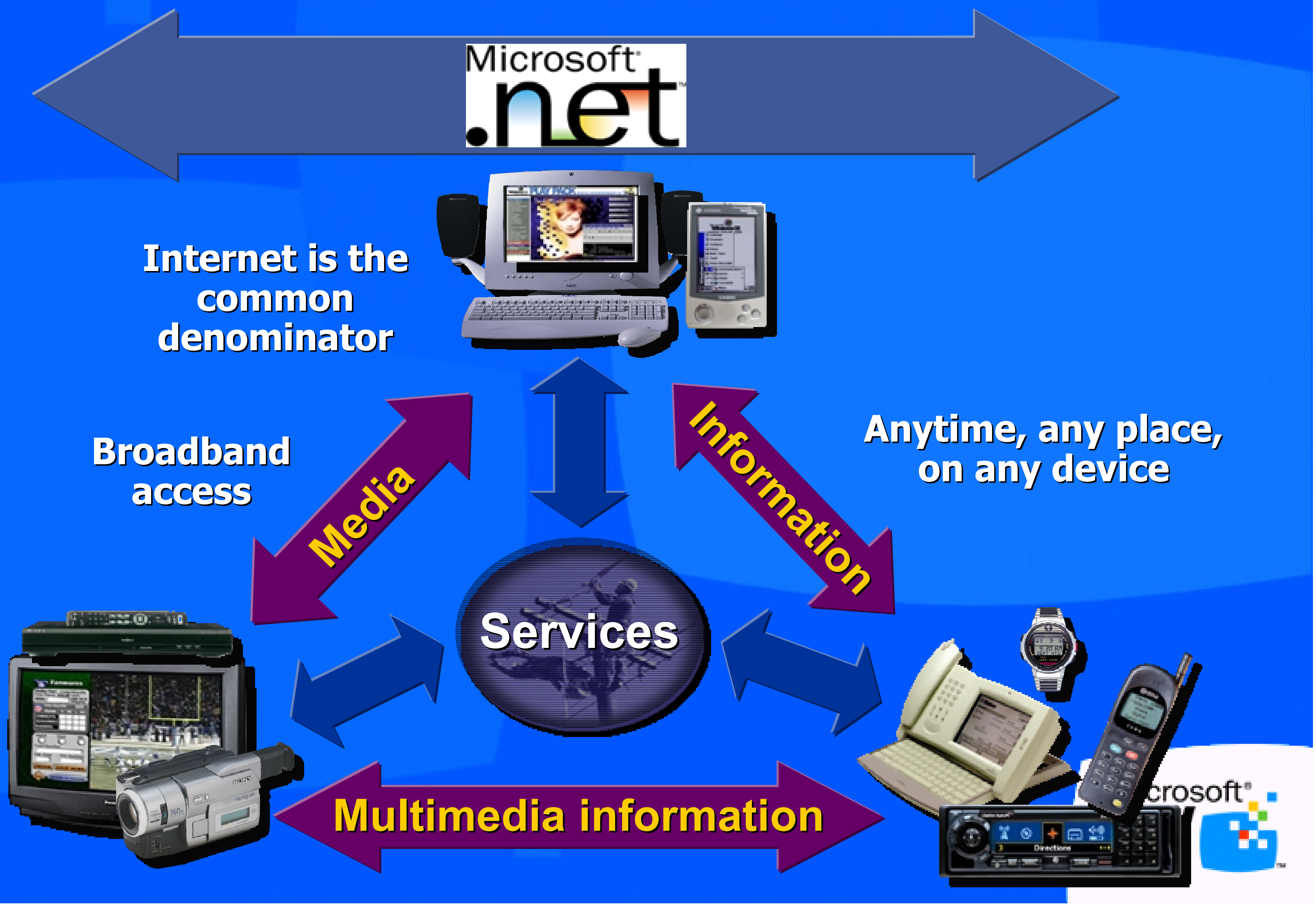
# What is “Interactive TV” ?


**Internet on TV**

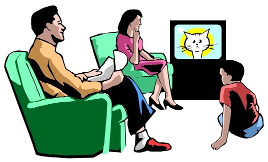

**Connected TV**

# *Defining Interactive TV*

# Convergence drives Interactive TV



# The ITV Marketplace



UltimateTV from Microsoft

AT&T

UPC

ROGERS interactive tv

TV CABO

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## *Changing TV Landscape*
# Setting the Interactive TV Stage

- There are 1.5 billion TVs in use worldwide
  - Single most powerful information & entertainment appliance ever invented
- TV programming services are at the fulcrum
  - Differentiate and create new revenue streams
  - Transmission-path independent (cable, satellite, terrestrial)

Web technology + broadband connectivity + low cost silicon = Interactive TV opportunity

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# *Changing TV Landscape*
# U.S. Audience

| | **TV Generation**<br>Born '40 – '59<br>71 mill. | **PC Generation**<br>Born '60 – '77<br>64 mill. | **Net Generation**<br>Born '78 – '99<br>80 mill. |
|---|---|---|---|
| **WEB** | **What is it?** | **It's a tool** | **It's life** |
| **COMMUNITY** | **Personal** | **Extended Personal** | **Virtual** |
| **PERSPECTIVE** | **Local** | **Multi-National** | **Global** |
| **CAREER** | **One Career** | **Multiple careers** | **Multiple reinventions** |
| **LOYALTY** | **Corporation** | **Self** | **Soul** |

*Source: internal Microsoft research*

***The Net generation comprises ~ 30% of today's TV audience … and number will grow steadily over the next five years***

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## *Changing TV Landscape*
# The Audience is Interacting

- The Net Generation's Web lifestyle
  - Passive experiences (watch and listen) are supplemented with "actionable" ones (communicate, play, shop)
  - Surf, communicate and shop … endlessly
- TV households want interactive TV
  - Almost 80 percent of digital-cable subscribers and 55 percent of analog-cable customers say they would like to iTV

*Source: CTAM study (12/00)*

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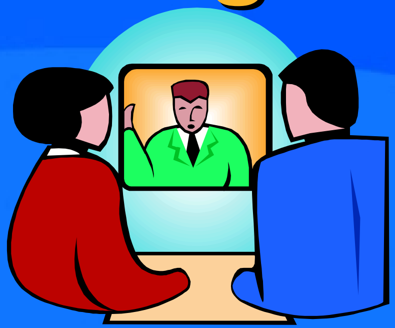
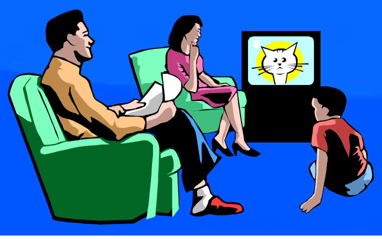
## *Changing TV Landscape*

# The Audience is Fragmenting



- Adults during an average week
  - TV viewing = 14 hours
  - Online usage = 11 hours
- TV viewing is trending up for older age groups, down for younger ones
- Online usage affects TV viewing of the largest age group during the most valuable day part
  - Adults 25-54 tend to go online during primetime (8-10pm)

*Source: Nielsen Media Research*



# *Value Propositions*
# Why Enhance TV?

- **As TV usage grows more interactive, enhanced programming and advertising become more …**
  - ***Relevant*** **-** programmers can deepen viewer interest and loyalty
  - ***Effective*** **-** advertisers can target audience interests and responses with more granularity
  - ***Monetizable*** – TV service providers can deliver more services … and charge more for them, on both premium and basic tiers
  - ***Sticky*** – viewer participation and interaction drives frequency and duration

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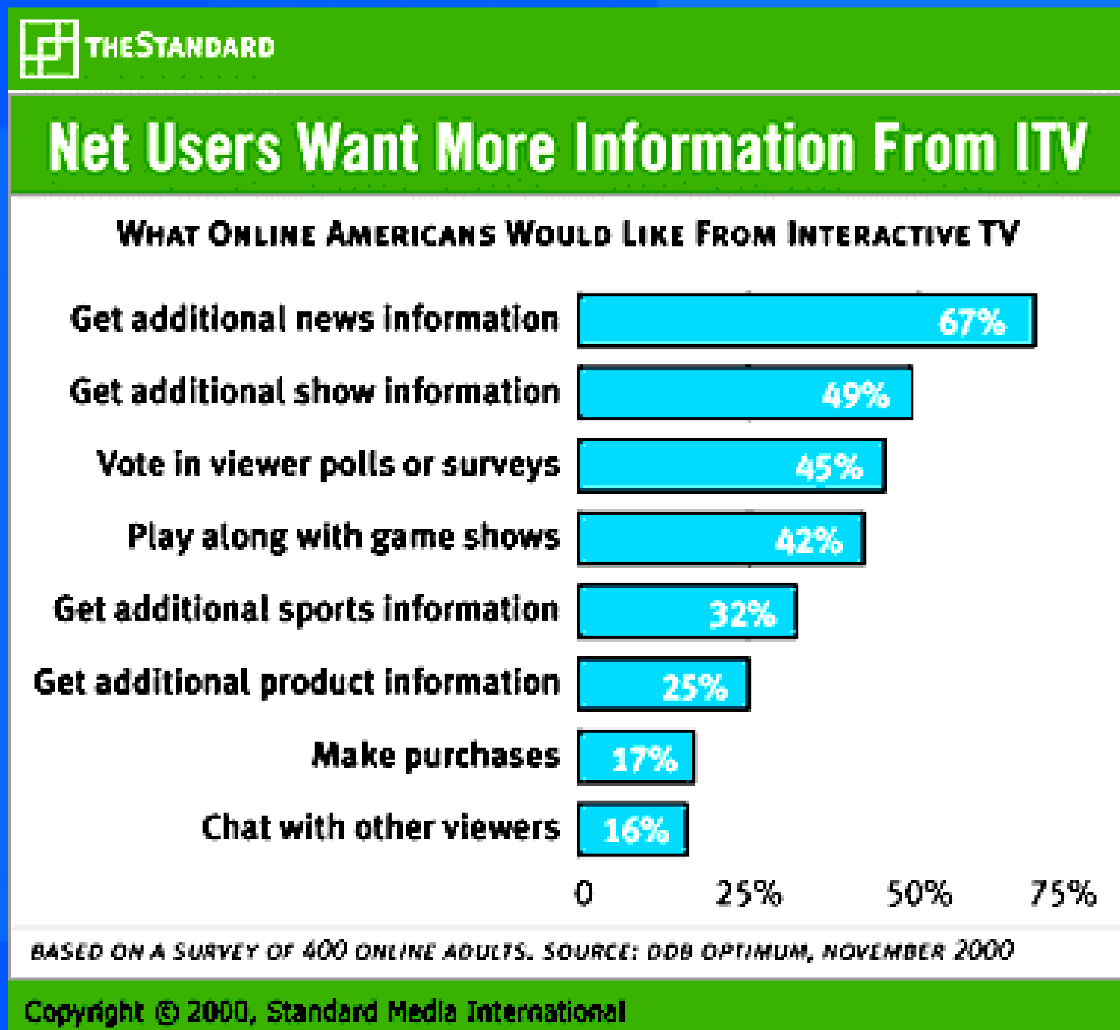
# *Value Propositions*
# Consumers Want ITV



## *Value Propositions*
# Programmers Get More "*i*"s

- **Technology will not replace talent**
  - TV will always be a "hit driven" business
  - Brand loyalty will remain an asset
- **"Viewers" get closer to the experience**
  - *Join:* help the *Stargate* crew on its mission
  - *Play:* be a game show contestant at home and win a prize
  - *Share:* Discuss *Friends* with friends while watching, rather than at the water cooler tomorrow

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# *Value Propositions*
# Lessons from WebTV

- Interactive programming builds viewer loyalty
  - Play-along game shows draw a steady crowd
  - Fans want more sports information – stats, scores, player profiles
  - Viewers use up-to-the-minute news, weather and sports regularly
  - E!'s audience gets more from favorite shows & stars
- The more the audience is engaged …
  - The longer it stays
  - The more it keeps coming back

# *Value Propositions*
# Not Just About *Interactive*

- Web content finds audience in TV households
  - Deeper information sources
  - More up-to-date news & weather
  - Voting & Polling
  - Chat/Email/Buddy Lists
- Viewers want more convenience and control
  - Instant replay - record and playback live programming
  - Video and music on demand

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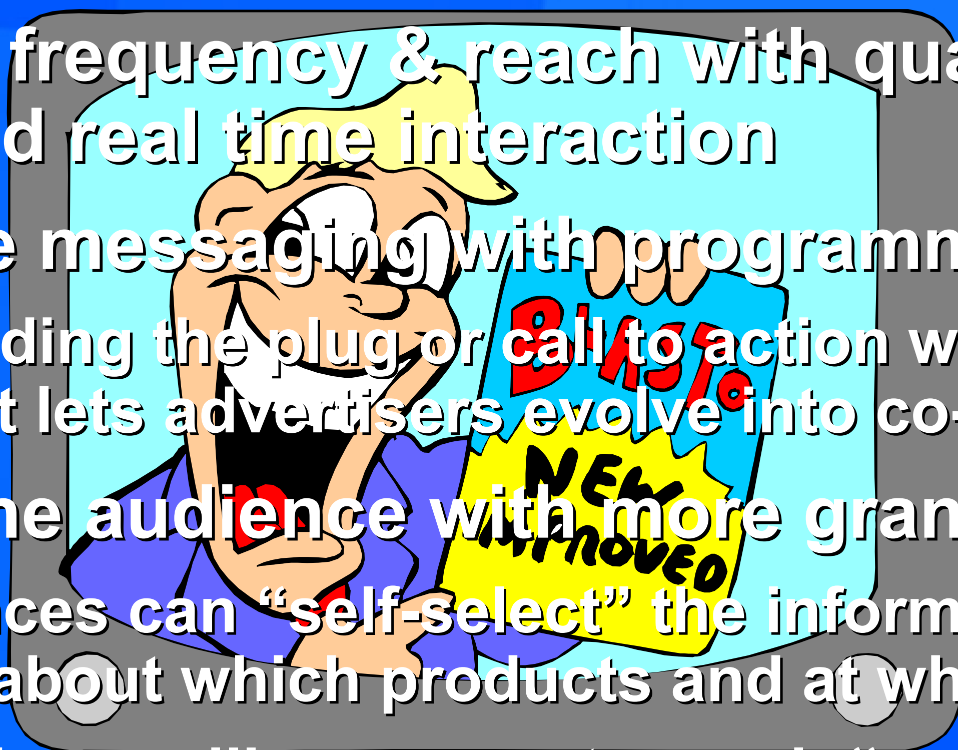
*Value Propositions*

# Advertisers Improve Metrics & Focus



- Replace frequency & reach with qualified leads and real time interaction
- Integrate messaging with programming
  - Embedding the plug or call to action within the content lets advertisers evolve into co-marketers
- Target the audience with more granularity
  - Audiences can “self-select” the information they want - about which products and at what times
  - Advertisers will pay more to reach “qualified leads”

# *Revenue Opportunities*
# How the $$ Will Flow (By 2004)

- **TV service providers**
  - **$6.6 billion in incremental subscription revenue**
  - **$2.6 billion from walled garden services**
  - **$1.8 billion from interactive programming guides**
- **T-commerce**
  - **$7.8 billion from interactive video**
  - **$9.4 billion from walled garden services**
  - **$300 million from interactive programming guide**

  ***Source: Forrester Research 7/2000***

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# *Revenue Opportunities*
# Lessons from Europe

- **Comparison to U.S. market potential**
  - Lower online usage
  - Higher digital cable penetration
  - Longer experience with interactive services (e.g., Teletext in UK, Minitel in France)
- **Key Learnings**
  - 50% of digital TV subscribers use interactive services at least once a week
  - UK Woolworths sells more via TV than in some stores
  - 2/3 of Credit Agricole customers bank on TV

*Sources: ING Barings 9/2000; Forrester 2/2000*

# Standards
# Open Standards Benefit Everyone

- **Microsoft Supports Open Standards**
  - Interactive TV content creation formats:
    *AAF, XML+ECMAScript*
  - Interactive TV content emission formats:
    *SMPTE DDE-1, ATVEF*
  - Interactive TV environments:
    *DASE, MHP, BML, OCAP*
  - Digital TV Transmission:
    *ATSC, DVB (-T, -C, -S), ARIB, OpenCable*

# *What to Expect from Microsoft*
# Two TV Businesses

## UltimateTV:

Be the industry's <u>showcase implementation</u> of Interactive TV, showing what TV can be and providing an invaluable base of experience and understanding of consumer behavior

## Microsoft TV:

Provide the best, open <u>software platform</u> for the TV industry worldwide to deliver new Interactive TV services to consumers, enabling new revenue streams and facilitating broad industry innovation

*What to Expect from Microsoft*

# Microsoft TV Commitments


- Open platform for innovation
- Open content authoring standards
- Build on customer success
  - Now deployed
    - **Rogers** (Canada, cable)
    - **TV Cabo** (Portugal, cable & satellite)
    - **Thomson TAK** integrated TVs with interactive services (Europe, cable/telco)
    - **UltimateTV** DirecTV service (US, satellite)
  - Coming soon
    - **AT&T** (US, cable)
    - **UPC** (Europe, cable)

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## *What to Expect from Microsoft*
# The Best Interactive TV Services

UltimateTV™ from Microsoft

- **Available *now* for DIRECTV subscribers**
- **Entertaining, personalized and powerful**
  - **Digital video recording for live TV**
  - **Dual tuner lets you watch one channel while recording another**
  - **Email, chat and community web services**
  - **Full support for interactive programming (ATVEF Transport A)**

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What TV can be.

www.microsoft.com/TV

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