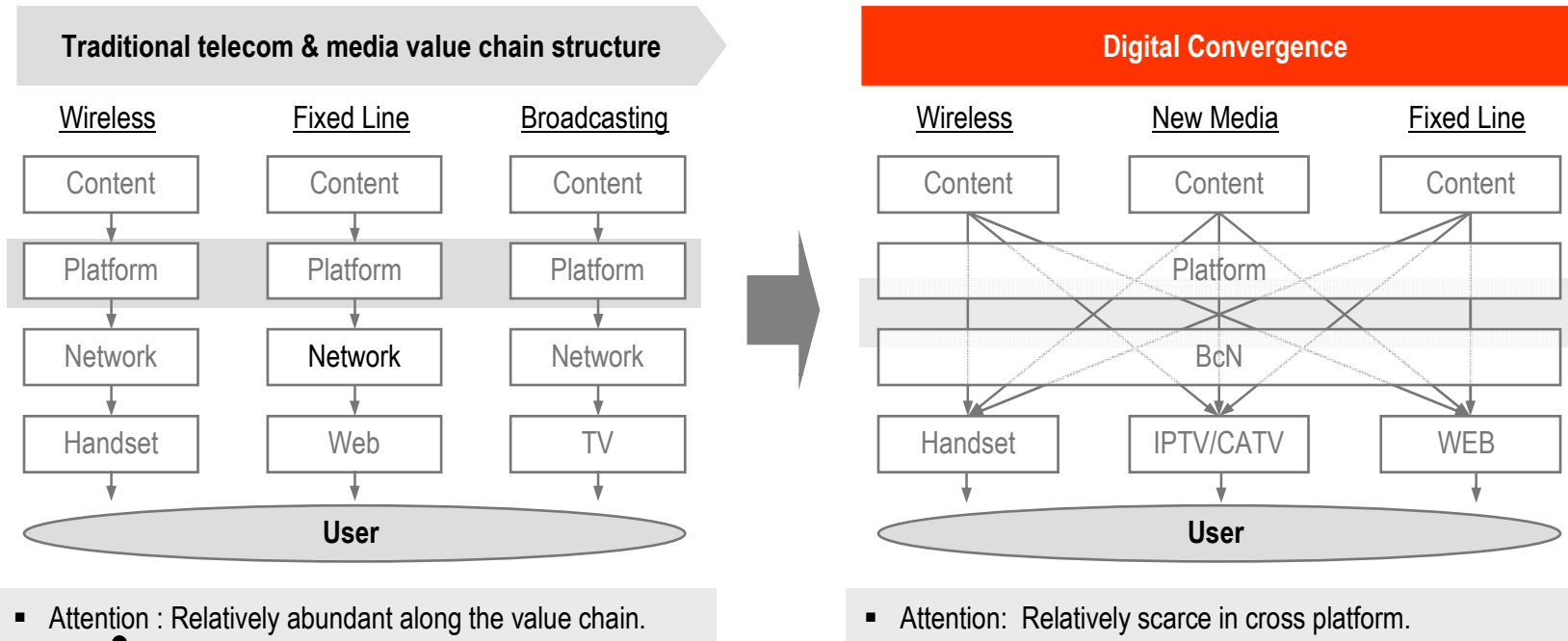# *Prologue*

The traditional media industry's first law is that "attention is scarce."

In fact, attention has remained 'relatively abundant' for many years.

The real problem facing media industry is a zero-sum game

because media's grown quantitatively, but attention hasn't, it is about to be "relatively scarce".

This environment requires a *new relationship* of the media players & *a new role* of the platform.

Traditional telecom & media value chain structure				Digital Convergence		
Wireless	Fixed Line	Broadcasting		Wireless	New Media	Fixed Line
Content	Content	Content		Content	Content	Content
Platform	Platform	Platform		Platform		
Network	Network	Network		BcN		
Handset	Web	TV		Handset	IPTV/CATV	WEB
User				User		

- Attention : Relatively abundant along the value chain.
- Attention: Relatively scarce in cross platform.

My attention is constant, 24 hours a day. But I can choose what to pay attention to in 24 hours.

Digital Media Platform's Role & KT case

Aug. 28, 2009

Minzheong SONG
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Contents

I. Change of the Platform Concept

II. Media Platform's New Architecture

III. TV Industry in Korea

IV. KT's IPTV Role

What is Platform?

In the dictionary,

a platform is a flat, raised structure, usually made of wood,
which people stand on when they make speeches or give a performance.

a platform is a flat area, usually one which something can stand on.

a platform is a structure built for people to work and live on when drilling for oil or gas at sea,
or when extracting it.

In terms of the business,

platform is generally understood as the common components
like hardware, software, service,

as the common rules such as standard, protocol and contracts.

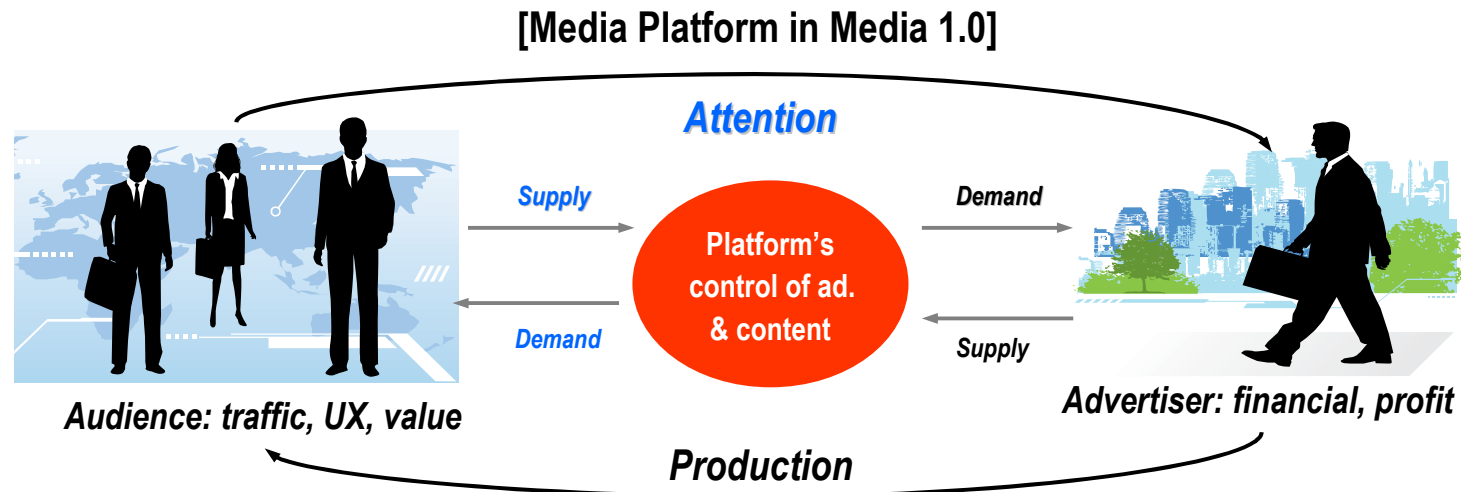→ Platform is employed by network users in most of their interactions.

Platform in Media 1.0?

Most old media markets are two-sided they <u>coordinate</u> consumption by advertisers and audiences.
Attention is how we refer to this coordination process.
Because of high entry barriers (reg., spectrum), old media players gain strong first-mover advantages.
- Supply remains limited on the both side of the two-sided market.
- For advertisers, price rises, then it is used to subsidize audience growth

[Media Platform in Media 1.0]

Attention

Supply → Platform's control of ad. & content → Demand

Demand ← Platform's control of ad. & content ← Supply

Audience: traffic, UX, value
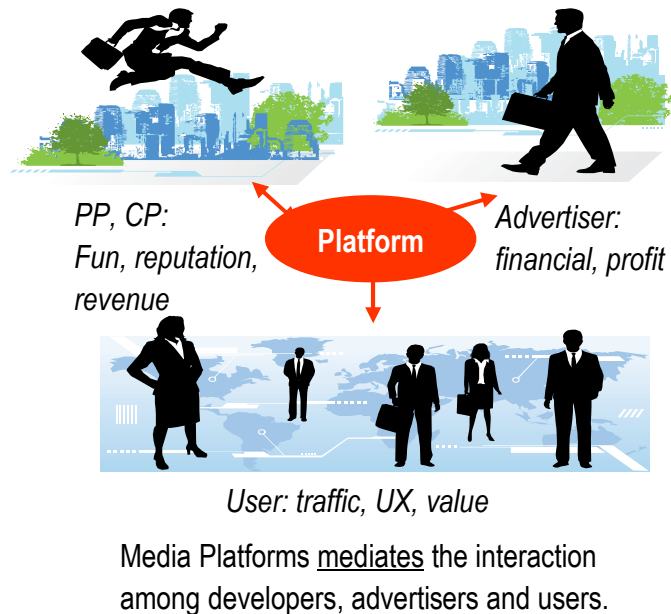
Advertiser: financial, profit

Production

Supply coordinates demand on both sides of a two sided market and sets equilibrium prices.
Unlike in other markets, attention is a critical part of the value chain,
because it is demanded by advertisers (media platform) and supplied by consumers.
On the other side of the two-sided market,
production is demanded by consumers (platform) and supplied (funded) by advertisers

Platform in Media 2.0?

"Being relatively scarce" leads to the creation of new core competence and business strategies.
As competition explodes for attention, marketing costs begin to increase.
On the other hand, production becomes more abundant and less costly.

There is no clear distinction between professional & amateur media because media can be rebundled.
- Atomized media can be reshaped, remixed, aggregated, filtered, distributed…
- Almost anyway / to any time / at any place consumer prefer (Umair Haque, 2005)

[Platform in Media 2.0]

PP, CP:
Fun, reputation,
revenue

Platform

Advertiser:
financial, profit

User: traffic, UX, value

Media Platforms mediates the interaction
among developers, advertisers and users.

Three sources of value creation in Media 2.0

1 Revelation

• Discovering valuable content
• Publishing 2.0: Finding the stuff

2 Aggregation

• Storing huge amount of microcontent
• Distribution 2.0: anytime, any device

3 Plasticity

• Modularizing, standardizing content
• Infrastructure 2.0: extending content
  thru technologies like mashup…

*This economy
requires
openness,
decentralization,
and
connectedness
thru niches,
not blockbusters.*

6

What types of platforms?

Iansiti & Levien introduced 4 types: *Keystone, classic dominator, hub landlord & niche player.*

\- There are two criteria to make those four types: Value Creation & Value Capture

\- Apple as dominator:

For iTunes & iPod, Apple uses a closed proprietary platform.

It combines certain CODECS(AAC) file format with closed "FairPlay" DRM.

Strategy	Definition	Value Creation	Value Capture	Focus/Challenge
Key-stone	Improving the ecosystem and benefits performance of the firm.	Leaving vast majority of value creation to network. Sharing widely.	Sharing value thru network; balancing this with capture in areas	Focusing on creating platforms & sharing solutions throughout network. Challenge is to sustain value creation while balancing value sharing.
Domi-Nator	Integrating vertically or horizontally to control its network	Responsible for most value creation itself	Captures most value for itself	Focusing on control and ownership – defining, owning, and directing most of what the network does
Hub Land-lord	Extracting as much value as possible from its network without controlling it	Creating little if value; relies on the rest of the network for value creation	Capturing most value for itself	Even if they refuse to control their networks, they extract so much value from those networks that they put their existence at risk.
Niche player	Developing specialized capabilities that differentiate it from other firms	Collectively creating much of the value in the ecosystem	Capture much of the value they create	Focusing on specializing in areas where they can develop capabilities, while leveraging the services provided by the keystones in their ecosystem.

Source: Iansiti & Levien, 2004, p.75

Keystone in Media 2.0?

- *Publishing 2.0 : Keystone* increases productivity by simplifying the discovering process.
- *Distribution 2.0 :* It enhances robustness by consistently incorporating technological innovations.
- *Infrastructure 2.0:* It encourages creation by offering innovative technologies to 3rd-party players.

Keystone *creates value*

The value can be a physical asset like Wal-Mart's chain of CD/DVD,
an intellectual asset like Google's innovative information search engine
and hub, or a financial asset like MS's acquisition of Navision.

Effective keystone couples value creation with *sharing it.*

Some assets can also be sharable assets,
or leverage direct customer connections,
or support uniformed information standards like APIs*,
purchase histories, and demographics.
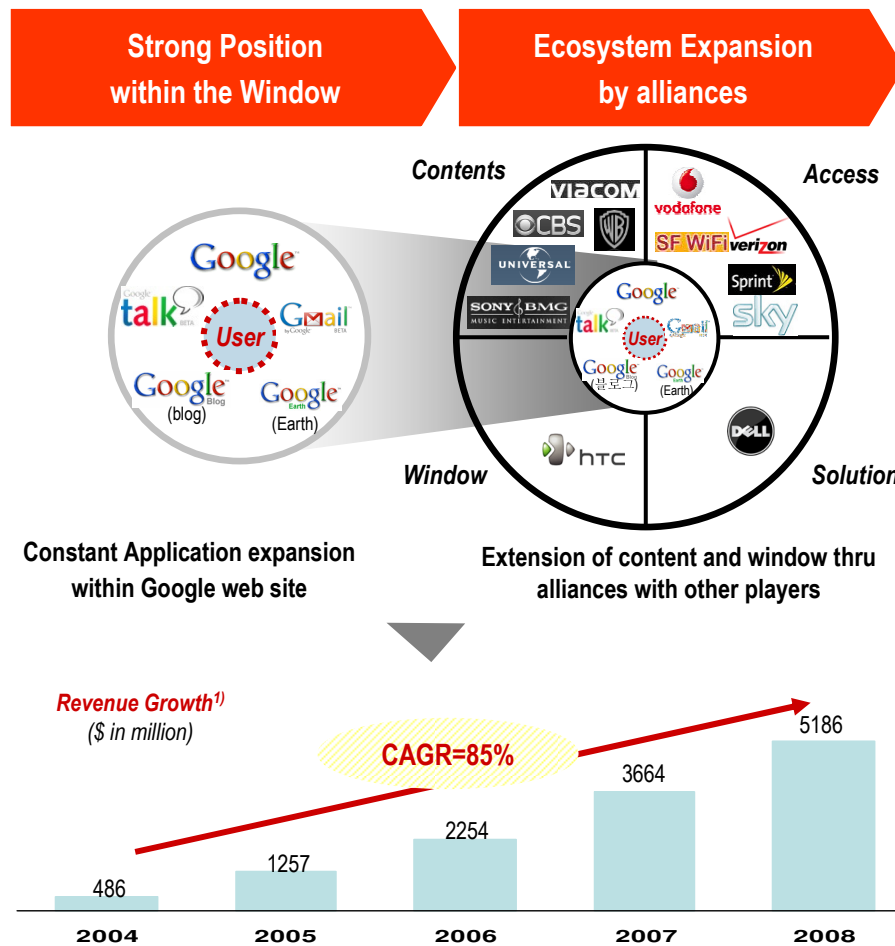Assets can establish and maintain performance standards like Google.

*Application Program Interfaces

Google as Keystone

Google is the model of keystone's good performance based on Media 2.0.
J. Jarvis emphasizes new relationship and architecture in terms of the Google's role as Platform
- Distinguishing Content Economy and Link Economy.
- "The more connections, the greater the value."

Strong Position within the Window → **Ecosystem Expansion by alliances**

Contents / Access / Window / Solution

Constant Application expansion within Google web site

Extension of content and window thru alliances with other players

Revenue Growth[1)]
($ in million)

CAGR=85%

2004	2005	2006	2007	2008
486	1257	2254	3664	5186

[Google Rules by J. Jarvis*]

- **New Relationship**
  - **Give the people control, they use it**
- **New Architecture**
  - **Join the network & be a platform**
- **New Publicness**
  - **Life is public, so is business**
- **New Economy**
  - **Mass market is dead**
- **New Biz. Reality**
  - **Free is a business model**
- **New Attitude**
  - **Trust the people and listen**
- **New Ethic**
  - **Life is a beta, don't be evil**
- **New Speed**
  - **Life is live**
- **New Imperatives**
  - **Simplify and get out of the way**

*Book: "What would Google do?" 2009

I. Concept Change of the Platform
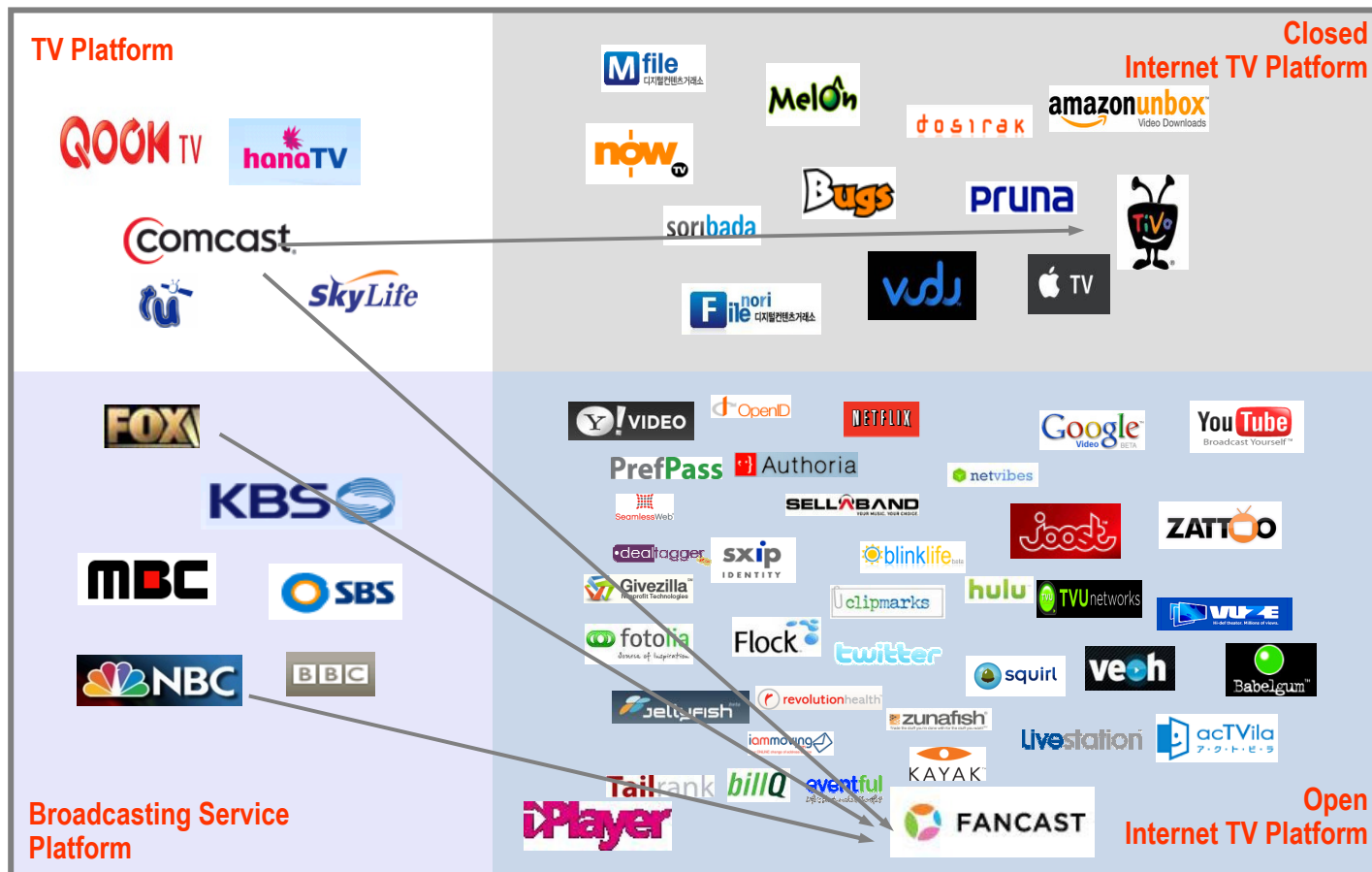
II. Media Platform's New Architecture

III. TV Industry in Korea

IV. KT's IPTV Role

What should be the Media Platforms?

When media platforms are positioned in four quadrants, it leads to the zero sum game. It's media 1.0. But leading companies understand how "relatively scarce" attention shapes industry dynamics.
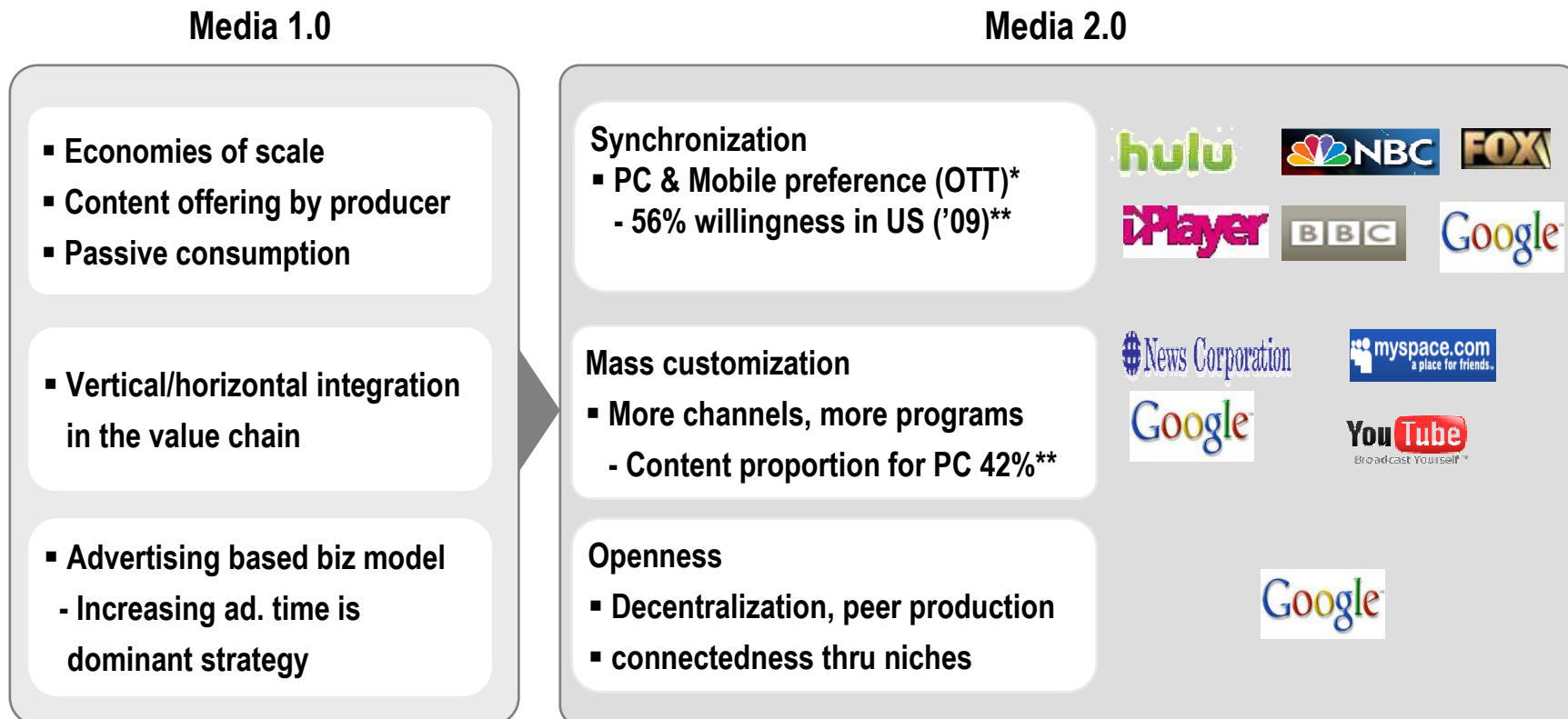
✓*For instance, Comcast's free site, Fancast has streams of full episodes of current and old TV shows from Bravo, CBS, Fox, NBC, and other networks. It has blogs about TV, movies, celebrities and it has marketing for first-run movies, DVDs & downloads. → Beyond protection, control….*

Key architectures in Media 2.0?

New Architectures of the platform are synchronization, mass customization, and openness.

- The user wants to use media aggregated and reconstructed in hyperefficient ways.
- The user wants to consume media in unbundled microchunks (micromedia)
- The user needs the connected consumption thru niches, not blockbusters.

Media 1.0

- **Economies of scale**
- **Content offering by producer**
- **Passive consumption**

- **Vertical/horizontal integration in the value chain**

- **Advertising based biz model**
  - **Increasing ad. time is dominant strategy**

Media 2.0

Synchronization
- **PC & Mobile preference (OTT)***
  - **56% willingness in US ('09)****

Mass customization
- **More channels, more programs**
  - **Content proportion for PC 42%****

Openness
- **Decentralization, peer production**
- **connectedness thru niches**

*OTT(Over-the-Top) : a digital industry term describing third party home entertainment services that are delivered across (i.e., "on top" of)
 a broadband network without affiliation with the broadband service provider (by **bypassing the** telco's broadband network)
**Source: Accenture, "The future of broadcasting: Sustaining shareholder value and high performance in a changing industry", 2008
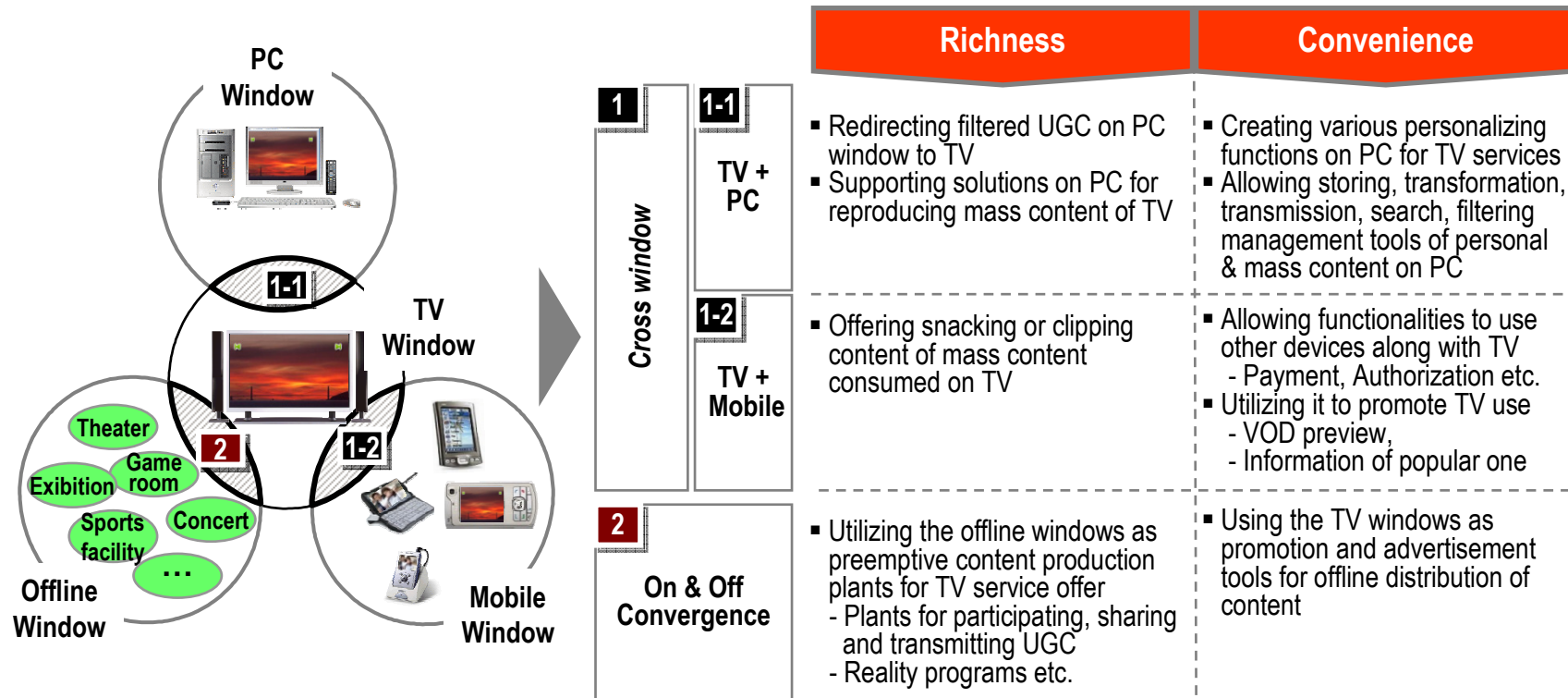
Synchronization

Give value with link! (rather than content economy)

It is important in fields of <u>telephone</u>, <u>video</u> **and** <u>audio</u> **where streams of sampled data are manipulated.**

For instance, it is used for the transfer of content from a computer to an <u>MP3</u> player connected to it.

✓ Hulu offers streaming video of TV shows & movies from NBC & Fox.

✓ BBC launched VoD, iPlayer (Web API).

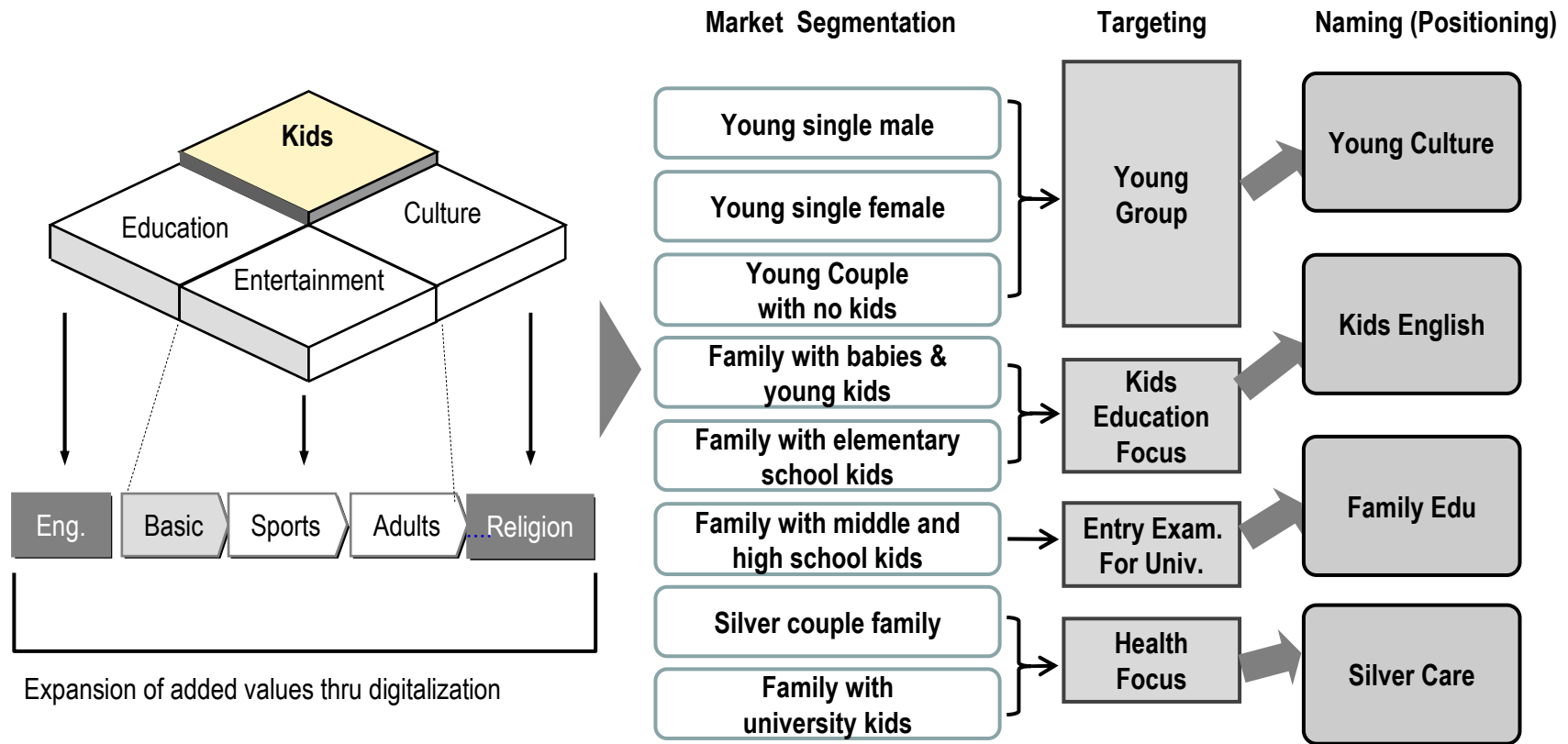✓ Reuters Spotlight provides content in the form of articles, pictures, videos and text through a set standards.

			Richness	Convenience
1 Cross window	**1-1**	**TV + PC**	■ Redirecting filtered UGC on PC window to TV ■ Supporting solutions on PC for reproducing mass content of TV	■ Creating various personalizing functions on PC for TV services ■ Allowing storing, transformation, transmission, search, filtering management tools of personal & mass content on PC
	1-2	**TV + Mobile**	■ Offering snacking or clipping content of mass content consumed on TV	■ Allowing functionalities to use other devices along with TV - Payment, Authorization etc. ■ Utilizing it to promote TV use - VOD preview, - Information of popular one
2		**On & Off Convergence**	■ Utilizing the offline windows as preemptive content production plants for TV service offer - Plants for participating, sharing and transmitting UGC - Reality programs etc.	■ Using the TV windows as promotion and advertisement tools for offline distribution of content

PC Window

TV Window

Mobile Window

Offline Window

Theater
Game room
Exibition
Sports facility
Concert
...

Mass Customization

Managing abundance! (rather than controlling content)

✓ More flexible viewing schedules with affordable devices & applications make mass market dead.

✓ Users can be highly targeted and redefine the amount of time they spend media.

J.Jarvis: *"Long live the mass of niches. Some are producing services for more targeted interests, locals and communities: a local sports talk show, mobile weather service, local job fairs, parents' guides etc. "*
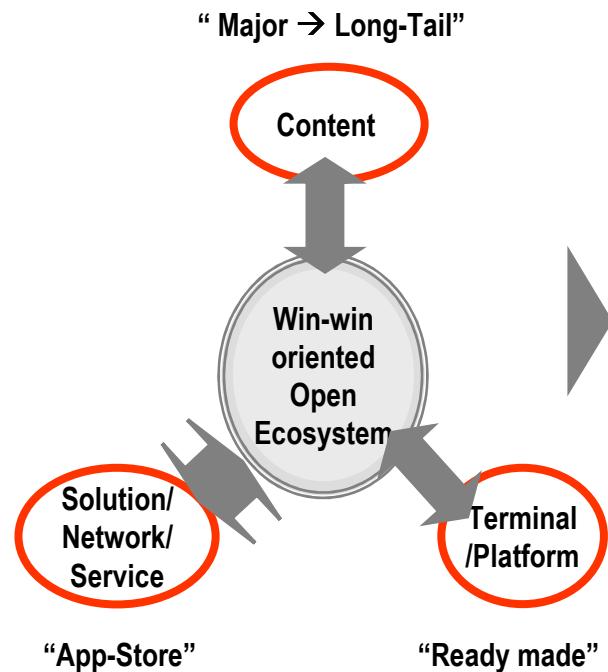
Kids

Education

Culture

Entertainment

Eng. | Basic | Sports | Adults | ....Religion

Expansion of added values thru digitalization

Market Segmentation

- Young single male
- Young single female
- Young Couple with no kids
- Family with babies & young kids
- Family with elementary school kids
- Family with middle and high school kids
- Silver couple family
- Family with university kids

Targeting

- Young Group
- Kids Education Focus
- Entry Exam. For Univ.
- Health Focus

Naming (Positioning)

- Young Culture
- Kids English
- Family Edu
- Silver Care

Open up the way they create content! (rather than offering closed APIs)

- Warner Music Group has joined EMI & Universal in agreeing to drop DRM on MP3 files.

- Technology such as the open source supports the interactivity.

- Innovators are Google, Amazon, Craigslist (community), etc. They know upstream resources become scarce.

Jeff Jarvis said, *"Small is the new big. Long live the mass of niches." = Long tail*

" Major → Long-Tail"

Content

Win-win oriented Open Ecosystem

Solution/ Network/ Service

Terminal /Platform

"App-Store"

"Ready made"

[Condition]

platform	Web based
API	Standard
Cost	Low
Lock-in	Data-focus
Developer	All
Example	Google

The lesson of Google:

✓It creates Google economy by commodifying everything.
✓It's Motto is "Don't be evil."

http://code.google.com
- Android (mobile)
- Google App. Engine
- Google Gears (on/offline)

I. Change of Platform Concept
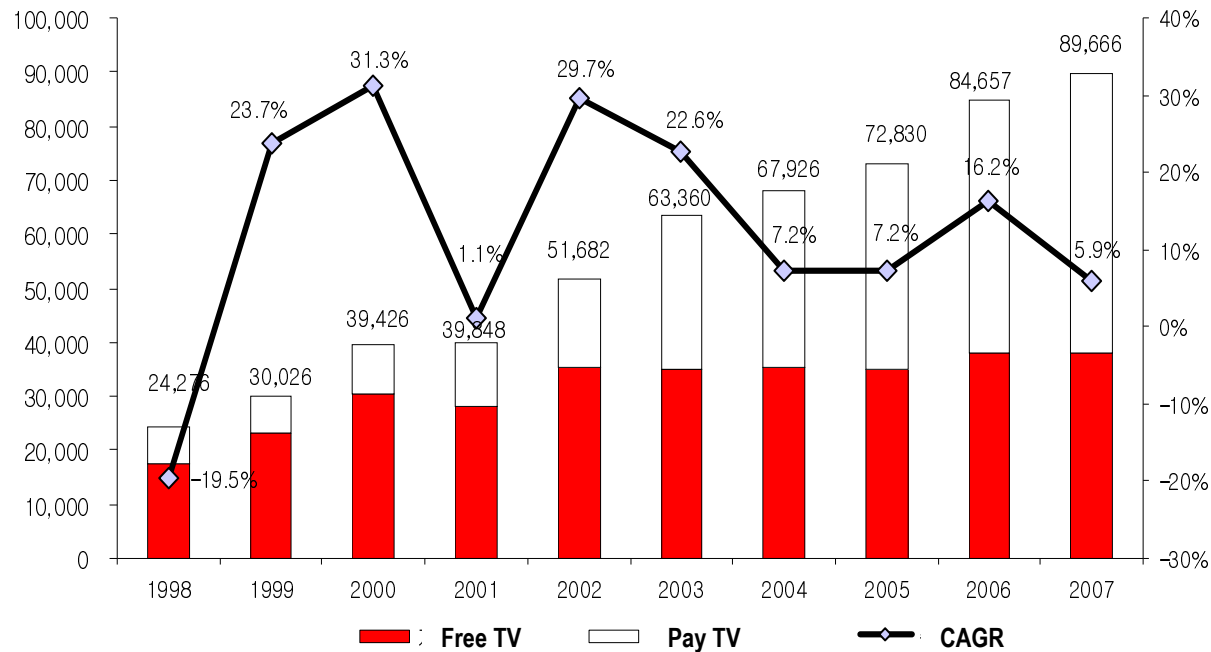
II. New Architecture of the Platform

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Advertising market saturation?

Advertising market in Korea has been stagnated for many years, less than 1% of GDP.

TV industry had 15.6% CAGR since 1998, but 12.5% CAGR since 2000.

- The main reason of this decline is the saturation of TV advertising market.

[Revenue Growth of free TV & pay TV in Korea]

구 분	2003	2004	2005	2006	2007	CAGR
Rev.	63,360	67,926	72,830	84,657	89,666	9.1%
(ad.)	(32,387)	(32,102)	(30,747)	(32,859)	(33,657)	(1.0%)

Source: KCC, 2009

Recent ad. market recovery, but?

Recent signs of improvement in industrial production should boost advertising demand.

Ad. demand in Korea is correlated to production for the following reasons:
① Ad. revenue originates mainly from corporations;
② Industrial production must expand before advertising sales increase;
③ Companies are quick to respond to changes in consumption.

[Monthly industrial production index and broadcasting ad spending]
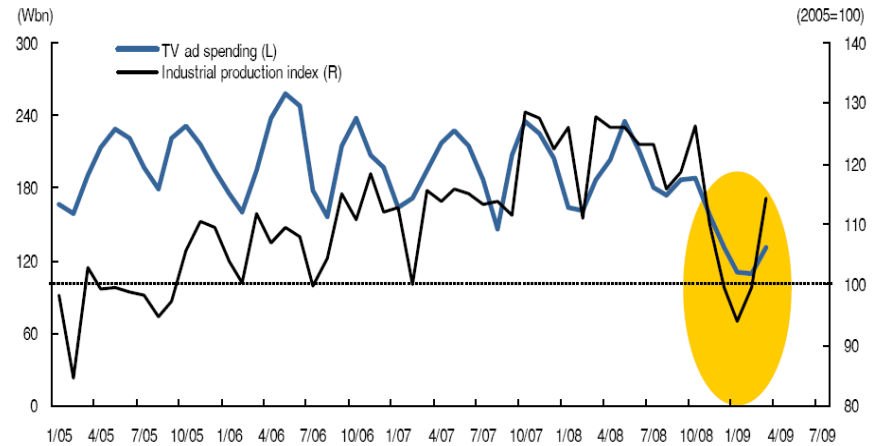
Source: KOBACO, Daewoo Securities Research, 2009

But limitation of Pay TV's main revenue source is another issue.
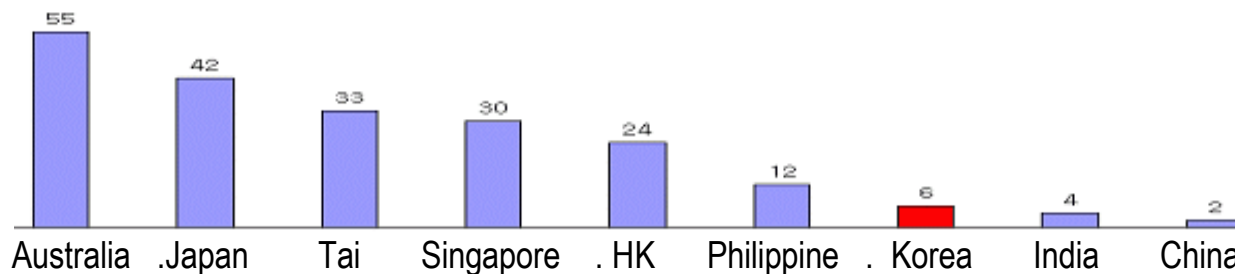
※ KCTA. 2007

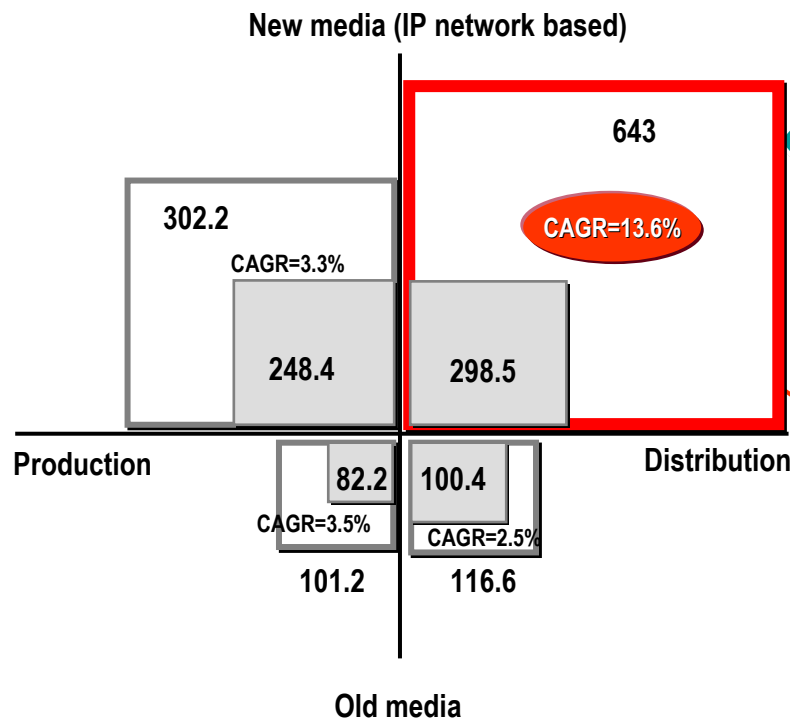Subscription revenue amounted to 46.4% of the total pay TV revenue in 2007.

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New Remedy?

New direction is new media (mostly IP network)-based, microdifferentiated content distribution .

- The expected volume of global media market in 2013 will be totally W1,163 trillion (US$1,163bil.).

Global media market growth (2007 vs. 2013)   (unit : trillion)

New media (IP network based)

643

New direction

CAGR=13.6%

302.2

CAGR=3.3%

248.4   298.5

Production

82.2   100.4

CAGR=3.5%   CAGR=2.5%

101.2   116.6

Distribution

Old media

"It will be won by players who can realize economies of scale & scope in production and distribution (not marketing) to efficiently allocate scarce attention."

■ **New Market Drivers in Media 2.0**
   -**Technology & Investment**
     . **Fixed-mobile broadband, MPEG, P2P**
   - **Regulation**
     . **Fair competition/use, creative commons**
   - **Changing consumer preference**
     . **Peer production, connected consumption**

☐ **2007**
☐ **2013**

Source : PWC, ATLAS Research

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III. KT's IPTV Role

Telcos have 560,000 real-time IPTV subscribers and need unique application for revitalization.

KT's Real-time IPTV

Market Share

Causes of the chasm

of Subscribers
(Thousand)

D-CATV 2,170

IPTV 560

LGD/P, 180,000, 32%

KT, 265,000, 47%

SKB, 119,000, 21%

July, 2009

Including Pre-IPTV 1,800
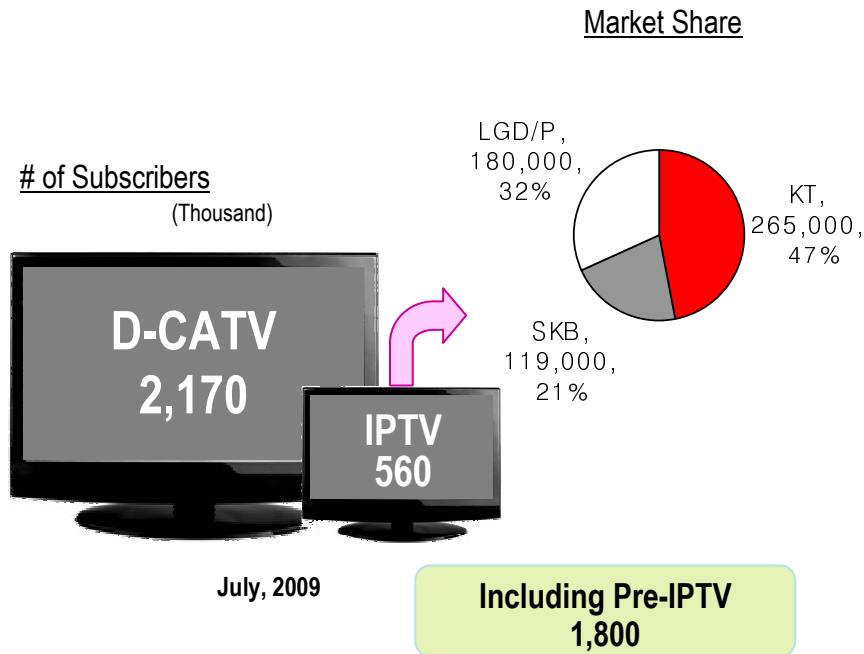
✓ **Traditional dominator approach**

✓ **Meet no Media 2.0 trend**

✓ **No differentiation with Digital CATV**

|	content	distribution	Attention
Media 1.0	Scarce (expensive)	Scarce (contolled)	Abundant (need to choose)
Media 2.0	Abundant (cheap)	Abundant (open& limitless)	Saturated (need to filter)

How overcome?

KT needs to focus on "the Economy of Scale" in short run,
In long run, it should adapt the Google economy and Keystone strategy.

Short run

"Economy of Scale"
1. Family unit convergence service (QPS)
2. Scale covering variable cost

TPS | Video | Voice | Data
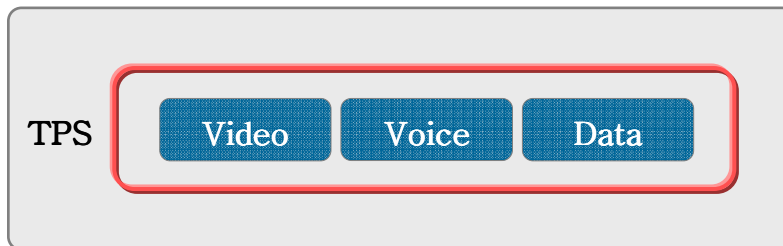
Evolution

"Technology and Society"
1. Any service, any device, any time, anywhere
2. Micromedia, content side

Long run

"Beyond TV (home gateway, IPTV 2.0)"
1. User as component of media
2. Society based on collective Intelligence

Value Creation

- Synchronized content among 4 Screens*

  QOOK TV   SHOW   QOOK Internet
  QOOK Internet Phone

- Customized advertising "Clear Skin"   QOOK TV

Value Sharing

- App Store   QOOK TV   SHOW
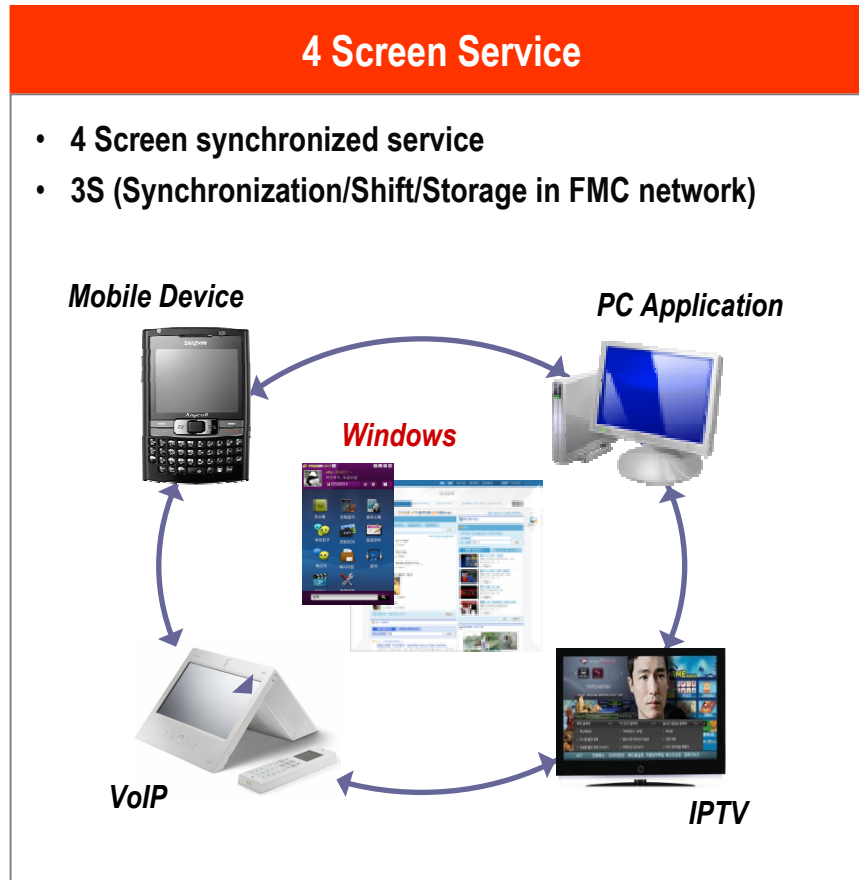- Open Market
- Partnership   KT WIBRO

KT's Role for Synchronization?

Synchronized content sharing among 4 Screens[*]

- Address Book, Photo Sharing, TV Series on Demand, Schedule update, Messenger, etc.

Specially optimized UI Window within each screen

4 Screen Service

- **4 Screen synchronized service**
- **3S (Synchronization/Shift/Storage in FMC network)**

Mobile Device

PC Application

Windows

VoIP

IPTV

[Optimized window features]

Mini Window

Portable Window

*4Screen: PC, IPTV, VoIP, Mobile Device

KT's Role for Mass Customization?

KT's customized advertising Business Model : 'Clear Skin' (Invisible internet skinned over IPTV)

Reconstruction of digital content makes the user in hyperefficient ways (online stores wit Clear Skin)
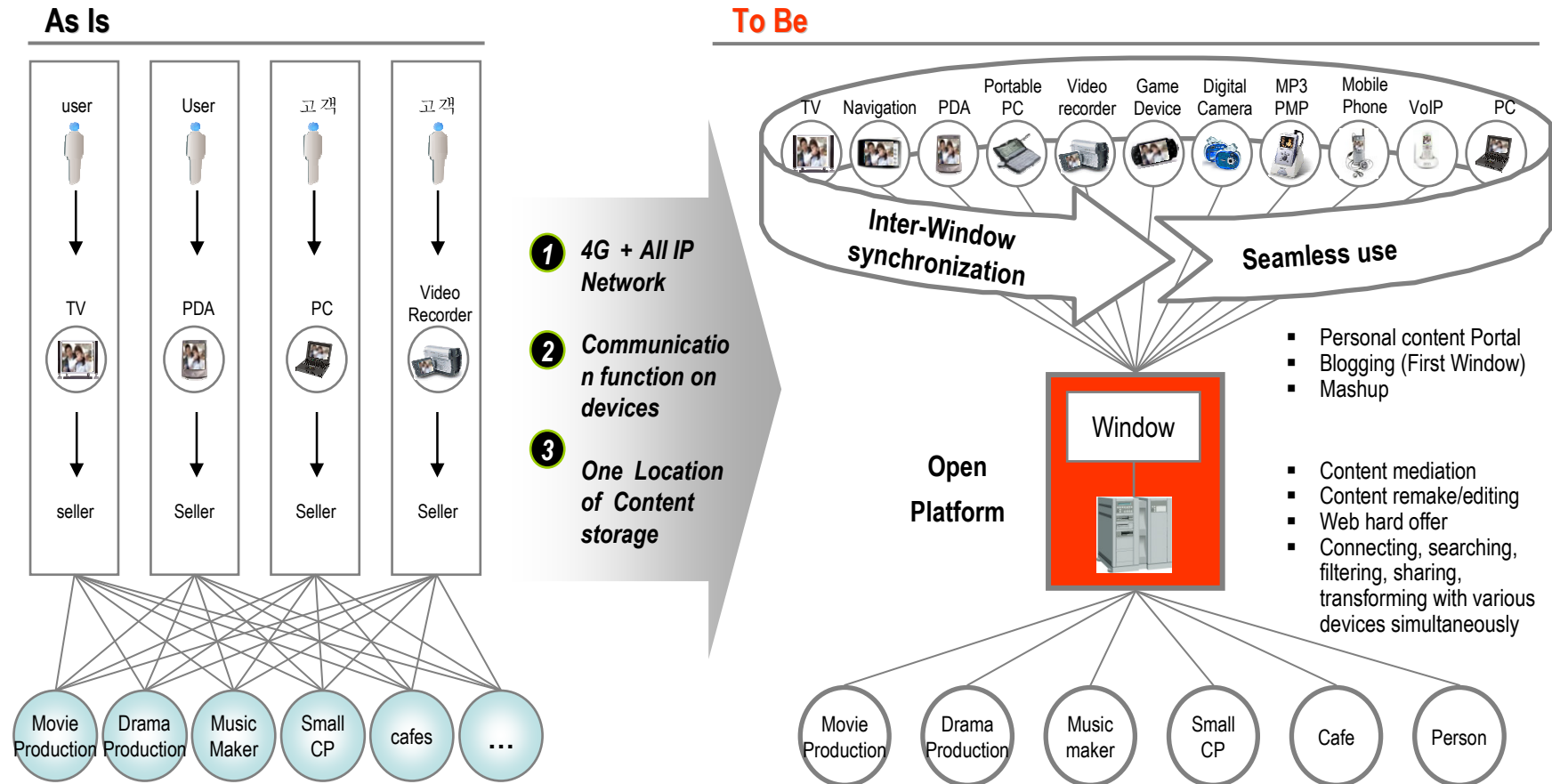
※ Illustration: Actor profile & Related VOD, BGM downloading, Mobile phone purchasing, Restaurant booking

KT's Role for Openness?

KT's planning to open up new ways to distribute content

- It will integrate, manage and protect content, services and business models thru open standard.
- It will create open, reciprocal relationships with content providers and customers, allowing more access and granting more freedom in available ways to combine content and delivery.

As Is

user → TV → seller

User → PDA → Seller

고객 → PC → Seller

고객 → Video Recorder → Seller

Movie Production | Drama Production | Music Maker | Small CP | cafes | ...

① **4G + All IP Network**

② **Communication function on devices**

③ **One Location of Content storage**

To Be

TV | Navigation | PDA | Portable PC | Video recorder | Game Device | Digital Camera | MP3 PMP | Mobile Phone | VoIP | PC

Inter-Window synchronization

Seamless use

Open Platform

Window

- Personal content Portal
- Blogging (First Window)
- Mashup

- Content mediation
- Content remake/editing
- Web hard offer
- Connecting, searching, filtering, sharing, transforming with various devices simultaneously

Movie Production | Drama Production | Music maker | Small CP | Cafe | Person

Epilogue

1. KT's entry into IPTV market at the end of 2007 was a vey ambitious step for a new media player.

2. This transformation is a journey to a content-driven and service-led environment.

3. We know, the most effective transformation programs comprise Customer-centric biz. Units.

4. To be a keystone platform to promote the interaction among media customers and partners, we will focus on key architectures like synchronization, mass customization and openness.

5. In synchronization support, we will aim to make same content, transactional services and applications available across all windows simultaneously, wherever practical and commercially viable, and with a common look and feel.

6. For supporting mass customization, customer segmentation is not just a demographic profile. It will be characterized thru needs-based segmentation and put at the center of all businesses and service development.

7. To create more value, we will give up some control of assets, then collaborators can remix, add to, and distribute content.

    "Collaboration is co-creation." (Jarvis' What Would Google Do?)

Any questions?