Over-The-Top Television: A Perspective of the Future with a View of the Past

The Implicit Construction of Television as a Medium in a Popularized Expert Discourse on OTT TV

Master Film- en Televisiewetenschap

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18-04-2017

Wordcount: 11.667

VERKLARING: INTELLECTUEEL EIGENDOM

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SUMMARY

This thesis analyses the implicit construction of television as a medium in a discourse on internet-distributed television, or 'OTT TV'. Following Sonia Livingstone, who argues that assessments of new media will indivertibly revaluate television, this thesis interprets in what way references to OTT TV imply a conceptualisation of television. Twelve articles were selected to form a corpus, published between 2015 and 2016 in the United States. In these articles experts explain the intricacies of OTT TV to a larger, lay audience. As such, this corpus is taken as a popularised expert discourse, influencing popular understanding. The corpus was analysed using the analytical tools of critical discourse analysis as provided by Norman Fairclough. This thesis aims to formulate an answer to the research question: *In what way does a popularized expert discourse on OTT TV implicitly construct television as a medium?* The analysis shows that the discourse on OTT TV constructs the empowerment of the content consumer, which is premised upon and implies the powerless television viewer. The television audience is implicitly constructed as passive, not-conscious and powerless in relation to the OTT TV consumer. Furthermore, live programming is implied to have an increased value for television. Liveness is constructed as a marker for a valuable commodity, through the significance attributed to live television content for OTT platforms. Finally, OTT TV is constructed as the liberation of television by decoupling the medium from the industry. Cable providers are signified as ruling the industry, exploiting their monopolistic position and monetizing on the powerless audience, using valuable content forms to exert control by restricting access. This constructs both an inseparable connection between television and the industry, and implies television's captivity. This thesis concludes that through a future perspective of the possibilities of internet-distributed television the view of the past is dominated by limitations. The analysed popularised expert discourse implicitly constructs television as a legacy configuration in relation to the medium's potential form. As such, the findings highlight a retrospective dimension to the technological imaginary.

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1. Introduction

"Rapid expansion of the over-the-top (OTT) market shows how TV is breaking free from its classic model."[1]

Appendix: 8.1

In a guest blog in "The Wrap", an entertainment news site, Dan Schechter uses the above quotation as his subtitle, directly followed by the image above. Over-the-top, or OTT as I shall call it henceforth, refers to a distinct distributional chain.[2] An OTT service is an online platform that acts as a distribution system; using the infrastructure of the internet as a distribution technology to deliver content from the producer or license holder to the consumer. In terms of television distribution this means that previous distribution technologies with their own infrastructures – i.e. terrestrial, cable or satellite – are circumvented. Via an OTT platform, television content can be streamed to any device with an internet connection.

OTT TV is hot. Parks Associates have named 2015: the year of OTT.[3] In February, DISH Network launched Sling TV, the first OTT platform catering live television;[4] in April, HBO launched its standalone OTT service: HBO Now;[5] and as Netflix's customer numbers keeps skyrocketing, Parks

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[1] Dan Schechter, "Streaming TV Boom OTT More Than Just Netflix," *The Wrap*, July 27, 2016. http://www.thewrap.com/streaming-tv-boom-ott-more-than-just-netflix-guest-blog/

[2] To effectively separate the different distribution systems I will refer to internet-distributed television as 'OTT TV' or 'TV'. Television distributed through any other system of delivery I will refer to as 'television'.

[3] Parks Associates is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. See "Seventeen percent of U.S. broadband households are likely to subscribe to an OTT HBO service." *Parks Associates,* January 22, 2015. http://www.parksassociates.com/blog/article/pr-jan2015-ott-hbo

[4] David Katzmaier, "Sling TV: Everything you need to know," *CNET,* September 6, 2016. https://www.cnet.com/news/sling-tv-everything-you-need-to-know/

[5] "HBO to Launch Standalone Premium Streaming Service in April," *Time Warner,* March 9, 2015. http://www.timewarner.com/newsroom/press-releases/2015/03/09/hbo-to-launch-standalone-premium-streaming-service-in-april

Associates' research finds that over 50% of US households are subscribed to an OTT service.[6] The OTT marketplace grows and proliferates, and this is understood to have wide ranging implications for the television industry.[7]

Recently, OTT TV has also received due attention in academic circles. Esteemed television scholar Amanda Lotz published a comprehensive account, named: "Portals: A Treatise of Internet-Distributed Television."[8] She uses the term 'portal' to "distinguish the crucial intermediary services that collect, curate, and distribute television programming via internet distribution."[9] Lotz perceives portals as a new media inspired evolution of how distribution systems can circulate long form, industry-produced content. She urges that sense should be made of the profound changes in the television industry, that is negotiating "epic shifts in distribution and screen technologies that have had implications for all aspects of making and viewing television."[10] She stresses the importance of analysing the transition as it happens; arguing that "if we delay too long, some of the richness of insight most evident in the throes of transition will be lost."[11] I consider one of those insights to be that as a part of this transition, a revaluation of television is happening.

With that perspective in mind, I interpret the introductory quote to infer a duplex meaning. Dan Schechter applies a sharp-cut metaphor to illustrate the relationship between systems of television distribution. OTT is signified as the liberation from the classic model of distribution. This metaphor is invigorated by the image of two handcuffed arms, breaking the chains.[12] As liberation is essentially premised upon initial captivity, this depiction does not just infer a meaning for OTT, but also implies a specific account of television.

In her article "New Media, New Audiences" from 1999, Sonia Livingstone argues that an assessment of new media audiences will indivertibly revaluate the television audience. She explains:

"To ask whether the audience is fragmenting is simultaneously to imply that the mass

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[6] "Seventeen Percent of U.S. Broadband Households are Likely to Subscribe to an OTT HBO Service." Even in The Netherlands we now have an OTT service delivering broadcast television. It is called KNIPPR, launched in August 2016. A basic subscription comes with a nominal fee of 10 euro's a month and separate channels can be added for one euro each. See "Knippr," accessed March 10, 2017. https://www.knippr.nl/

[7] As stated in the annual report of Ooyala, a media logistics consultancy agency, see: "State of the Broadcast Industry 2016: OTT Moves to Center Stage," *Ooyala,* accessed April 2, 2017. http://go.ooyala.com/rs/447-EQK-225/images/Ooyala-State-Of-The-Broadcast-Industry-2016.

[8] Amanda Lotz, *Portals: A Treatise of Internet-Distributed Television* (Michigan: University of Michigan Library, 2017), accessed March 15, 2017. http://dx.doi.org/10.3998/mpub.9699689

[9] Although she recognizes that OTT is a term that caries the same meaning, she is reluctant to use it as "the jargon of OTT obscures what was simply an expansion in distribution technologies." This thesis, as I will argue, focusses on popular understanding. I therefore use the term OTT because the jargon that would obscure is exactly what I will be analysing. See Lotz, *Portals: A Treatise of Internet-Distributed Television.*

[10] Ibidem.

[11] Ibidem.

[12] Ibidem.

audience was what was significant about television, just as asking whether the internet user is more active and participatory than the television viewer not only opens up questions about internet use but also implies a particular account of television viewing."[13]

Although Livingstone argues for the conceptualisation of the audience, I consider her reasoning to be applicable in more ways.[14] For instance, when Dan Schechter depicts OTT as a liberation, this is "simultaneously to imply" that television is a 'captive' held by the distribution system, or 'captor'.[15] Following this reasoning, I take statements pertaining to OTT TV's beneficial properties or affordances to inherently imply a contextualisation of television. This thesis is aimed at analysing that implicit conceptualisation of television as a medium.

To clarify the approach and subsequently the object of analysis, it is necessary to briefly address some of my theoretical predispositions; these will be considered in more depth in section 2. First, following the theoretical writings of Lisa Gitelman, I consider media to be socially realised structures.[16] Accordingly, I understand the construction to consist of certain discourses in which people communicate and give meaning; collating popular ontologies of representation.[17] Second, as Michael Newman and Elana Levine argue, changes in television industry, technology and experience can function as a mark of a new television identity.[18] Subsequently, I consider media generally, and

[13] Sonia Livingstone, "New Media, New Audiences?," *New Media and Society* 1:1 (1999): 63. http://journals.sagepub.com/doi/10.1177/1461444899001001010

[14] Livingstone argues that because of the dominant position of television as a medium in society an assessment of new media, even unrelated media, hold a significance relative to television. One could argue that this argument rang more true in 1999 than it does today; that television's does not hold the dominant position within today's society as it once did. Meaning, that not every evaluation of a new medium is relative to television, but given the more central role of "new media" currently, could be relative to another new medium. This counter argument, although possibly valid, is beside the point of the comparison made in this thesis. I do not apply Livingstone's reasoning to address the relationship between television and another, non-related new medium. Instead I consider the relationship between different distribution systems, or rather their conceptualisation, within the same medium. The "new" conceptualisation of the same medium is necessarily related to the "older" one. Therefore, I take Livingstone's reasoning to be applicable here, despite the fact that the foundation of the original argument might be questioned. See idibem.

[15] Ibidem.

[16] Lisa Gitelman, *Always Already New: Media, History and the Data of Culture* (Cambridge: MIT Press, 2006), 7.

[17] Ibidem. Gitelman emphasises here that the conceptualisation of new media "are less points of epistemic rupture than they are socially embedded sites for the ongoing negotiation of meaning as such." The produced meanings concerning how a medium 'is', or can be thought or spoken of, thereby influences the understanding of a medium. Gitelman addresses the "ontology of representation" part of the definition herself: "the 'ontology of representation' points away, I hope, from a purely perceptual account of media forms and toward an unabashedly humanistic sociology of knowledge.

[18] Michael Newman and Elana Levine, *Legitimating Television: Media Convergence and Cultural Status* (New York: Routledge, 2012), 10. OTT distribution signifies changes and implications for all of the above. For instance, the television industry has to respond to the implications of online distribution for industrial structures and relationships, government policies and regulations, distribution deals, and questions of access like geo-blocking. See: Christine Quail, "Television Goes Online: Myths and Realities in the Contemporary Context," *Global Media Journal* 12 (2012): 4, 5, 7, 9, accessed January 20, 2017.

television specifically, to be mutable social constructs. Correspondingly, I take the technological innovation of OTT TV, using the internet as a distribution system, as a sign that marks a reconceptualization of television's identity. But instead of replacing television's identity, this thesis will show that OTT TV is conceptualised as a separate entity, creating a duality within the medium. Following Gitelman, the conceptualization of OTT TV is considered a social process. OTT TV as a social construct is shaped within discourses, through people attributing meaning. And finally, coupled with Livingstone's reasoning, I take the way OTT TV is effectively separated from television as a source of information. The features on which OTT TV is distinguished revaluate television as a medium. Consequently, both the conceptualisation of OTT TV and the subsequent implicit conceptualisation of television, reside within discourses on OTT TV. To approach the way television as a medium is conceptualised implicitly, I will therefore analyse a discourse on OTT TV.[19]

My approach adheres foremost to Lynn Spigel's. In "Make Room for TV" she demonstrates how the idea of television within everyday life was circulated through women's magazines in a post-war period; therewith placing the development of televisions cultural form within a frame of social- and cultural history. [20] She employs a method of historical discourse analysis. Through the analysis of media discourses, she aims to reveal the intertextual context they create. Her analysis is based upon the assumption that popular media can ascribe meaning, which helps to establish discursive rules that structure the way television is conceived.[21] My research is based on the same assumptions. By analysing a discourse on OTT TV, I aim to bring to light in what way meaning is ascribed.[22] But my focus differs, Spigel's research is historical whereas mine has a contemporary focus. Furthermore,

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http://www.globalmediajournal.com/open-access/television-goes-online-myths-and-realities-in-the-contemporary-context.pdf In addition, streaming content off an online OTT platform means that any internet connected device has access. As a consequence, this changes the way television can be experienced. Most symbolic is the portability internet devices afford, establishing an alternative for televisions iconic domestic setting. For more on this see Amanda Lotz, *The Television Will Be Revolutionized* (New York: New York University Press, 2014).

[19] I refer to a discourse *on* OTT TV, rather than a discourse *of* OTT TV, because of the position of the discourse relative to OTT TV. I would consider a media discourse of advertisement for OTT platforms a discourse *of* OTT TV. The discourse I will analyse here though, is from an external perspective *on* OTT TV. Therefore, I consider 'a discourse on OTT TV' to be more accurate.

[20] Lynn Spigel, *Make Room for TV* (Chicago: University of Chicago Press, 1992).

[21] Spigel stresses that people are not passive recipients. Rather, the way in which meaning is constructed is a dialectic process between an intertextual context, of popular representations, and an interpretative context, individual interpretation based on a number of factors as social ideals and a belief system. See also Lynn Spigel, "The Rise of Television and its Audience. Reception History as Cultural History," *Angelo State University Symposium*, 1998, accessed March 1, 2017. https://www.angelo.edu/events/university_symposium/archives/98_Spigel.php

[22] This point requires some nuance. The analysis of the discourse encapsulates a meaning potential. As Fairclough states it is important to distinguish a meaning potential of a text and its interpretation. Consequently, the interpreted meanings I analyse pertain to an interpretation based on the intertextual context. Contrary to Lynn Spigel, I do not account for a interpretative context of the reader. See Norman Fairclough, *Discourse and Social Change* (Cambridge: Polity Press, 1992), 67.

although I assume that a combination of intertextual context and interpretative context lead to the understanding of meaning, I will not attempt to recreate or understand the latter. This means that I will only address an interpretative context insofar as it pertains to the social practice. This will be addressed to some extent in section 2.

Michael Newman and Elana Levine, comparatively, examine discourses of the cultural legitimation of television.[23] They argue for a similar duality between social entities within television as a medium, based on cultural status.[24] By analysing and critiquing discourses on quality TV, Newman and Levine aim to "expose and denaturalize their ideological underpinnings."[25] Similar to Newman and Levine, I aim to uncover the underpinnings of the discourse on OTT TV. Namely, I wish to show that the discursive separation of OTT TV from television as a medium is premised upon a conceptualisation of the latter. My focus differs again. Newman and Levine create an extensive diachronic account of the development of discourses on the cultural value of television over time. I forego such an endeavour. My aim is to account for the construction of OTT TV in a short timeframe, a current standing of sorts.[26] Thus, my research has a synchronic nature. Although the construction of meaning can be intertextually linked to connotations of television's history, the research itself is aimed at a contemporary account and is therefore synchronic.

In their analysis of discourses on quality TV, Newman and Levine indicate that a cultural elite is intensifying discourses on television's improvement.[27] This can be interpreted as what Robert Allen has referred to as a 'supervisory discourse'; which is a discourse that holds a regulatory power, influencing other discourses.[28] Comparatively, I consider the discourse on OTT TV to be subject to influence from an expert discourse aimed at a larger, lay audience, where the regulatory power is based on expert authority.[29] As such, I take this discourse to be a popularized expert discourse: a discourse, with a supervisory position based on expert authority, that is popularized - or "translated" to a degree - to appeal to a larger, lay audience; thereby effectively regulating popular discourse by establishing discursive rules that guide popular understanding.[30] By taking a popularized expert

[23] Newman and Levine, *Legitimating Television: Media Convergence and Cultural Status*, 3.
[24] Newman and Levine argue that quality TV is effectively separated from television in order for it to acquire a higher cultural status. They state that "legitimation is deeply invested in discourses of progress and improvement, and it works by elevation of one concept of television at the expense of another." See idem, 5.
[25] Ibidem.
[26] The paradoxical nature of analysing the current standing, or the "now", is not lost on me. Any attempt to analyse the present is an analysis of the recent past. By current standing I mean selecting the most recent articles to acquire a most "up-to-date" conception of OTT TV and thereby television.
[27] Idem, 7.
[28] Robert Allen, *Speaking of Soap Operas* (North Carolina: UNC Press Books, 1985), 10.
[29] I will address experts and expert authority more thoroughly in section 2.
[30] The distribution models of the television industry are displayed in charts and described using popular examples. The terminology used is explained in plain language and the intricacies are simplified. Moreover, the article is a guest blog written for an entertainment news site. For these reasons, I presume the intended audience is not a professional one. See Schechter, "Streaming TV Boom OTT More Than Just Netflix."

discourse as a research object, this thesis aims to answer the following question: *In what way does a popularized expert discourse on OTT TV implicitly construct television as a medium?*

To effectively analyse this discourse on OTT TV, a corpus has been formed. I have selected twelve articles published in online media in the United States, between 2015 and 2016. In order to analyse the corpus I will operationalise the analytical tools Norman Fairclough provides for a critical discourse analysis.[31]

In the following pages I will show how the throes of transition in television distribution revaluates television as a medium. In section 2, I will address the theoretical predispositions that govern this thesis and consider the operationalising of discourse as a theoretical concept as it pertains to Norman Fairclough's interdisciplinary approach to critical discourse analysis. Next, a reflection on the analytical process will be featured in section 3. After which, in section 3.2-3.4, I will present the findings of the analysis in a structured, narrative form. To conclude, I shall attempt to answer the research question and reflect on the merits of this thesis.

[31] For an explication of the analytical tools of critical discourse analysis, see section 2.

Media, Discourse and Analysis

To clarify the approach and subsequently the object of analysis, it is necessary to explicate some of the theoretical predispositions that govern the analysis. As I have mentioned, I consider media to be social constructs. Lisa Gitelman defines media as "socially realized structures of communication (…) where communication is a cultural practice, a ritualized collocation of different people on the same mental map, sharing or engaged with popular ontologies of representation."[32] The conceptualisation of media is therefore dependent on the production of meaning. Gitelman places this process of meaning production within a web of communication consisting of "importantly social as well as historically and culturally specific experiences of meaning."[33] Therefore, media should not be understood as "immutable with given, self-defining properties", but the conceptualisation of media itself is inherently social.[34] Accordingly, I understand media to be constructed social entities, where the construction consists of particular sites of communication, or discourses, in which people share and engage with experiences of meaning; collating their understanding of a specific medium at a specific point in time.

Newman and Levine comparatively argue that television can perpetually be understood as a "new" medium.[35] They state that through "cycles of technological innovation" television's identity as a medium is regularly refreshed.[36] As stated above, changes in television industry and experience can function as a mark for the same. Therefore, media generally and television specifically can be understood as mutable social constructs, how media are experienced and conceptualised is subject to change.[37] They analyse legitimating discourses stating that "in this era, an emergent set of discourses proposes that television has achieved the status of great art."[38] Although this seems like a positive step for a long denigrated medium, Newman and Levine argue that the present state of the medium is valorised at the expense of its past. [39] The conceptualisation of a medium is therefore not necessarily singular, conceptual contradictions within the same medium can induce a conceptual bifurcation. Much like the duality I will consider between OTT TV and television, Newman and Levine analyse that legitimation produces a bifurcation between quality TV and more "traditional" forms of

[32] Gitelman, *Always Already New: Media, History and the Data of Culture*, 7
[33] Idem, 8.
[34] Ibidem.
[35] Newman and Levine, *Legitimating Television: Media Convergence and Cultural Status*, 129.
[36] Ibidem.
[37] Is should be noted here that a medium's conceptualisation is not the same as a medium's identity. Newman and Levine address identity as a cultural signifier, it places a medium within a frame of cultural conceptions of a medium's prowess or status among other media. The medium's identity can therefore be considered as a dimension of its conceptualisation, itself conceptualised, but not equitable as such.
[38] Newman and Levine, *Legitimating Television: Media Convergence and Cultural Status*, 2.
[39] Idem, 5.

television.[40]

Additionally, as Amanda Lotz argued in relation to the television industry, a transitional state can serve as a particularly rich source of insight.[41] William Uricchio, in a like manner, argues that as a result of a transitional state of media, their ontological frameworks are challenged and redefined.[42] He states that "these moments of tension and instability offer particularly sharp insights into the construction of media form."[43]

Although Uricchio points to convergence almost as a driving force of change, this alone does not adequately describe the considered transition in this thesis.[44] More akin to Newman and Levine, I would argue that convergence is a "crucial context" and the innovation of digital technology establish conditions under which media *can* be changed.[45] Change is not a result, but a particular reconfiguration based on the affordances of convergence. Nevertheless, the transition regarding OTT TV can be identified as what Uricchio refers to as revealing moments of media change: the "dramatic re-purposing of media systems", which leads to an "intermedial redefinition of media."[46] Here Uricchio refers to a commonality between all of the aforementioned theoretical dispositions. He states: "Such moments are usually accompanied by rich discursive evidence regarding perceived media capacities, anticipated use patterns, and intermedial relations."[47] Information about the conceptualisation, reconceptualization and bifurcation of media forms can be found within discourses. Consequently, any and all attempts to analyse media as "unique and complicated historical subjects" should, at least partially, consist of an analysis of discourse.[48]

Discourse is a prolific concept. Across academic fields it has been defined in overlapping and conflicting ways based on various disciplinary standpoints, as Norman Fairclough argues.[49] Since the perception of discourse as a theoretical concept influences the means of analysis to a large degree, theory and method are intertwined.

Fairclough bases his social theory of discourse upon three separate dimensions of discourse with three corresponding means of analysis. First, discourse as text. Within linguistics texts can refer

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[40] Ibidem.
[41] I refer to my above quote from Amanda Lotz about the rich insight found in the throes of transition.
[42] William Uricchio, "Historicizing Media in Transition," in *Rethinking Media Change: The Aesthetics of Transition*, ed. David Thorburn and Henry Jenkins (Massachusetts: MIT Press, 2003), 32.
[43] Idem, 31.
[44] As Uricchio states: "digitization and convergence have redefined our present as a moment of media in transition." See idem, 32. In order not to stray too much from the objective, I will not engage with the intricacies of convergence as a concept. I consider Newman and Levine's treatise of the concept adequately comprehensive. They state: "[convergence is] the economic, technological, aesthetic, and experiential merging of media." See Newman and Levine 3.
[45] Newman and Levine, *Legitimating Television: Media Convergence and Cultural Status*, 5.
[46] Uricchio, "Historicizing Media in Transition," 31.
[47] Ibidem.
[48] Gitelman, *Always Already New: Media, History and the Data of Culture,* 7.
[49] Fairclough, *Discourse and Social Change*, 3.

to three different scales.[50] Text can refer to any given product of written or spoken text. Text can also refer to a higher organizational pattern or structure within an extended sample of text; like openings and closings. And finally, text can describe the kind of language used in social situations. This pertains to the jargon in a medical discourse for instance. Discourse as text, accordingly, allows for a close textual and linguistic analysis of the sample texts at the level of vocabulary, grammar, cohesion and structure.[51]

Second, discourse as a social practice. This refers to a linguistic conception as a type of language inherent to a social situation, in combination with a social theory's association of power.[52] To clarify his use of the term 'power', Fairclough employs Louis Althusser's theoretical conception of ideology.[53] He states: "I shall understand ideologies to be significations/constructions of reality (the physical world, social relations, social identities)."[54] Subjects are ideologically positioned through structures of social relations and categories of identity. Within social practices this becomes evident through highly naturalized discursive conventions.[55] Discourse as social practice, then, in terms of analysis encapsulates "the macrosociological tradition of analysing social practice in relation to social structures."[56]

Third, discourse as a discursive practice has a mediating role. Discursive practice mediates the relationship between the dimensions of text and social practice. Regarding text production and interpretation, the discursive practice mediates between top-down traces of production and bottom-up cues for interpretation.[57] Fairclough explains the mediating role of discursive practice through intertextuality, or rather interdiscursivity.[58] With interdiscursivity, Fairclough accounts for both the

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[50] Ibidem.

[51] As Fairclough explains, analysing discourse as text means focussing on: wording, word meaning, metaphors and arguments; as well as organizational structures as order, openings, closings and relational structures as cause and effect. See idem, 75.

[52] Idem, 87.

[53] Idem, 86. I am aware that Fairclough deviates significantly from the writings of Foucault. By incorporating Althusser's conception of ideology and adding a critical dimension to his discourse analysis, Fairclough suggests that power systems in society are hidden. Foucault in contrast asserts: "power is exercised by virtue of things being known and people being seen." See: Michel Foucault, *Power/Knowledge: Selected Interviews and Other Writings, 1972-1977* (New York: Pantheon Books, 1980), 154.

[54] Fairclough, *Discourse and Social Change*, 87.

[55] Idem, 90.

[56] Idem, 72.

For instance: analysing the use of jargon in relation to a medical discourse in the conversation between two doctors. A social practice is essentially ideological, it requires a construction of reality and a sense of social identity within this construction. In the example of the doctors the use of jargon is ideological in the sense that it exults and affirms their social identities.

[57] Fairclough, understood plainly, fences off a potential theoretical counterargument for the ambivalence of interpretation through his use of the concept intertextuality. See Idem, 80-81.

[58] Fairclough distinguishes between manifest intertextuality and constitutive intertextuality, which he also refers to as interdiscursivity. The former pertains to the overtly drawing on texts within other texts, the latter pertains to the Foucauldian foundation of the order of discourse, where the text used is influenced by the primary code of the social situation and interrelation of the social subjects within. Idem, 84 and 68.

circumstances of production and interpretation.

For my analysis the three dimensions of discourse have two general consequences. First, the operationalisation of the discourse as discursive practice effectively nullifies the role Lynn Spigel attributes to the interpretative context. Fairclough explains that the top-down influence of the social practice on the interpretation reduces the potential ambivalence of texts. In a sense, by claiming that the producer and the interpreter of a text exist within a shared mental map of context, the realm of possible interpretations is constrained. The process of interpretation is effectively equated with understanding the intertextual context. The interpretative context on the personal level of the interpreter is disregarded in Fairclough's critical discourse analysis.[59] Second, as Fairclough states, the process of analysis should always include a back and forth across the three dimensions of discourse, relating text with social practice through discursive practices.[60] The conception of discourse therefore shapes the means of analysis; combining textual analysis with an awareness of the position of the speaker within social structures.

Hence, Norman Fairclough argues for an interdisciplinary approach to critical discourse analysis; combining linguistics and social theory.[61] Although linguistics can explain the use of language in different situations, the corresponding analysis is inadequate to describe the relationship between discourse and power.[62] Language is taken as a product of discourse and thus as a mode of representation.[63] Fairclough combines the approach with the theoretical writings of Foucault, using his concept of social theory of discourse specifically to account for the constructing property of discourse. In Foucault's terms, Fairclough explains, discourse refers to "different ways of structuring areas of knowledge and social practice."[64] Therefore discourse does not just represent social relations, it constructs social entities and relations, positioning social subjects and objects within fields of power. For my research the notion of object bares the most importance.[65] As Fairclough explains, Foucault's concept of an object is transformative. In line with Gitelman's theory that media are social constructs, Foucault considers all objects as "constituted by all that was said in all

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[59] Fairclough states: "One implication of the position I have adopted in this section is that how people interpret texts in various social circumstances is a question requiring separate investigation. While the framework I have presented points to the importance of considering interpretation in its own right, it should be noted that empirical studies are not included in this book." See idem, 86
[60] Idem, 230.
[61] Idem, 3.
[62] Idem, 35. As Fairclough argues, a linguistically-oriented discourse analysis cannot account for the way discourse is forming, it can only cover the way discourse is formed.
[63] Idem, 63.
[64] Idem, 3. Because of the emphasis on the structural nature of discourse I have decided to cite this small reference to Foucault's conception of discourse. A more extensive account of Foucault and discourse can be found in Fairclough's second chapter. See idem, 37-61.
[65] This pertains to objects of knowledge, not objects in the physical sense. In short, this means that television as a medium is an object of knowledge, where television as an appliance is a physical object. See also: Idem, 41.

statements that named it, divided it up, described it, explained it.”[66] The confines of the object are reproduced by discourse. As follows, the uniqueness of an object as an entity does not constitute its formation. Meaning, that the differentiation of OTT TV and television in the discourse on OTT TV is arbitrary, it does not necessarily arise from the differences as entities in reality. Discourse actively constitutes the difference. This implies discourse as a mode of action.[67]

In addition to discourse itself as representation and as action, my aim is to uncover the underpinnings that constitute the discourse. Fairclough argues that ideologies are most powerful when they are invisible.[68] Ideologies can become naturalised when they are understood as common-sense. As Fairclough argues: “‘members’ practises are shaped in ways of which they are usually unaware by social structures, relations of power, and the nature of social practice they are engaged in.”[69] The analysis of the discourse is critical to the extent that it shows connections and causes which are otherwise hidden, Fairclough states.[70] Uncovering hidden connections is imperative in order to show that the way discourse is formed influences the way discourse is forming.

The interpellation of social subjects within a social structure is one of the ways discourse is formed. Newman and Levine argue for an influential, or powerful, position of the cultural elite in their analysis of a discourse on quality TV. Comparatively, where the cultural elite can be understood to be the experts on cultural value, I understand multiple types of experts to have an influence on discourses on OTT TV. I consider experts to be “people who have, or who are attributed by others, an outstanding knowledge and understanding of a certain subject or field,” based on Gábor Kutrovátz’s contribution to the field of argumentation theory.[71] The social status of experts reveals a highly naturalised ideology enforcing and structuring a social identity. Consider for instance the role of the expert witness within the social practice of the US Court System. The use of experts is considered common sense to the extent that the article, “Historical and Practical Considerations regarding Expert Testimony”, published in *Harvard Law Review* starts with the sentence: “No one will deny that

[66] Foucault as cited by Fairclough, idem 41.
[67] I take this interdisciplinary approach to be suitable for my research because it allows a focus on the language used to communicate meaning, while incorporating the constructive effect of the communication as such.
[68] Norman Fairclough, *Critical Discourse Analysis: The Critical Study of Language* (London: Longman Group Limited, 1995), 76.
[69] Idem, 72.
[70] Fairclough, *Discourse and Social Change*, 9.
[71] Gábor Kutrovátz, "Expert Authority and Ad Verecundiam Arguments," in Exploring Argumentative Contexts, ed. F.H. van Eemeren and B. Garssen (Amsterdam: John Benjamins, 2012). I take a more substantial disciplinary sidestep here into the field of argumentation theory. My aim is to further the understanding of the role attributed to expert authority within the corpus. As I will show, a better understanding of how experts are used correlates with the three dimensions of discourse Fairclough argues for. The way the validity of arguments is assessed within argumentation theory helps to explain the interdiscursive connection between the text and social practice through highly naturalised, or “logical” reasoning. For more on the field of argumentation theory, see among others: Frans H. van Eemeren et al. *Fundamentals of Argumentation Theory: A Handbook of Historical Backgrounds and Contemporary Developments* (New York: Routledge, 1996).

the law should in some way effectively use expert knowledge."[72] The article gives an historical account of how expert testimony was used to support claims, and was admissible as "expert evidence".[73]

Equally naturalised as the expert's status, is the use of the expert's knowledgeable position to support statements or validate arguments. As Jean Wagemans argues: "qualifying a certain opinion as stemming from an intellectually trustworthy source and, more importantly, explicitly using this qualification as an argument in favor of it."[74] Meaning, claiming an opinion is that of an expert effectively functions as a claim for the truth of the opinion. This assertion is particularly suitable to demonstrate how Fairclough's three dimensions of discourse coincide. In a sample of text, an argument is based on the opinion of an expert (text). The reader picks up this top-down trace of production within the text and in order to perceive it as a clue for interpretation, he or she interdiscursively links the use of the expert to other uses of experts in various texts and social situations (discursive practice). Through the interpretation the reader understands the social structure and the ideological positioning of subjects within that structure (social practice).[75]

Experts influence the selected discourse in two general ways. Either the expert is the author of the article or the author employs an expert's opinion to base an argument upon. In both cases the expert is introduced with mention of his or her credentials. For instance, displayed beside Dan Schechter's blog is a list of his professional and academic credentials.[76] I take this to be aimed at legitimating Schechter's expert status. As discussed above, I understand that one's expert status ascribes authority to his or her opinion, establishing the plausibility of the truthfulness of that opinion.[77] I consider this to be expert authority; authority gained through expert status. Although the content of his blog pertains to an expert discourse, I perceive it to be aimed at a larger, lay audience.[78] I therefore consider this to be a supervisory discourse; the expert discourse is influencing a popular discourse from a supervisory position.

In the selected discourse on OTT TV I have identified three types of experts, with three

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[72] Historical and Practical Considerations regarding Expert Testimony Author(s): Learned Hand Source: Harvard Law Review, Vol. 15, No. 1 (May, 1901), pp. 40-58 Published by: The Harvard Law Review Association Stable URL: http://www.jstor.org/stable/1322532 Accessed: 12-04-2017 19:08 UTC

[73] Idem, 50.

[74] Jean Wagemans, "The Assessment of Argumentation from Expert Opinion," *Argumentation* 25 (2011) 331, accessed March 15, 2017, DOI 10.1007/s10503-011-9225-8

[75] This example should be considered a very plain way to understand the interrelation of the three dimensions of discourse. It is therefore simplified and does not cover the intricacies and depth of Faircough's theoretical assumptions.

[76] Stating, among others, his cum laude degree from Harvard University and his broad experience in the media, entertainment and technology sector. See Schechter, "Streaming TV Boom OTT More Than Just Netflix."

[77] Wagemans, "The Assessment of Argumentation from Expert Opinion," 333.

[78] See footnote 30.

different claims to expert status.[79] First the industry expert: a person who is professionally bound to the television industry or is in some way an authority on media business. The industry expert acquires the expert status based on the knowledge inferred from his or her position, that is, the perceived knowledge someone needs to possess to be in that position or the perceived specialised knowledge that is attained from that position.[80] Douglas Walton's pragma-dialectical approach speaks to this perceived knowledge.[81] This approach consists of a number of premises by which arguments that appeal to expert opinion can be analysed. In short, the expert (E) is asserted to be an authority on subject domain (S); when E asserts an opinion that resides within S, the opinion may plausibly be taken to be true. [82] For instance, Claire Atkinson employs Les Moonves as an industry expert. She states: "Over-the-top video is the future of television, CBS Chief Executive Les Moonves said."[83] In this case, the fact that Moonves is a Chief Executive at CBS (E) asserts that he is an authority on television and its future (S).

Second, the statistical analyst: a person that builds arguments on the basis of statistical studies. These studies are created and used by consulting firms, who analyse industrial practices and consumer behaviour and give strategic advice to every pillar of the television industry. But it is conceivably short-sighted to attribute their legitimised status on the merits of the industry's validation. Ian Hacking argues that "statistics has helped determine the form of laws about society and the character of social facts."[84] Hacking, interested in present day philosophical conceptual incoherence of probability, traces 'statistics' as a cultural phenomenon to the learned societies of

[79] See the appendix, 7.2, for an extensive overview of the types of experts identified in each article of the corpus.
[80] The knowledge of the industry expert is perceived because it is not known, but presumed based on his or her credentials.
[81] "When someone, for instance, has put forward a standpoint and an argument, he is not only committed to the acceptability of the propositional content of the standpoint and the argument, but also to the justificatory force of the argument. By expressing the latter commitment in the form of a statement, the analyst has provided a theoretically motivated reconstruction of the unexpressed premise in the form of what can be called an 'acceptability transfer principle' or ATP: 'Accepting the argument renders the standpoint acceptable.'" See Wagemans, "The Assessment of Argumentation from Expert Opinion," 336.
[82] Douglas Walton, Professor at the University of Toronto and distinguished research fellow at the Centre for Research in Reasoning, Argumentation and Rhetoric, reminds us here that it is of importance to be sensitive to and separate different kinds of authority. He states that arguments based on administrative authority, a boss or church leader, is susceptible to the fallacy *argumentum as verecundiam*. On the other hand he distinguishes arguments based on cognitive authority, an account of expertise that is reasoned on epistemic quality. The type of authority used here pertains to the latter. Although an industry expert has a status that is signified by his or her rank, or ability to exercise command, the type of expertise is not reducible to the position, but to the knowledge acquired or imagined acquirable from that position. See Walton, *Appeal to Expert Opinion: Arguments from Authority,* 78.
[83] Claire Atkinson, "Les Moonves Says Over-the-top TV is the Future," *Page Six*, June 23, 2016. http://pagesix.com/2016/06/23/les-moonves-says-over-the-top-tv-is-the-future/
[84] Ian Hacking, "How Should We Do the History of Statistics?" in *The Foucault Effect: Studies in Governmentality*, ed. Graham Burchell, Colin Gordon and Peter Miller (Chicago: University of Chicago Press, 1991), 181.

Paris, London, and Berlin of the 1830's.[85] He explicates a lineage of statistical laws of society in the social practice of the then rudimentary sociology to show how statistical information is not in itself just information, but part of the technology of power in the modern state.[86] The point is that the link between statistics and the production of knowledge is not a property of statistics as such, it is rather a construct within a social and cultural framework adhering to a knowledge system.

Third, the experiential expert: a person that bases arguments on prior experience. As Wagemans states: "since experts may have acquired their knowledge in different ways, I further propose to make a distinction between 'argumentation from professional expert opinion' and 'argumentation from experiential expert opinion.'"[87] Where the industry expert acquired his or her knowledge professionally, the experiential expert acquired it through experience. An example from the corpus: a tech-savvy media journalist that tries a new technology for a certain amount of time and then writes an article from their own experiences. Although the expert status is acquired differently, the claim to the knowledgeable position is for all intents and purposes the same as for the industry expert.

To effectively analyse a popularised expert discourse on OTT TV, a corpus has been formed. A couple of criteria have helped to delimit the corpus. First, I have only selected articles whenever the authors are introduced with an explanation of their expertise. Some have an extensive list of credentials displayed beside the article, others have a hyperlink added to their name connecting to a separate page stating their credentials. The prerequisite is that the credentials have to be plainly acquirable.[88] Second, I have only selected articles that are aimed at a lay audience. Third, although it is conceivably impossible to analyse "thé discourse", I have selected only from online media in the United States, between 2015 and 2016, in order to have a relatively coherent account of a discourse on OTT TV. [89]

Another aspect to consider is the size of the corpus. To achieve an accurate account of the

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[85] Hacking shows how Kuhn's influence in the physical science coincides with the cultures fascination with numbers and quantifiable data. Learned societies turn away from metaphysical determinism, but not towards freedom. As Hacking states: "indeed we might say that the central fact is the *taming of chance* (…) because one had found the form of laws that were to govern chance." Sense was to be made of indeterminism and probability in a physical manner, which culminated in the statistical laws of society. See idem, 186-189.
[86] With 'lineage' I do not wish to imply that Hacking gives a teleological account of history, rather, he conceptualises a genealogical dispersed progression of statistics through a multitude of discourses coinciding.
[87] Wagemans, "The Assessment of Argumentation from Expert Opinion,"333.
[88] By which I mean that the credentials of the author or expert are no more than one click of the mouse away.
[89] Achieving total coherence is impossible. But by limiting the range of the discourse, in time, geography and media outlet I assume that I can create a more coherent account of the discourse from the perspective of the readers. In this case I have selected the United States because of the central role US television has in the daily life of Americans and academic writings on television as a medium. I have selected the range from 2015 to 2016 because of the growing popularity of OTT TV, I assume that growing popularity translated into more people looking to understand what OTT means. Furthermore, this is the most up to date range possible, as I am writing in April 2017.

discourse, the number of articles has to be somewhat representative in relation to the availability of articles. Consequently, I have searched the online search engines: 'Google' and 'Yahoo', with the following keywords: "OTT TV", "OTT Television", "Over-the-top TV" and "Over-the-top Television". I selected all of the articles on the first three pages of search results, and then thinned out the selection by the criteria stated above.[90] Finally, I have selected twelve articles that I consider to be representative of a popularized expert discourse on OTT TV.

[90] This is based on the assumption that people do not regularly view more than one page of search results, but rather change their query. To be safe though, I have selected three pages. Both Google and Yahoo display 10 search results per page. Therefore, I have reviewed 240 search result. Because of considerable duplicity, both in results from Google and Yahoo and in the results from the keywords, there were about 50 unique search results. Of those 50, only seventeen matched the criteria of an expert discourse, and fifteen of those I considered to be popularized. I then started the analysis with fifteen but soon after decided to cut the number to twelve, because the close nature of the textual analysis meant a more thorough analysis than anticipated. From the fifteen I removed three articles that consisted of statements that were already present in abundance. Therefore securing that the three discarded articles are duly represented in the remaining twelve.

3. Analysis

3.1 Considerations and Reflections

Whenever it is possible, I shall portray the findings of the analysis in a logical order. That is to say that there will be a process of assessing the findings of the analysis and a process of constructing a narrative in an order I deem logical. It should be considered that a narrative does not simply pop up out of the pages of the articles. There is an abundance of possible stories within the discourse which acquire the careful assembly of parts. Some of the parts are apparent, others subtle or concealed. The role of the researcher in this form is, to a degree, considered to be that of an archaeologist: uncovering remains, dusting them off, assessing them as parts of something bigger, and trying to fit them together to make a whole. But in contrast to the archaeologist that reconstructs, the researcher actively constructs a narrative.[91] This role implies that a researcher needs to answer to the burden of proof and the responsibility of clarity. The fact that a narrative can be freely formulated does not mean every comprehendible story bears the same relevance. The researcher has to argue the relevance of every part in the construction of the narrative; showing its existence and prevalence within the corpus. My objective therefore is to uncover, dust off and construct the most apparent story of the discourse, that is to say, the one which I consider is fore fronted.[92] Although the discourse is no doubt riddled with little contradictions, my aim is not to analyse the corpus to such breadth. I aim to analyse, in Spigel's terms, the construction the discursive rules that structure meaning production and thereby regulate popular understanding.[93] I will answer to the corresponding responsibility by explicating every step in the analysis of that story, clarifying the process of construction by showing how observations, interpreted through what reasoning, led to which conclusions. As such, transparency is my most trustworthy research tool.

The first step towards clarity is addressing the process of structuring the analysis and its findings. The analytic tools Fairclough provides should be considered as general guidelines.[94] This

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[91] I refer to the comparison between the role of the researcher and the procedure of archaeologists, succeeding the excavation of archaeological remains. Although considerable features are comparable with Foucault's concept of archaeology, I merely wish to refer to the formation of parts to constitute a whole. I thereby aim to clarify the concerns the humanistic researcher should deliberate on.
[92] I am duly aware that the story I read is influenced by my previous knowledge, social identity and professional discursive position. An interpreter is never objective. By being aware of subjectivity and clarifying reasoning through the explication of the steps, I hope to create arguments that are intelligible to the reader in any regard.
[93] Spigel, "The Rise of Television and its Audience. Reception History as Cultural History."
[94] As stated by Fairclough, *Discourse and Social Change,* 225.
A specific example of a study that uses critical discourse analysis based on Fairclough to analyse media discourse is: Crispin Thurlow, "From Statistical Panic to Moral Panic: The Metadiscursive Construction and

clearly resonates in his wide-ranging account for the way researchers can operationalise the coding process within the method.[95] Accordingly, I applied the method to my corpus in the following manner. First, I decided to separate an initial highlighting process from the coding process. The selection of samples to highlight did not arise from the articles but were influenced by the analytic tools of critical discourse analysis.[96] I highlighted instances that are particularly suitable for linguistic analysis in pink: instances of setting, mode and boundary maintenance, as Fairclough illustrates in his analysis of discourse representation in media discourse.[97] Then I highlighted instances that require a textual analysis in green, such as vocabulary, semantics and metaphors.[98] Afterwards I highlighted the corpus on features that in some way construct, or give insight into, OTT TV; differentiating between references that explicitly pertain to OTT TV in yellow and references that are in essence interdependent on television in red.[99] And finally I highlighted the features that reference television explicitly in blue. By highlighting these instances separately, although most of them overlapped, I

Popular Exaggeration of New Media Language in the Print Media," *Journal of Computer-Mediated Communication* 11 (2006): 667-701, accessed February 11, 2017. DOI: 10.1111/j.1083-6101.2006.00031.x

[95] "Researchers may well wish to code a whole corpus or large parts of it in broad terms, perhaps summarizing the discourse, or code it in terms of topics, or they may scan the whole corpus for particular sorts of features." See: Idem, 230.

[96] I have included a legend and the highlighted corpus in the appendix. See 8.3

[97] In Fairclough's 1995 publication on CDA he includes an exemplary analysis of the representation of a discourse within a media discourse. As my object of research is also, in a sense, the representation of a discourse within another discourse, I found this section particularly useful. Fairclough shows what a linguistic analysis of the text's form can achieve. First he discusses the separation between primary and secondary discourse. There is a salient difference between the primary and secondary discourse. Primary discourse refers to the presenting discourse, secondary discourse refers to the represented discourse. In the case of the OTT articles the article itself is primary and the discourse on the television industry in transition, for instance, is the secondary discourse. The way the secondary discourse is interpreted may be controlled by the contextualisation in the primary discourse. Fairclough provides five analytical tools to interpret the representation of the secondary discourse: mode, boundary maintenance, setting, situationality and stylisticity. I have decided to use the first three: mode, directly quoting or paraphrasing; boundary maintenance between speakers; and setting, the way the context of the secondary discourse is introduced. Situationality, the measure in which the situation of the secondary discourse is represented, does not factor into a popularised expert discourse because the entirety of the discourse is not represented. The expert discourse is represented by and through the expert that translates the secondary discourse within the primary discourse. Stylisticity, the measure of the extent to which interpersonal meanings are represented, does not factor in either. As Fairclough describes, interpersonal meanings are formed through a speaker voice. In case of the discourse on OTT TV this is either the author or the expert, or in some cases through a quote from someone introduced as an expert. Therefore, I believe that the combination of mode, boundary maintenance and setting will also cover attention to stylisticity. See Fairclough, *Critical Discourse Analysis: the Critical Study of Language,* 54-65.

[98] Vocabulary, semantics, metaphors are as Fairclough describes more classical linguistic means to analyse texts. In my opinion these are most important in the way meaning is construed. Intertextual analysis shows how texts selectively draw on orders of discourse. Intertextual analysis draws attention to the dependence of texts upon society and history. Connection between language and social context, therefore facilitating bridging the gap between text and context. In terms of CDA: mediating between the discursive event and social practice. See Ibidem.

[99] For instance: stating that 'OTT TV is cheap and gives viewers a lot of choice' is not explicitly interdependent on television, although it can be interpreted to imply such an account. Otherwise, stating 'OTT TV is cheaper and offers viewers more choice' is, in my opinion, interdependent.

attempt to ensure that the analysis consists of all the analytical tools at my disposal.

The coding process, then, consisted of multiple sessions of reading and rereading the corpus, searching for any type of patterned response to the research question. If some feature, either in the statements in the articles or a way in which they inferred meaning, struck me, I checked this against the entire corpus, revisiting each article. If I could then find multiple occurrences of the same feature, I would label each sample of text that included the feature. Then I assigned a code to the labels based on the way it related to the research question. These samples of text were of course already highlighted. The colour of the highlighted areas alerted me to the possible means by which the text could be analysed. After analysing the codes in relation to the research question, I structured the findings in a narrative.

To clarify the proceedings of the coding process I shall explain how the first feature was converted into a code. Reading the articles, the first thing that struck me was a recurring statement that OTT TV catered to the desires of the consumer. Following this lead, I labelled all text fragments that mentioned anything about the audience or their desires. I found the same type of statement was repeatedly used as an argument for the popularity of OTT TV. Furthermore, I found that there was an apparent distinction between the conceptualisation of the television audience and the OTT TV audience. The television audience was referred to as a viewer and the OTT TV audience as a consumer. These concepts were set opposed in the corpus. Interdependent statements pertaining to the more conscious and empowered role of the consumer therefore implied a conceptualisation of the viewer. I considered this to be applicable as a type of pattered response to the research question. I named the code: the empowerment of the consumer, and labelled the occurrences 'EC'.

In the same manner I found that the articles conceptualised live television and the television industry. After the coding process I constructed a three-part narrative based on the codes. The three parts individually apply to one aspect of the implicit construction of television as a medium, and collectively answer the research question. Finally, in order to facilitate a structured transition from analysis to narrative creation, I formulated the three aspects as sub-questions:

- In what way does a popularized expert discourse on OTT TV implicitly construct the television audience?

- In what way does a popularized expert discourse on OTT TV implicitly construct live television?

- In what way does a popularized expert discourse on OTT TV implicitly construct the television industry?

3.2 The Empowerment of the Consumer

For the sake of the argument it is relevant to consider the way the discourse conceptualises television, before going into the conceptualisation of the television audience. The discourse on OTT TV differentiates between OTT distributed television and cable distributed television.[100] These two forms are compared throughout the corpus. OTT platforms and practises are opposed to cable distributed television and cable providers' practises. The benefits to OTT distribution are frequently implicitly built upon the downsides of cable distribution. The downsides to cable are on the other hand constructed through more explicit reference to program access, price and service. Executive editor and writer for *Quartz,* Zachary Seward, reviews the OTT platform Sling TV. He states: "More than anything, Sling TV is a response to the bloated bundles of channels that most pay TV services require to be part of your subscription."[101] He goes on: "what Sling TV proposes (…) is a world in which you only pay for the channels you actually want to watch."[102] Seward refers to the cable providers model of access, where popular channels are combined with less popular ones and sold in bundles. This rhetoric is prevalent throughout the corpus. For instance, media business experts Frank Arthofer and John Rose state in a consulting article that cable providers are "pushing bloated cable bundles and exorbitant prices."[103] The statement that with Sling TV "you only pay for the channels you actually want" is also opposed to cable providers making customers pay for channels they do not want. Sling TV is constructed as a response, giving consumers a different option. As Seward states: "[Sling TV] costs $20 a month for a small set of channels—including, crucially, ESPN—intended to appeal to young Americans uninterested in large and expensive cable bundles."[104]

The differentiation between television and OTT TV also affects the conceptualisation of the audience. The constructed reasoning behind the cord cutting "trend", as it is described, is premised upon two mutually reinforcing powers.[105] First, the consumer's dissatisfaction with cable providers.

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[100] As it is going to be a returning rhetoric in this thesis, I should shortly nuance what I mean when stating: 'the discourse constructs.' When there are repeated references in the discourse, regarding affordances or properties of an object, I consider that to constitute the conceptualisation of that object. In this manner, the discourse can construct a specific conceptualisation. This is the constitutive power of discourse.

[101] Zachary M. Seward, "Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era," *Quartz*, Januari 26, 2015. http://qz.com/332746/internet-television-has-arrived-why-sling-tv-marks-the-beginning-of-a-new-era/

[102] Zachary M. Seward, "Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era."

[103] Frank Arthofer and John Rose, "The Future of Television: Where the US Industry Is Heading," *BGC Perspectives,* June 9, 2016. https://www.bcgperspectives.com/content/articles/media-entertainment-technology-digital-future-television-where-us-industry-is-heading/

[104] Zachary M. Seward, "Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era."

[105] Michael Strangelove describes Cord-cutting as a phenomenon, that entails: "cancelling a cable or satellite television service and using the Internet to access programming." See: Michael Strangelove, *Post-TV: Piracy, Cord-Cutting and the Future of Television* (Toronto: University of Toronto Press, 2015), 14.

Implicit reference is made to cable provider's customer service and ease of use, through praising aspects of OTT platforms. As Seward states: "Sling TV CEO Roger Lynch made a point of how easy it is to cancel the service. So if you just want to subscribe for the NCAA men's basketball tournament in March (…) you can do that without breaking a contract or making an aggravating phone call." He goes on: "There aren't any mysterious additional costs, like the $4.11 "franchise fee" on my monthly Time Warner Cable bill."[106] Seward's summary speaks to the consumer dissatisfaction with cable companies more directly. He states in no uncertain terms: "If you're accustomed to poor customer service, clunky cable boxes, byzantine channel guides, and the unshakable feeling that you're being ripped off, then Sling TV will feel like a breath of fresh air."[107] Media journalist Cade Metz quote of consulting executive Stephen Becks speaks to this point clearly: "'Anytime you have a customer base as frustrated as the traditional cable providers' customers are,' Beck says, citing a cg24 study that indicates that 53 percent of cable customers say they would leave their cable provider if they had another viable alternative for TV, 'you have an environment that's ripe for technology companies to disrupt it.'"[108]

Second, the cord cutting trend is premised upon OTT platforms fulfilling consumer desires. I will reiterate Seward's argument above with a quote by Cade Metz, employing the authority of consumer survey statistics of a study done by consulting agency LEK: "Of course, today's consumer has made the decision to migrate to OTT from traditional TV services because of better pricing and more content. Moreover as Benedicte Guichard argues: "the needs and habits of today's consumers are shifting away from the shackles of traditional TV services."[109] These needs and habits are constructed as a desire to exert control over their viewing. This reasoning is threefold; based on choice of content, choice of time and choice of place. Media journalist Li Zhao states: "Content viewing has truly become a whatever, wherever, whenever experience."[110] As Cade Metz writes: "internet TV makes it easier to view programming on any device, from TVs to phones, and it gives you more freedom to watch stuff when you want to watch it."[111] Moreover, Megan Anderle writes: "consumers can choose when and over what device they want to view their favorite shows."[112] The exertion of control over viewing is understood as freedom. As Li Zhao's argument illustrates: "OTT

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[106] Zachary M. Seward, "Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era."
[107] Ibidem.
[108] Cade Metz, "Internet TV's Big Chance to Oust Cable Is Almost Here," *Wired,* March 19, 2015. https://www.wired.com/2015/03/internet-tvs-big-chance-oust-cable-almost/
[109] Benedicte Guichard, "Can OTT Contribute to the Growth of Traditional Television?" *Cleeng,* September 26, 2016. https://cleeng.com/blog/can-ott-contribute-growth-traditional-television/
[110] Li Zhao, "What Does the Rise of OTT Video Mean for Broadcast TV?" *Wibbitz,* October 19, 2016. http://blog.wibbitz.com/what-does-the-rise-of-ott-video-mean-for-broadcast-tv
[111] Metz, "Internet TV's Big Chance to Oust Cable Is Almost Here."
[112] Megan Anderle, "CES 2016: Predictions for the Future of Television," *Huffington Post,* Januari 8, 2016. http://www.huffingtonpost.com/megan-anderle/ces-2016-predictions-for-_b_8940740.html

viewing on tablets and smartphones satisfies consumers' pursuit of a sense of independence."[113]

Underlying the constructed dissatisfaction and fulfilment of desires is the increased conscious and active role ascribed to the consumer. As Arthofer and Rose's description of the "price-conscious consumers" shows, consciousness is attributed to the consumer.[114] They state that cord cutting is "not solely a result of sensitivity to rising prices", rather, they go on: "consumers become more conscious of the price-to-value ratio in television viewing."[115] Moreover the consumers are attributed with choice and power. To give a few examples: "consumers are actively thinning the services they buy,"[116] "consumers can choose when and over what device they want to view their favorite shows,"[117] "today's consumer has made the decision to migrate."[118] In these examples the consumer is seen as active and conceived to be a force. The conscious and active role of the consumer is emphasised by the conception of past practices through current perspectives, as Megan Anderle writes: "questions over whether to offer channels a la carte or in packages (for sports lovers, for example), have been major obstacles to giving consumers exactly what they want."[119] Anderle's statement is built on the assumption that the consumers know exactly what they want.

Interestingly, there is a change in vocabulary when referring to the television audience. Most apparent are the instances where the author changes his descriptive word within a small sample of text. Although some authors stick to a certain descriptive word, others go back and forth. The subtle instances when a change does occur unveil underlying implications. I will show this point by taking two examples. First Li Zhao:

> "But even though OTT viewing on tablets and smartphones satisfies *consumers*' pursuit of a sense of independence, the cord-cutting trend cannot be interpreted as the public discarding traditional linear networks. According to PwC, 79% of the U.S. population still pays for cable TV. Let's face it – there are still times that *viewers* just want to sit back and turn on the TV without being overwhelmed by all those choices!"[120]

When Zhao describes an account of the audience of OTT in a pursuit of independence he refers to the *consumer*, but when he describes an audience as not choosing and sitting back on the couch watching TV he changes *consumer* into *viewer*. The same sort of switch happens in Arthofer and Rose's article,

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[113] Zhao, "What Does the Rise of OTT Video Mean for Broadcast TV?"
[114] Arthofer and Rose, "The Future of Television: Where the US Industry Is Heading."
[115] Ibidem.
[116] Ibidem.
[117] Anderle, "CES 2016: Predictions for the Future of Television."
[118] Guichard, "Can OTT Contribute to the Growth of Traditional Television?"
[119] Anderle, "CES 2016: Predictions for the Future of Television."
[120] Zhao, "What Does the Rise of OTT Video Mean for Broadcast TV?"

> "*US viewers* spend more than four hours per day watching TV—with average monthly bills of \$75. These prices, which have grown steadily since the early days of pay TV, have fed various contributors: content creators, networks, cable companies, satellite operators, and telcos. But *US consumers* are dropping pay TV (or not subscribing in the first place) in larger numbers than ever before."[121]

US *viewers* watch TV and US *consumers* are dropping pay TV. In both instances the word denotating the audience shifts as the connotations of that concept of the audience shifts. Arguably, these examples of changing words to describe the same audience are not made consciously. As Fairclough argues, naturalised ideologies can act on an unconscious level.[122]

Coinciding with the differentiation between OTT distributed television and cable distributed television in the discourse on OTT TV, is the distinction between the television viewer and the content consumer. By first creating this distinction and then accentuating the active and conscious role of the latter, the discourse implicitly constructs a passive and non-conscious account of the television viewer. The empowerment of the consumer as such can be understood to be premised on a conception of the powerless viewer.

On the one hand this can be interpreted as a reflection of prevailing ideological determinants, connotating a passive television audience. Since the early days of television, as Newman and Levine state, "associations between broadcasting and the mass audience in the home have produced suspicion of TV's social effects."[123] As Richard Peterson explains: "between World Wars I and II it was widely accepted in intellectual circles that the emerging mass media were spawning an equivalent mass audience, an audience that was unthinking, herd-like, and inherently passive yet easily swayed by skilled political and commercial demagogues."[124] A well-known theory accompanied by the conception of the mass audience is the hypodermic needle theory, stating that ideas could be injected into audiences when communicated through mass media.[125] This account of the mass audience correlates with the 1938 Orson Welles's radio dramatization of the invasion of Martians.[126] Peterson claims the radio broadcast typifies the account of the pervasiveness of mass media. Reportedly, the radio broadcast caused a nation-wide panic, the mass audience foolishly believed what they heard. The outbreak of panic along with conceptions of empty shell audiences,

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[121] Arthofer and Rose, "The Future of Television: Where the US Industry Is Heading."
[122] Fairclough states: "the ideologies embedded in discursive practices are most effective when they become naturalized." See Fairclough, *Discourse and Social Change,* 87.
[123] Newman and Levine, *Legitimating Television: Media Convergence and Cultural Status,* 15.
[124] Richard Peterson, "Understanding Audience Segmentation: From Elite and Mass to Omnivore and Univore," *Poetics* 21.4 (1992), 243.
[125] Eugene Shaw, "Agenda-Setting and Mass Communication Theory," *International Communication Gazette* 25 (1979): 97, DOI: 10.1177/001654927902500203
[126] Peterson, "Understanding Audience Segmentation: From Elite and Mass to Omnivore and Univore," 243.

although long-discredited, seem to have prevailing connotations to the audience of mass media.[127]

Television and its audience have seen major changes from the 1940's until now. Although every conception of the medium's early days has been challenged,[128] as Newman and Levine state, "the hierarchies themselves persist."[129] The legitimation of television they document depends upon a delegitimated "other" within television, creating a divide between different conceptions of the past of the medium and the present.[130] The same can be said for the vocabulary switch in the discourse on OTT TV. The discourse does not attribute the television *viewer* with an increased active and conscious role, but instead creates a different conception of the television audience as a content *consumer*. The differentiation of the conceptions of the audience itself, and the attribution of specific connotations, are built upon "many of the same cultural hierarchies that kept television a delegitimated medium for so many years."[131]

On the other hand, the constructed distinction between the passive television viewer and the active content consumer could arguably be premised on a different foundation. Sonia Livingstone argues for a more general vocabulary discrepancy. She states that "we currently face an uncertainty over how to discuss people in terms of their relationship with media."[132] She argues that the term 'audience' can only satisfactorily cover the activities of listening and viewing, but fits poorly within the domain of new media. New media technologies open up semantic terms of more active engagement, like: surfing the web, searching databases and visiting a chatroom.[133] Livingstone goes on to state that: "while the argument for the active audience of traditional media has probably been taken as far as it can go, interactive technologies (…) put such interpretative activities at the very centre of its media design and use."[134] The account of the active content consumer instead of an active television viewer can therefore be understood as a result of a semantical gap, rather than persisting connotations of passivity. The television audience as a concept is only equipped to explain the presumably "passive" activities of listening and viewing, and not equipped to explain the "active" actions of users. The activities of the OTT TV audience cannot, in a satisfying way, be explained with

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[127] Shaw, "Agenda-Setting and Mass Communication Theory," 97.
[128] For instance, Uricchio's account of the remote control disrupting Williams' conception in favour of a user generated flow. See William Uricchio, "Television's next generation," in *Television After TV: Essays on a Medium in Transition*, ed. Spigel, L. en Olsson, J. 163-183. (Durham, Duke University Press, 2004).
[129] Newman and Levine, *Legitimating Television: Media Convergence and Cultural Status,* 3.
[130] Idem, 13.
[131] Idem, 15.
[132] Sonia Livingstone, *The Changing Nature of Audiences: From the Mass Audience to the Interactive Media User* [online] (London: LSE Research Online, 2003), 24, accessed March 10, 2017. http://eprints.lse.ac.uk/417 /
[133] Ibidem.
[134] To avoid a misunderstanding due to an unfortunate juxta-positioning, I would like to assert that the academic debate on the active audience is of course not limited to accounts of viewing and listening. See idem, 6-9.

the concept *television viewer.* The vocabulary switch, therefore, does not inherently imply a passive television audience, only a less active one than a new media audience.

3.3 The Value of Live Broadcasting

In the analysed discourse a significant discussion is centred around OTT platforms' acquisition of live programming. Before going into the way this is conceptualised, the different dimensions and implications, it is important to consider 'liveness' as a concept.

'Liveness', much like 'discourse', is a prolific term; it has been used to define and describe a means of transmission, a type of television content and a way to characterise television as a medium.[135] As Jerome Bourdon argues, many theories of television have centred around liveness as a professional ideology.[136] He states that liveness has been an defining quality for television since the early days of the medium's history. "When professionals started debating the specificity of television (notably in comparison with the cinema), they related it to three characteristics, namely screen size, domestic reception and, finally and most notably, 'liveness'."[137] Although the heyday of live broadcasting has long been over, Bourdon argues that "television remains deeply influenced by the possibility of live broadcasting."[138] Elana Levine attributes this in part to the television industry. She states that the industry has promoted the liveness myth, eagerly flaunting "liveness as a marker of the medium's immediacy and authenticity."[139]

As an academic concept, liveness has also been central to understanding television. The concept has been argued to be the ontological essence of television.[140] In turn, much ink has been spilled on debunking liveness as an ontological essence of television.[141] For the purpose of this analysis, which is not concerned with epistemological certainty but with popular understanding, a demarcated definition of liveness is not required. Nonetheless, in order to discuss its implications here, I consider it to be valuable to at least clarify my approach to liveness as a concept. I would employ the characterisation of liveness as recently put forward by Karin van Es. She argues for an

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[135] Karin van Es, *The Future of Live* (Oxford: Polity Press, 2016), 11.
[136] Jerome Bourdon, "Live Television is Still Alive: on Television as an Unfulfilled Promise." *Media, Culture & Society* 22 (2000): 531.
[137] Ibidem.
[138] Ibidem.
[139] Elana Levine, "Live! Defining television quality at the turn of the 21st century" (paper presented at the television conference: Media in Transition III, Massachusetts, May 2-4, 2003).
[140] For a comprehensive discussion of the ontological and phenomenological approaches to liveness as a media concept and its relation to television as a medium, see van Es, *The Future of Live*, 9-17.
[141] As Elana Levine argues on pages 1-3, see Levine, "Live! Defining television quality at the turn of the 21st century."

overarching conceptualisation to encapsulate the complex nature of the concept as "a product of interaction among institutions, technologies and users/viewers."[142] This approach is particularly suitable here because Van Es considers liveness to be a social construct.[143] She refers to particular articulations of the live as 'constellations', which she argues simplifies "the idea of multiple actors coming together as a recognizable form."[144] As such, I would assert here that the engagement of a discourse on OTT TV with liveness can be understood as a particular articulation, influencing the domain of 'users/viewers'.

Although the articles in the corpus are often unspecific on their presumed concepts, a certain consistency can be interpreted. First, live is conceptualised around a sense of immediacy; a transmission in real time. Metz argues for the instantaneous experience of sports, he cites: "'Sports is one of those last things that makes people still want to watch TV in a linear fashion,' says Tony Emerson."[145] Furthermore Metz explains: "unlike almost everything else on TV, sports happen in the moment. And fans want to be there for that moment."[146] Metz recounts Emerson's personal experience: "'I am a big fan of Formula One and I will still stay up until 2 a.m. to see a race in the Far East—partly so my brother doesn't call me to tell me who won and partly because I want to see it right away,'" Emerson states.[147] These statements facilitate an interpretation of how liveness is understood. Bourdon distinguishes between four types of live: fully live, continuity, edited and fiction.[148] I consider these distinctions relatable to conceptualisations within a discourse because they are based on 'spectatorial belief'.[149] The type of programming described as 'live' in the discourse can be categorised as fully live, "where the spectator has the full sense of experiencing a life event."[150] Bourdon explains the merits of this category: "fully live television is best exemplified by

[142] van Es, *The Future of Live*, 11.
[143] Idem, 26
[144] Ibidem.
[145] Metz, "Internet TV's Big Chance to Oust Cable Is Almost Here."
[146] Ibidem.
[147] Ibidem.
[148] As Bourdon explains: "we will oppose 'fully live', where the spectator has the full sense of experiencing a life event, and 'continuity television', where the spectator only partly has this feeling. Our third type is 'edited television'. In the first sense, all television is edited (…) However, in this article, I will use the expression only for programmes that are edited after shooting. (…) Our fourth type is fiction, played by actors, and edited – as far from live broadcasting as one can think, since it presupposes a high degree of previous elaboration. See Bourdon, "Live Television is Still Alive," 539.
[149] Bourdon's categorization of types of liveness do not interfere with the presumed conception of live as a social construct. If the types of liveness were distinguished on the basis of any operational or technological dimension, one could argue that those are not necessarily perceived or understood by the interpreting audience. Instead, Bourdon argues for conceptualising live based on spectatorial belief. He argues: "the spectator, then, 'reads' television in a context more or less favourable to the belief in liveness." Plainly said: what *is,* is less important than how it *appears* to be.
[150] Idem, 538.

major media events when television cannot possibly not be live."[151]

Correspondingly, this categorisation already brushes the second way live is conceptualised: as a shared experience of involvement. As a part of Metz's quote above indicates, "partly so my brother doesn't call me to tell me who won", liveness is understood to facilitates a shared involvement.[152] Similarly, Arthofer and Rose write about "water-cooler events, such as the Super Bowl and the Oscars."[153] These broadcasts can be understood as media events, described by Daniel Dayan and Elihu Katz as the "high holidays of mass communication."[154] They discuss the experience of "being there" with media events and state its dependency of a dimension of involvement: "one may become involved in the Olympics, in Watergate, or in a Presidential election."[155]

Third, the discourse conceptualisation of liveness as related to television as a medium. Zachary Seward refers to Sling TV as "the first live television service delivered entirely over the internet." He connotes this with the precursory statement: "the internet and television have finally converged."[156] In this statement Seward implies that online live broadcasting defines the 'real' convergence, therefore taking liveness as a defining quality of television. Similarly, when Tara Seals refers to live programming as "truly TV-like content types" and identifies the corresponding OTT platform as "TV-like OTT" she takes liveness as an indicator for television. Here she implies that OTT platforms were not TV-like. As if to say the content types that were television "native" and previously moved to the internet, like the television drama or any type of scheduled television show, she does not consider to be "truly" TV-like. In these examples liveness can be interpreted to be conceptualised as central to an understanding of television; effectively essentialising television as a medium.

To summarize, the discourse on OTT TV conceptualises liveness: as a type of transmission, where the filmed material is broadcasted in real time, that is, as it occurs; as a type of programming, interpretable as "media events" including, although not one-off events, live sports; and as the defining characteristic of the medium.[157] This conceptualisation of live programming, interpreted as fully live media events, is then ascribed considerable value within a discourse on OTT TV. The distribution of live programming through OTT platforms is understood to be a significant transition within the OTT marketplace.

Although the current television marketplace is ascribed to give the consumer more options

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[151] Idem, 539.
[152] Metz, "Internet TV's Big Chance to Oust Cable Is Almost Here."
[153] Arthofer and Rose, "The Future of Television: Where the US Industry Is Heading."
[154] Daniel Dayan and Elihu Katz, *Media Events* (Cambridge: Harvard University Press, 1994), 1.
[155] Dayan and Katz, *Media Events*, 145.
[156] Seward, "Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era."
[157] As Karin van Es argues, since Janet Jackson's "nipplegate" US broadcasts have not been truly 'in real time'. Instead the broadcast is delayed in order to edit out any unforeseen profanity. See van Es, *The Future of Live,* 14.

than ever before, the discourse differentiates between having options and having a genuine choice, realized through real alternatives. The discourse constructs a single prerequisite for OTT TV to be considered a viable choice: live programming. As Tara Seals writes: “Over-the-top (OTT) operators are proliferating—and offering consumers an ever-greater opportunity to cut the cord, i.e., to ditch their pay-TV subscriptions in favor of Internet-delivered video. But there’s one programming feather in the cap that has eluded most OTT providers so far: live broadcast TV.”[158] Live programming is understood to make OTT TV a viable alternative. For instance, Seward states that Sling TV “opens the gates to cord-cutting,” because they carry the popular sports channel.[159] Also, OTT TV with live broadcasting is ascribed to have credible competing power relative to traditional forms of distributed television. Tara Seals writes: “linear streaming propositions such as PlayStation Vue represent the next wave of disruptive services, which can truly substitute for traditional pay-TV.”[160] As Frank Arthofer and John Rose write: “For many years, streaming video didn’t threaten traditional TV.”[161] But now, “with the launch of Sling TV and PlayStation Vue, viewers have access to an array of online channels that can compete with traditional cable bundles by offering live, linear programming;” stating this will “fuel competition among distributors.”[162]

Moreover, OTT TV with live broadcasting is understood to be a final hurdle. Metz describes the move of live broadcasting to an OTT platform as a turning point for internet television.[163] He quotes Emerson on the move of ESPN to OTT distribution: “’This was the one that could break the camel’s back,’ says Emerson, who helps media and cable companies across the globe build internet TV services atop Microsoft’s Azure cloud computing service.”[164] Seward concurs, “Sling TV marks the beginning of a new era.”[165]

When Seward reckons that live programming is the number one reason why more people have not cut the cord, he is implying a hierarchy between television programmes and attributing cultural significance to liveness as a marker for a program’s privileged status.[166] Similarly, when in the instances above it is asserted that live programming determines OTT TV’s status as a viable alternative and infuses a platform with competing power, this attributes liveness as a marker for a OTT platform’s privileged status. And finally, considering the move of live programming to OTT platforms as evidence for the turning point of internet-distributed television, liveness itself is implied

[158] Seals, “OTT and Broadcast: A Cord-Cutting Dilemma.”
[159] Metz, “Internet TV’s Big Chance to Oust Cable Is Almost Here.”
[160] Seals, “OTT and Broadcast: A Cord-Cutting Dilemma.”
[161] Arthofer and Rose, “The Future of Television: Where the US Industry Is Heading.”
[162] Ibidem.
[163] Metz, “Internet TV’s Big Chance to Oust Cable Is Almost Here.”
[164] Ibidem.
[165] Seward, “Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era.”
[166] Ibidem.

to be a marker for vantage.

Subsequently, the value attributed to live programming translates to an increased value of liveness for broadcasters, due to a regulatory gap. As Tara Seals explains:

> "The FCC has not yet grouped OTT services under what's known as must-carry rules, so broadcasters are not required to make a deal with them for carriage. And that means that broadcasters can hold their content over OTT's head as expensive leverage, particularly since network ratings continue to show that broadcast fare is still some of the most sought-after in TV."[167]

The value of liveness can be interpreted to be increased for broadcasters. The OTT marketplace is conceptualised as a new, unregulated market where broadcast content is in high demand and supply is controlled by the broadcasters. Meaning that live television content, although understood to be the broadcasters last card to play, is their trump card. Live programming is therefore experiencing an increased commodification.

On similar grounds, Inge Sørenson perceives live TV to be in a state of revival. She argues that "liveness is once again becoming one of the defining characteristics and unique selling points of television in a crowded multiplatform mediascape."[168] The value of liveness as a commodity gives broadcasters a "clear competitive edge over the streamed content and Video on Demand (VOD) services." She analyses that British public service channels are using liveness "to fight back and even to regain ground from online content and VOD providers."[169]

Sørenson's account of the British public service broadcasters exemplifies the discursive construction of liveness and live programming has an added value for OTT TV. This construction simultaneously implies and emphasises a value of liveness within television as a medium. The value of liveness within television as a medium is arguably increased as its role as a commodity is exposed by OTT's desire to obtain it. Although the discourse does not construct a sense of revival, as Sørenson does, liveness can be interpreted to be revaluated. From the perspective of OTT TV, liveness is shown to be a marker of considerable value.

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[167] Seals, "OTT and Broadcast: A Cord-Cutting Dilemma."
[168] Inge Sørenson, "The Revival of Live TV: Liveness in a Multiplatform Context," *Media, Culture & Society* 38 (2016): 386, DOI: 10.1177/01634437156082605.
[169] Idem, 385.

3.4 Decoupling Television from the Industry

A common denominator throughout the corpus is that OTT distribution brings forth a disruption of the television industry. This disruption is conceptualised as a transition into the perceived future of television.[170] There are varying statements on when this transition will take place. A small majority of the references to transitional states place a disruption in the near future: “major changes are afoot”[171], “on the verge of reality”[172], “we are on the cusp.”[173] Others argue a disruption has thus commenced: “the US TV industry is quickly transitioning”[174], “that model is already breaking down”[175], “TV is breaking free.”[176]

Although OTT as a distribution system of television content can be understood as part of the television industry, the discourse conceptualises an OTT TV “marketplace” as distinct. OTT platforms are proliferating. Within the North American market there is said to be over 130 OTT services available.[177] The marketplace is conceived to be in a state of development. A statement from Amazon, as quoted by Techzone journalist Tara Seals, states that the marketplace is still growing and changing.[178] James Gatusso, a Senior Research Fellow in Regulatory Policy for the conservative Heritage Foundation, writes that it is “dynamic and even a bit chaotic,” and later on adds that OTT TV offers “a world of choice, competition, and constant innovation.” [179]

The conceptualisation of the television industry is contrasted against the OTT TV marketplace. Interestingly, the discourse conceivably places the television industry in a competitive vacuum. Arthofer and Rose describe the television industry as a “harmonious ecosystem based on mutual dependency.”[180] The power dynamic consists of an interdependent equilibrium based on the monopolistic position of the cable providers. As media journalist Greg Satell explains: “until recently, cable companies held a lot of leverage.”[181] First, the cable companies had a position of power as opposed to the television programmer as they could choose to give them a favourable spot on the cable box. “Broadcasters, whether they liked it or not, had to play ball.”[182] Second, in relation to the

[170] See also, Anderle, “CES 2016: Predictions for the Future of Television.”, Atkinson, “Les Moonves Says Over-the-top TV is the Future.”, Arthofer and Rose, “The Future of Television: Where the US Industry Is Heading.”
[171] Anderle, “CES 2016: Predictions for the Future of Television.”
[172] Metz, “Internet TV’s Big Chance to Oust Cable Is Almost Here.”
[173] Seals, “OTT and Broadcast: A Cord-Cutting Dilemma.”
[174] Arthofer and Rose, “The Future of Television: Where the US Industry Is Heading.”
[175] Satell, “The Future Of TV Is Here. Can Cable Survive?”
[176] Schechter, “Streaming TV Boom OTT More Than Just Netflix.”
[177] Zhao, “What Does the Rise of OTT Video Mean for Broadcast TV?”
[178] Seals, “OTT and Broadcast: A Cord-Cutting Dilemma.”.
[179] Gattuso, “FCC: Over the Top on Internet TV.”
[180] Arthofer and Rose, “The Future of Television: Where the US Industry Is Heading.”
[181] Seward, “Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era.”
[182] Ibidem.

viewer the cable providers held all the cards. They could force viewers to pay a high monthly rate for packages of channels. As Dan Schechter explains: "TV packages are the only means by which consumers have access to all the channels."[183] As stated above, cable providers bundle popular channels with less popular ones and sell them together, forcing viewers to pay for channels they do not want. This uneven balance of power consequently resorted in an uneven distribution of profit. "In the traditional ecosystem, intermediaries take most of the revenue. In that value chain, distributors like Comcast take 50-60 percent of the consumer dollar, and aggregators like ABC take another 25-30 percent, leaving only 10-25 percent for content creators," Schechter writes.[184] The discourse conceptualises the television industry as ruled by cable providers.

This construction of the television industry holds interesting similarities to Andrew Hanssen's account of the efficiency of the Hollywood film industry.[185] The constructed position and practise of cable providers in the television industry has considerable parallels with the practises of the "Big Five" studio's in what is characterised as the Hollywood studio era. The decree in the Paramount case of 1948 changed the industry. As Hanssen states:

> "[the decrees] fundamentally altered the structure of the relationship between producers/distributors and exhibitors. Under the terms of the decrees, contractual practices such as block booking were banned; (…) and the divestiture of producer-owned cinemas was mandated."[186]

Before the decree, the US film industry had a structural economy of vertical integration. Film studios produced motion pictures and owned their own viewing venues effectively aligning production and distribution. This gave the studio's a guaranteed output of their content and a favourable position within the industry; effectively boxing out the competition.[187]

Correspondingly, David Waterman and Andrew Weiss identify vertical integration in cable television in their analysis of the television industry's organisational structure after the 1992 Cable

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[183] Schechter, "Streaming TV Boom OTT More Than Just Netflix."
[184] Ibidem.
[185] Andrew Hanssen, "Vertical Integration During the Hollywood Studio Era," *Journal of Law and Economics* 53 (2010): 519-543.
[186] Hanssen 520
[187] One of the practises of the film studio's was combining popular movies with less popular ones, and selling them as a bundle, or a block. This is referred to as block booking. It involves "the practice of licensing, or offering for license, one feature or group of features on the condition that the exhibitor will also license another feature or group of features released by distributors during a given period," as defined by Roy Kenney and Benjamin Klein. Although the cable providers do not own the channels, they can be interpreted to utilise the same kind of strategy with the bundling of channels. Such a strategy speaks to the cable providers position of power. Before the restriction of access to the valuable commodity can be successfully exploited, the executor of the strategy has to be in exclusive possession. Where the film studio's owned the commodity, the cable providers' monopolistic position in relation to the broadcast studios ensures their possession. See Roy Kenney and Benjamin Klein, "The Economics of Block Booking." *Journal of Law and Economics* 26 (1983): 501.

Act.[188] They show the "anticompetitive uses of vertical integration by established cable operators."[189] The vertical ties pertain to cable providers, owning cable networks and a distributing them. The discourse constructs the anti-competitive uses of vertical ownership as an obstacle for the advancement of the OTT marketplace. As Cade Metz describes, cable network NBC, the subsidiary of cable provider Comcast, is a holdout when it comes to licencing its content to Apple's new OTT platform. [190] Metz argues that this is hardly surprising, "'At the end of the day,' says Beck. 'Comcast wants to preserve its existing model.'"[191] This corresponds with the position Waterman and Weiss argue for, a cable provider "will use its network ties strategically to create barriers to entry or otherwise disadvantage alternative multichannel video programming distributors by denying them access to the programming it controls."[192]

OTT platforms, described by Arthofer and Rose as: "powerful digital attackers (…) emerging from outside the traditional TV ecosystem", are understood to be disrupting the harmonious ecosystem of the television industry.[193] While the discourse constructs the television industry as defending the existing model, effectively halting innovation. Tara Seals describes the reason OTT platforms have not all had access to live programming: "[the] live broadcast arena is a thorny thicket of content licensing snags for distributors."[194] To clarify the depth and colourful nature of this metaphor, it is worthy to consult additional sources to enrich the understanding of the vocabulary used in this metaphor. For instance a thicket is defined as a: "very dense stand of trees or tall shrubs, often dominated by only one or a few species, to the exclusion of all others. They may be formed by species that shed large numbers of highly viable seeds that are able to germinate in the shelter of the maternal plants."[195] Seals comparing the live broadcast arena to a thorny thicket is a comprehensive

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188 The Cable Act, or Cable Television Consumer Protection and Competition Act in full, establishes regulations governing the behaviour of integrated cable systems; including various restraints on channel occupancy limits and the vertical ownership ties between cable operators and cable networks. See David Waterman and Andrew Weiss, *Vertical Integration in Cable Television* (Cambridge: MIT Press, 1997), 5.
189 Idem, 7.
190 Metz, "Internet TV's Big Chance to Oust Cable Is Almost Here."
191 Ibidem.
192 Waterman and Weiss, *Vertical Integration in Cable Television,* 55.
193 Gattuso, "FCC: Over the Top on Internet TV."
194 Seals, "OTT and Broadcast: A Cord-Cutting Dilemma."
195 I am fully aware that using Wikipedia as a source is frowned upon in academics. Nevertheless I have decided to use it here because of three considerations. First, the description that Wikipedia provided for the term 'thicket' is more all-embracing, than other (online) dictionary definitions. It should be noted that the descriptions do not differ, Wikipedia's is just more in depth. Second, I reckon that the damage the use of Wikipedia does to the credibility of the argument is based upon the credibility of the information on Wikipedia. Therefore using it to explain a scientific concept has a higher margin of error than when its used to define a botanist term. Meaning that I consider the margin of error here to be small enough. Therefore, I consider the use of Wikipedia here, to be a greater advantage to the purpose of consulting a source as it is a damage to the credibility. Last but not least, the fact that this is an analysis of a discourse aimed at layman, it is perfectly reasonable to assume that Wikipedia is part of what Lynn Spigels refers to as an interpretative context. Readers interested in OTT distribution might not be botanist experts. Meaning, when the discourse is interpreted by the

way to connote the meanings ascribed to television industry. It entails the domination of a few big players, the anti-competitive nature and the protection of its product allowing it to flourish. Furthermore, a 'snag' refers to: "a dead or partly dead tree that is still standing (…) and is a danger to navigation."[196] Calling content licensing 'snags' can be interpreted to reference to the deceased or soon to be deceased status of restricted licensing as a system as well as the defensive use of the licensing, menacing outsiders that attempt to navigate inward.

Although cable providers defend against innovation, the disruption of the television industry is perceived to be inevitable. In contrast to top-down regulatory policy which changed the film industry, the changes in the television industry are constructed as bottom-up. Based on what can be interpreted as two prerequisites: conscious consumers' dissatisfaction and viable alternatives offering choice. "TV-like" OTT, with live broadcasting, is giving an alternative to cable distribution and can therefore be interpreted as breaking down the cable providers' monopolistic position within the industry. "Traditional TV distribution is at risk", like Arthofer and Rose keenly describe.[197] And the conscious consumers are understood to be revaluating the situation. Greg Satell states: "what has struck me most about cutting out my cable service is that what few barriers remain aren't economical or technological—broadcasters are perfectly able to serve ads and charge subscriptions in streaming video—but tied to agreements with cable providers."[198] Choice is lifting the leverage the cable companies had over the viewers, aggregators and content creators.

The change in power dynamic has a domino effect on the industry's ecosystem. Chief tech-industry analyst Andrew Sheehy compares the influence of OTT to a slow puncture of a tire: "the nail first entered the tire hundreds of miles ago, but mile by mile, it slowly works its way through the rubber until it reaches the inside – at which point the process of deflation is irreversible and the outcome is certain."[199] As a consequence cable providers' practises and pricing are reconsidered. As Metz quotes Emerson: "Once you can get ESPN unbundled from the cable system, it puts into question the whole bundle [idea] for lots of different channels."[200] In addition, as Arthofer and Rose state: "as consumers become more conscious of the price-to-value ratio in television viewing, the days of passing network license fee increases along to consumers are over."[201] This consciousness is resulting in an active exertion of power. "If you subscribe to services such as Netflix and Hulu, you're

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intended readers, Wikipedia is a likely source to help clarify the content for them. "Thicket," last modified on January 15, 2017, https://en.wikipedia.org/wiki/Thicket

[196] "Snag," accessed March 10, 2017, http://www.thefreedictionary.com/snag

[197] Arthofer and Rose, "The Future of Television: Where the US Industry Is Heading."

[198] Seward, "Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era."

[199] Sheehy, "Here's How OTT Internet TV Will Transform Pay TV.

[200] Metz, "Internet TV's Big Chance to Oust Cable Is Almost Here."

[201] Arthofer and Rose, "The Future of Television: Where the US Industry Is Heading."

contributing directly to the boom in the over-the-top (OTT) TV service market," Schechter writes.[202] In a competitive market environment, the market will have to follow the consumer trend. As Li Zhao writes: "Just as Bob Bejan, Global Executive Creative Director of AOL said: 'We're seeing the breakdown of the traditional media landscape. The control and power is shifting into the hands of the consumer.'"[203] Furthermore, the content owners will have to revise their business models. "Content owners have no choice but to experiment with balancing content offerings and costs, and to adapt to consumers' cord-cutting trends with effective revenue generation methods," as Li Zhao explains.[204] As innovation from outside the industry sparks innovation from within, change will be accelerated, Seward argues.[205] Pay TV company HBO, for instance, started its own OTT platform, HBO Now. "That will put pressure on pay TV companies to offer slimmer, cheaper bundles of channels", Seward surmises.[206] Finally, even the cable providers will have to adapt, Andrew Sheehy predicts. He explains: "this will mean that a structural downsizing will need to take place because there is no way that any company can operate profitably in a competitive market environment, while carrying significant costs that rivals are avoiding by using a different strategy."[207]

Interestingly, OTT as a system of distribution, besides restructuring the television industry, can be interpreted to reconceptualise television as a medium. As Greg Satell writes: "today, "TV" the appliance is being decoupled from "TV" as a form of entertainment."[208] Implying that before today, the medium of television was equatable with its system of distribution. Amanda Lotz addresses this convoluted concept of television as well.[209] She argues that the industrial practises and norms of viewing are so tied to the medium in our minds, they cloud the picture. The experiences of television that "have long been believed inherent to the medium of television are, rather, protocols particular to broadcasting and cable as distribution."[210] Moreover, I consider this the reason she did not choose to use the term OTT TV. Using the term OTT TV reiterates this connection between the medium and the system of distribution. Therefore Lotz iterates portals as a term for the system of distribution alone. Any other term than television for the medium itself can "obscure the consistency of television's defining attributes regardless of the development of a new mechanism of distribution with some new capabilities."[211]

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[202] Schechter, "Streaming TV Boom OTT More Than Just Netflix."
[203] Zhao, "What Does the Rise of OTT Video Mean for Broadcast TV?"
[204] Ibidem.
[205] Seward, "Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era."
[206] Ibidem.
[207] Sheehy, "Here's How OTT Internet TV Will Transform Pay TV."
[208] Seward, "Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era."
[209] Lotz
[210] Lotz uses the term protocols defined by Lisa Gitelman as: "'huge variety of social, economic, and material relationships' connected to using technologies." Lotz introduction.
[211] Lotz

In the discourse on the other hand, the untangling of the protocols seemingly inherent to television is constructed as a change in the medium itself. As Satell states: "what we used to call "TV" is morphing into something else entirely."[212] The change is signified as the liberation of the medium. With a move to OTT, Guichard argues: "consumers are shifting away from the shackles of traditional TV services."[213] Finally, revisiting Schechter's quote: "rapid expansion of the over-the-top (OTT) market shows how TV is breaking free from its classic model."[214] Schechter separates television as a medium from television as an industry-driven entity through a classic model of distribution. In his account the medium itself is breaking free. He therefore implies the initial captivity of television as a medium within its classic model. Television as a medium is implicitly constructed as buckled under an industry's rule, which is in turn leveraged by cable companies capitalising their monopolistic position.

[212] Satell, "The Future Of TV Is Here. Can Cable Survive?"
[213] Guichard, "Can OTT Contribute to the Growth of Traditional Television?"
[214] Schechter, "Streaming TV Boom OTT More Than Just Netflix."

5. Conclusion

This thesis aimed to analyse the revaluation of television as a medium through the analyses of a popularised expert discourse on OTT TV. Twelve articles were analysed with the analytical tools for "critical discourse analysis" as provided by Norman Fairclough. In these articles, references to OTT TV were interpreted to uncover how they imply a conceptualisation of television as a medium. The objective was to answer the following research question: *In what way does a popularized expert discourse on OTT TV implicitly construct television as a medium?*

The analysis shows a bifurcation in the conceptualisation of the television audience. The discourse differentiates between the OTT TV content consumer and the television viewer. By attributing and accentuating the active and conscious role of the consumer, the television viewer is implied to be passive and non-conscious. As such, the empowerment of the content consumer is premised upon the powerless television viewer. Furthermore, the discourse implicitly constructs an increased value of liveness for television. The analysis shows that OTT TV with live programming is constructed to be a viable alternative to television and evidence of a turning point in internet-distributed television; thereby establishing liveness as an innate marker for value. Conceptualising an increased demand for live television content implicitly constructs live programming as a valuable commodity. Lastly, the discourse on OTT TV constructs OTT distribution as parting television as a medium from the television industry. The decoupling is conceptualised as the liberation of television as a medium, implying its initial captivity. The discourse implicitly constructs the television industry, in turn, as ruled by cable providers. Their monopolistic position within the industry enables the cable companies to leverage content creators and aggregators and the exploit the television viewers, using the restriction of access to exert control.

The analysed popularised expert discourse implicitly constructs television as a medium as a legacy configuration of TV as a form of entertainment. Television's industrial practices and institutional protocols are retroactively understood as an obstruction to the medium's inherent ability. As the powerless television viewer is understood through the limiting affordances the medium offers, both television and its consumers are conceptualised as having dormant potential. The findings suggest that OTT distribution has caused an "Aha-Erlebnis" that has clarified the way television was restrained. The bifurcation of television and OTT TV is therefore relative to, but slightly different than, Newman and Levine analyse in a discourse of Quality TV. The present of OTT TV is not valorised on the expense of television, rather, the perspective of present and future possibilities highlight past limitations.

These findings should be contextualised though. They are, as the title of this thesis indicates, shaped by a specific perspective; past limitations are reflected through the glimmer of future possibilities. As such, I would argue that these findings highlight a retrospective dimension of a technological, or rather televisual, imaginary. Patrice Flichy states that the creation of media is a "complex interplay between technological developments, planned uses fitting into evolving lifestyles and modes of working, and a socio-technological *imaginaire.*"[215] He therefore asserts that a collective imagination factors into media creation. Comparatively, based on the findings of the analysis, I consider a collective imagination to factor into a revaluation of media.

This thesis has aimed to uncover the rich insights that accompany the transition of media. The analysis of a popularised expert discourse has given insight into the influence of a collective imagination of the socio-technological possibilities of media on the retrospective evaluation of media forms. In other words, the cultural form of media faces pervasively undulating conditions that factor into its formation and evaluation. These conditions should include, or be sensitive to, a multiplicity of retrospective and prospective dimensions.

Regarding internet-distributed forms of television there is still an abundance to investigate. One possible consideration for future research would be the role of FCC regulations for the OTT TV marketplace. The FCC is considering to evoke a technologically neutral definition of an MVPD, multichannel video programming distributor, which would include OTT distributing platforms. In the analysed discourse the implications for OTT platforms are conceptualised as wide-ranging, but contradictory. One the one hand, the discourse construct a multitude of regulatory burdens for OTT platforms. While on the other hand, a classification as MVPD is understood to help OTT platforms to gain access to live television content. The overarching consideration is whether top-down regulations should be introduced into the internal dynamic of the free market. It is worthy to consider the possibilities and implications of unregulated competition in the current television marketplace.

The current time of intensified transition revaluates an abundance of industrial logics. As such, the future's conceptualisation of the past is ours to excavate; archaeologists, ready your brushes.

[215] Patrice Flichy, "The Construction of New Digital Media," *New Media & Society* 1 (1999): 34.

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7. Appendix

7.1 Illustration

Source: Dan Schechter, "Streaming TV Boom OTT More Than Just Netflix," *The Wrap*, July 27, 2016.
http://www.thewrap.com/streaming-tv-boom-ott-more-than-just-netflix-guest-blog/

7.2 Experts in the Corpus

Article Nr:	Author:	Title:	Expert Type:
1.	Megan Anderle, Technology and Business Journalist.	CES 2016: Predictions for the Future of Television	Industry expert: Anderle quotes statements made on CES, (Consumer Electronics Show) a technology convention held in Las Vegas that functions as a Launchpad for innovation.
2.	Claire Atkinson, Media Journalist.	Les Moonves says over-the-top TV is the future	Industry expert: Atkinson quotes CBS Chief Executive Les Moonves, who he introduces as: “who successfully pushed cable-TV providers to pay broadcast networks for carriage in the same way they do for cable channels.” And “who has been one of broadcast television’s biggest boosters for years.”
3.	Frank Arthofer and John Rose, Media Industry Consultants.	The Future of Television: Where the US Industry Is Heading	Industry experts as authors: Frank Arthofer is a core member of the Technology, Media & Telecommunications (TMT) practice of The Boston Consulting Group. He focuses on traditional and digital video strategy across the media value chain. Frank joined BCG in 2014, bringing nearly a decade of experience advising in strategic planning, business development, distribution channel optimization, and brand marketing. He has acquired deep expertise in business transformation and growth strategies, as well as operational enhancements. Frank has a strong background in OTT—from business strategy to market expansion opportunities. John Rose is the former global leader of the media sector for the Technology, Media & Telecommunications practice at The Boston Consulting Group. He became a BCG Fellow in 2014. John’s fellowship focuses on helping companies foster trust among consumers in order to gain access to—and unlock value from—the ever-widening stream of complex, fast-moving big data that is generated online. John has focused his consulting practice over the past several years on collaborating with a broad set of technology, media, and telecommunications companies to address the uncertainty unleashed by new forms of online content, new distribution

			pathways, new devices, new consumer behaviors, and new business models that are disrupting the competitive landscape.
4.	James Gattuso, Research Fellow.	FCC: Over the Top on Internet TV	Industry expert: Senior Research Fellow in Regulatory Policy. James Gattuso handles regulatory and telecommunications issues for The Heritage Foundation.
5.	Benedicte Guichard, Senior Marketing Director at Cleeng.	Can OTT Contribute to the Growth of Traditional Television?	Industry expert as author: Benedicte has a 12 year record of effective B2B and B2C Brand Management at a strategic level for Essilor International, NEC, and Packard Bell. She's a passionate marketer with a strong reputation for successfully coordinating global through-the-line communication projects.
6.	Cade Metz, Senior Staff Writer for Wired.	Internet TV's Big Chance to Oust Cable Is Almost Here.	Industry Expert and Statistical analysis: Metz quotes Tony Emerson who he introduces as: "a Microsoft managing director who works closely with hundreds of the world's media and cable TV companies." "[Emerson] who helps media and cable companies across the globe build internet TV services atop Microsoft's Azure cloud computing service. Emerson has seen firsthand a huge shift in the way these businesses treat the net." Moreover, Metz quotes Stephen Beck, who he introduces as: "the founder of a consulting firm called cg42, which has closely studied the move to internet television over the last few years." In one instance, furthermore, he states that Beck is "citing a cg42 study"
7.	Greg Satell, Industry Consultant.	The Future Of TV Is Here. Can Cable Survive?	Experiential expert: "I recently discontinued my cable service and am already amazed how little I'm missing. I've also noticed new programming business models starting to emerge. What has struck me most about cutting out my cable service is that what few barriers remain aren't economical or technological." Industry expert as author: For most of my career, I developed and managed businesses in the emerging markets of eastern Europe. I've also held senior strategic roles in the Publicis Groupe. Now I'm back in the US, speaking and consulting for a variety of businesses.
8.	Dan Schechter, Consultant at L.E.K.	Streaming TV Boom OTT More Than Just Netflix.	Industry expert as author: Dan Schechter is a Managing Director and Partner at L.E.K.

			Consulting, and he leads the firm's Global Media, Entertainment & Technology practice. He has broad experience within the media, entertainment and technology sector, including TV, film, Internet content and commerce, radio, magazines, theme parks, advertising and news. He also has experience working with retail, consumer products, travel and industrial clients. Dan was awarded his MBA from Stanford University and his BA, cum laude, from Harvard University.
9.	Tara Seals, Media Journalist.	OTT and Broadcast: A Cord-Cutting Dilemma.	Statistical analysis: Seals cites statements of Analyst firm Ovum. Besides that, she specifically quotes two of Ovum’s employees: Tony Gunnarsson, who she introduces as a senior analyst in Ovum's TV practice, and Ed Barton, who she introduces as Ovum's head of TV research and analysis.
10.	Zachary Seward, Media Journalist. Executive Editor	Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era.	Experiential expert: “I’ve been testing the service and can report that it works as advertised: You can watch crystal-clear live TV with a simple app that works on most devices.”
11.	Andrew Sheehy,	Here's How OTT Internet TV Will Transform Pay TV	Industry expert as author: Andrew has been a tech industry analyst for 10 years and before that worked for 15 years in several tech companies in roles spanning hardware design, product management and strategy. He is currently the chief analyst at Nakono, an technology industry research company covering the digital economy. Andrew holds a B.Sc. (Hons) degree in Electronics and an MBA degree from London Business School.
12.	Li Zhao,	What Does the Rise of OTT Video Mean for Broadcast TV?	Statistical analysis: Li Zhao cites a number of studies by: Parks Associates, Boston Consulting Group, ZenithOptimedia, and a Nielsen case study. Moreover, Zhao employs an industry expert. He quotes a consulting article from John Rose, the same John Rose as the author of article three above, who Zhao introduces as a senior partner at BCG.

7.3 Codes: The Empowerment of the Consumer.

In wake of all the CES announcements, platforms like HBO Now, Sling TV, Netflix and Hulu are credited with inspiring industry-wide change, **in terms of how and when consumers want to consume content.**

"You need to be on Facebook, YouTube, Twitter, Snapchat — every channel — and you need to do it really well to win," BET Network's chief digital officer Kay Madati said during a CES panel. "That means committing resources — writers and producers — **to be everywhere our consumer is."**

"We believe OTT is our future," said Moonves, who has been one of broadcast television's biggest boosters for years. "**You will want to pay $5.99 to get 'Star Trek'** and that will get the ball rolling."

CBS launched its own streaming app that includes current and older shows in 2014. Moonves opted to debut CBS's upcoming "Star Trek" series on CBS All Access exclusively even though Netflix and Amazon would have paid a fortune for it, he said.

Many television critics say that America is experiencing a new "Golden Age of Television," citing an abundance of high-quality programming available today. That judgment is of course a matter of opinion. **What is certain, however, is that today's TV marketplace offers consumers more choices, more competition, and more innovation that ever before.**

Of course, today's consumer has made the decision to migrate to OTT from traditional TV services because of better pricing and more content. According to a study from LEK, 15% of people surveyed said they prefer OTT because of increased choice and content libraries, and 14% said their preference boils down to OTT subscription services being more affordable.

It means that **the modern entertainment hungry adult likes a mix of services**, including OTT and traditional pay television. In fact, according to LEK, a whopping 88% of 18 to 24-year-olds are multichannel subscribers.

But most notably, **people are changing the way they consume TV.** According to one study, about 7.6 million households have cut the cable cord. **Dish TV began as a satellite TV company but it's moving into internet because that's what so many people want.** "What we see is the growth of broadband-only homes," says Sling TV CEO Roger Lynch. "Cord cutting is happening, and it's been happening for years."

The likes of Comcast are feeling the same heat. **"Anytime you have a customer base as frustrated as the traditional cable providers' customers are**," Beck says, citing a cg24 study that indicates that 53 percent of cable customers say they would leave their cable provider if they hand another viable alternative for TV, "you have an environment that's ripe for technology companies to disrupt it."

I recently discontinued my cable service and **am already amazed how little I'm missing**. Some of the best shows are actually Netflix and HBO originals, which I don't need a cable subscription for. I can catch most of the rest with Hulu Plus and a digital antenna. Some broadcasters, like Bloomberg TV, already offer a live stream through their apps.

Cutting the cable certainly isn't ideal. Many of the programming networks require me to enter an activation code tied to a cable subscription, i**ntegration is far from seamless and I miss the ability to channel surf a bit**, but considering I'll save about $600 a year, the trade-offs seem more than worth it.

"Until now, watching the latest Hollywood movies and TV shows has largely been the preserve of downloads, discs and pay-TV," said Tony Gunnarsson, a senior analyst in Ovum's TV practice. "What we're seeing in maturing markets such as the U.S. is t**hat the audience is shifting towards premium linear streaming,** which is augmenting well-established, free on-demand services such as YouTube."

We see a shift in how TV is increasingly addressing individuals rather than households, and how the merging of online and broadcast advertising technologies and **the on-going hunger for true 'martini TV' – any time, any place, anywhere – from the audience** offers significant incremental revenue opportunities. The proliferation of linear SVOD from traditional TV is just one part of this shift which underpins our firmly held view: TV's best days lie ahead."

I've been testing the service and can report that it works as advertised: You can watch crystal-clear live TV with a simple app that works on most devices.

When I briefly gave up pay TV in 2012, the hardest programming to part with was sports—**but I still couldn't justify paying about $100 a month for sports alone. However, if my provider, Time Warner Cable, had offered a way to get ESPN for $20 a month, I would have happily downgraded**.

Many people feel that the rise of OTT services is directly contributing to the death of traditional television. But, while it's true that **the needs and habits of today's consumers are shifting away from the shackles of traditional TV services,** could OTT, and television actually serve to complement each other?

I like to think of each option as a different type of meal: watching broadcast TV is like having dinner at home (**where you have no other choice but to eat what and when your mom cooks for you**), while OTT is like dining out at a restaurant.

Contracts and old industry standards, coupled with questions over whether to offer channels a la carte or in packages (for sports lovers, for example), **have been major obstacles to giving consumers exactly what they want.**

Moonves joked that it took him a year to see why CBS should do its own paid TV app after he was pitched internally on the idea.

"I'm Dr. No, I'm the old network guy," he said, before he finally came to the realization that it would help **the company control its own destiny**. "God knows I'm very happy I listened to them."

The US TV industry is quickly transitioning from a relatively harmonious ecosystem based on mutual dependency to one in constant change. To capitalize on the new online and mobile pathways and to thrive in an increasingly combative environment, industry participants need a fresh approach. **Pushing bloated cable bundles and exorbitant prices is a losing tactic** in a world where streaming video is the growth engine for the industry. MVPDs and cable networks, in particular, must make the right moves to thrive amid the disruption.

The traditional TV ecosystem is relatively straightforward. Organizations (e.g., production houses, sports leagues) create and own the content, which they sell to aggregators (i.e., channels, broadcasters or cable networks), whose programming wheels contain a variety of content (note that many aggregators have their own captive studio). Aggregators have agreements with pay TV distributors (e.g., Comcast, Time Warner), **which sell their TV packages to us, the consumers. In this ecosystem, TV packages are the only means by which consumers have access to all the channels.**

On Tuesday, Jan. 27, Dish Network will begin rolling out the first live television service delivered entirely over the internet and available across the United States. It's called Sling TV and costs $20 a month for a small set of channels—including, crucially, ESPN—**intended to appeal to young Americans uninterested in large and expensive cable bundles.**

Another major selling point of Sling TV is its simplicity. If you're accustomed to poor customer service, clunky cable boxes, byzantine channel guides, and the unshakable feeling that you're being ripped off, then Sling TV will feel like a breath of fresh air.

Today, networks like AMC are engaging "Walking Dead" fans even when the season has ended, through Snapchat filters when that turn you into a Zombie and interactive quizzes and trivia contests online. **A strategy like this keeps viewers tuning in season after season.**

Advertising is here to stay for a while, in one form or another.

But digital platforms are keen to this idea that **users hate repetitive, in-your-face ads, and users are less tolerant of them now that platforms like Hulu and Netflix have eliminated them completely.**

Given: all the ways content can be distributed now, the fact that content has been democratized thanks to the Internet, and that **consumers have come to expect premium programming**, we're in a renaissance of sorts. Netflix and Amazon Instant Video have had dozens of Emmy nominations and wins. YouTube has its own video and music awards shows to honor its best video stars. And Funny or Die, LouisCK.net and EW.com have been lauded for their online content. Heck, "Sleepy Hollow" on Oculus Rift has won an Emmy. With a range of platforms, creators and storytellers of all kinds have been inspired to tell their stories in new and engaging ways. We're just getting started. Prepare for the golden, golden age of television.

Media companies need to strategically reinvent their portfolios to get ahead of the massive shifts happening across the industry. **To stay competitive in the digital era, it is important to understand how the online ecosystem has changed** three fundamental components of the television industry: **consumer services,** advertising, and content development and distribution.

These changes are not solely a result of sensitivity to rising prices; rather, the price-to-value ratio has depreciated. The price of pay TV continues to climb, while inexpensive (or free) alternatives to pay TV have proliferated, **tempting viewers to find better value elsewhere.**

Broadcast-tier (extra-cost) and skinny-bundle offerings are creating tension between cable networks and MVPDs. In the latest round of distribution deals, many cable networks negotiated for higher rates in exchange for, among other things, lower penetration floors. As a result, where networks may previously have required MVPDs to distribute their content to 90% of all subscribers, the newer deals have lowered the floor to 75% or 80% in some cases. Consequently, **MVPDs have gained the freedom to market a series of lower-priced, pared-down services to attract price-conscious consumers who can't stomach payments of $75 plus per month for 200 channels.** (See Exhibit 1.)

In recent years, subscription-based, ad-free, video-on-demand services have become wildly popular. Netflix, the largest ad-free subscription service, reported that monthly viewing hours of its content increased from 1.2 billion in 2013 to 2.4 billion in 2015. If Netflix were a television network, it would rank as one of the top five most viewed networks today. With such extensive access to uninterrupted, ad-free viewing, **it's reasonable to ask whether consumers are gradually becoming less tolerant of the ad-interrupted model.**

As consumers become more conscious of the price-to-value ratio in television viewing, the days of passing network license fee increases along to consumers are over. This has led to increased tension between cable networks and MVPDs.

Networks continue to negotiate aggressive rate increases. Even as OTT content cuts into cable subscriptions and profits, and as MVPDs act on their threat to drop network groups, the marquee networks continue to push MVPDs for significant rate increases. **But in such a cost-competitive environment, MVPDs find it difficult to pass those increases on to consumers.** The favored lever for MVPDs is to market lower-priced packages with fewer channels, a trend that cable networks may not be able to reverse in future distribution deal cycles.

Networks are spending more to develop must-see programming. Hit content has become a major differentiator and an increasing source of leverage for cable networks, so networks have begun to trim selling, general, and administrative (SG&A) expenses to free up funds for content development. Average industry SG&A costs declined from 35% of operating expenses in 2004 to just 22% in 2015. Meanwhile, spending on original programming has spiked. In 2014, networks spent $45 billion on content development, resulting in the production of approximately 350 original titles.

Linear TV rights are expanding to OTT. Although people often associate OTT with on-demand viewing, this is changing. A wide array of players now deliver linear programming online: studios working directly with networks, networks working directly with MVPDs, and so on. By attempting to keep pace with the trend toward multiplatform and time-shifted viewing, **traditional players are looking to hold onto viewers who might otherwise pursue "sexier" OTT services.**

Case in point: The FCC this fall is expected to re-define certain Internet-TV systems as multichannel video program distributors (MVPDs). This step would trigger a hodge-podge of regulatory burdens on—and regulatory advantages for—these dynamic new services**. This would be a step in the wrong direction, limiting the benefits to viewers of the new TV marketplace.**

Whatever its exact size, online video is beginning to have a significant effect on cable TV providers, as **Americans cut the cord on their cable service**—or at least limit it.

In the wake of this explosion of new choices for consumers, federal regulations premised on the old oligopolistic TV marketplace have become unnecessary.

But despite the failure of some individual competitors, competition in TV service—both among OTTs as well as between them and more traditional forms of transmission—is robust. While individual failures do occur, as they do in any healthy market, **choices for consumers are still growing, with new services being launched frequently.** This market does not need the FCC's help.

The "vast wasteland" of the 1960s is gone forever—**replaced by a world of choice, competition, and constant innovation—providing viewers with options never dreamed of by previous generations.** Over-the-top video promises even more benefits in the near future. But these benefits would be undermined by the imposition of rules written for a different time and a different television world. Instead of expanding old rules to cover these new services, the FCC (and Congress) should ensure that outdated rules are not imposed anywhere in this new marketplace.

Internet television's turning point—the time when we can finally cut the cable cord—is almost here.

In recent years, however, even live sports have pushed onto the net, **because that's where so many people want to watch them.** Typically, this comes with strings attached. You can't watch the Olympics online, for instance, unless you key in credentials for a home cable TV subscription. But now, a wide range of forces—from changes in the way people view stuff on cable to the new internet TV habits engendered by services like Netflix and Amazon Prime Video—are pushing broadcasters towards unfettered sports-laden services from likes of Sony. These services are on verge of reality.

Clearly, that's no recipe for success, as HBO recently acknowledged with its launch of HBO Now, **a service that allows consumers to access the pay channel directly—on any device— without a cable subscription. So consumers get the programming they want** and the company gets to keep all of the subscription revenues.

If you subscribe to services such as Netflix and Hulu, you're contributing directly to the boom in the over-the-top (OTT) TV service market. OTT TV services enable subscribers to stream TV content, without a set-top box, over the Internet.

Over-the-top (OTT) operators are proliferating—a**nd offering consumers an ever-greater opportunity to cut the cord,** i.e., to ditch their pay-TV subscriptions in favor of Internet-delivered video. But there's one programming feather in the cap that has eluded most OTT providers so far: live broadcast TV.

"We are on the cusp of the next major evolutionary growth phase in visual entertainment," said Ed Barton, Ovum's head of TV research and analysis. "As the industry hunts for opportunities to address slowing traditional TV subscription revenues, **the major trends** in technology, **audience consumption, and service evolution offer glimpses of a brighter future.**

For sports fans, Sling TV will be an appealing option because it's the cheapest way to access ESPN. For everyone else, the service is more symbolic—worth following, if not subscribing to—because it shows what TV is becoming as it moves to the internet.

It will only get more interesting from here. Netflix, which already has 39.1 million subscribers in the US, **is rapidly changing viewing habits,** and competitors like Amazon, Hulu, and Vimeo are increasingly attractive as well. Later this year, HBO will start offering a streaming service that doesn't require a subscription to pay TV, which could prompt some other coveted channels to follow suit.

That's the near future of television, of which Sling TV is only a small part for now. But its launch is still significant, coming after years of anticipation **and heralding a new, better era for television fans**. It will also help the US catch up with parts of the world that have enjoyed internet TV for some time.

The limitations are the fault of programmers and the archaic norms of pay television, but Sling TV could do a better job at making the reach and limits of its offerings more obvious**. The interface is still frustratingly focused on live TV, when the target audience—"millennials," according to the company— clearly prefers the control offered by on-demand services like Netflix.**

More than anything, Sling TV is a response to the bloated bundles of channels that most pay TV services require to be part of your subscription. The average American household that pays for TV now receives 189 channels, up nearly 50% over the past five years, but watches only 17 of them—a number that hasn't budged:

What Sling TV proposes—and, to a certain extent, delivers—is **a world in which you only pay for the channels you actually want to watch.**

These internet providers desperately want to play a part in the television experience of the future. Some have improved their offerings to take advantage of internet TV, but they all seem trapped by their existing business models. It's no coincidence that Dish, which has always challenged the incumbents of its industry, is the first to offer a small, internet-only bundle of channels in the form of Sling TV. The $20-a-month package may not be as lucrative in the short term, **but that won't be a problem if it's an experience that people prefer.**

Comcast has experimented with internet-only television service on some college campuses, and its newest cable box for regular customers takes some advantage of internet delivery, too. **If Sling TV or similar services prove popular, Comcast could embrace the idea more fully. It may ultimately have no choice.**

That's what internet television looks like. Maybe you subscribe to Netflix and Hulu Plus—and soon, HBO Go, as well. You watch the occasional series on Vimeo, and get your baseball fix directly from the league. **It still costs a lot, but you have more options from a wider variety of sources**. Live TV, meanwhile, is just another app.

Content viewing has truly become a whatever, wherever, whenever experience. John Rose, a senior partner at BCG, said it best: "The biggest impact of the OTT market on the television and film industries is the removal of barriers – strategic, economic, and national – to the distribution of video content." But even though OTT viewing on tablets and smartphones **satisfies consumers' pursuit of a sense of independence,** the cord-cutting trend cannot be interpreted as the public discarding traditional linear networks. According to PwC, 79% of the U.S. population still pays for cable TV. **Let's face it – there are still times that viewers just want to sit back and turn on the TV without being overwhelmed by all those choices!**

Within the North American market, there are over 130 active OTT services so far, not to mention a considerable amount of linear networks and traditional aggregators. Content owners have no choice but to experiment with balancing content offerings and costs, a**nd to adapt to consumers' cord-cutting trends with effective revenue generation methods**. Just as Bob Bejan, Global Executive Creative Director of AOL said: "We're seeing the breakdown of the traditional media landscape. **The control and power is shifting into the hands of the consumer."**

There's an old saying: if you can't beat them, join them. Examples like AOL with AOL.On, The Weather Channel with LocalNow, Showtime with Hulu, HBO with HBO GO & HBO NOW, Vice with Viceland, and Youtube with Youtube Red are **already proving why the adoption of a hybrid business model is beneficial to media companies and audiences alike.** The symbiotic relationship between broadcast and OTT video is critical for providing audiences with a truly seamless viewing experience – and for content providers to remain competitive in an increasingly fragmented market.

Hulu's strength is its ads are very targeted to each user, which makes them less insufferable than regular ads on television, which have no idea whether you're in the market for a new Audi or whether you use Tide to do your laundry.

The point is, we're getting more choice when it comes to advertisements

With the rise of digital content, it will be easier for companies to create targeted advertisements. Advertisements will become a more seamless part of the viewing experience. There might be fewer but slightly lengthier ads to make for a less disruptive experience, or **perhaps we'll have the choice for when we'll watch ads. Either way, advertising isn't going to be as obtrusive as it once was**,

But in an Internet world, there's a greater consumer desire for shows to be available at the same time, everywhere. Netflix is making all of its shows available in 190 countries simultaneously so that **consumers can choose when and over what device they want to view their favorite shows.**

Yes, internet TV makes it easier to view programming on any device, from TVs to phones, and it gives you more freedom to watch stuff when you want to watch it. But many wouldn't dream of cutting their cable cords because they would lose live games from the NFL, Major League Baseball, the NBA, the NCAA, and other popular sports organizations.

Although this seems to be a formidable model, OTT platforms are disintermediating the traditional TV network value chain, **bringing content owners and consumers closer**, and forcing the traditional players to compete in different ways. In today's ecosystem, everything is new: new content creators, new aggregators, new distributors, **new ways for consumers to access an ever-expanding portfolio of content.**

Later this year, HBO will start offering a streaming service that doesn't require a subscription to pay TV, which could prompt some other coveted channels to follow suit. That will put pressure on pay TV companies to offer slimmer, cheaper bundles of channels—**and maybe even better service**. Programmers will also make more of their shows available **to watch whenever you want**, while also investing in live events that can still draw massive realtime audiences.

The other big, convenient difference from traditional pay television is that you can watch Sling TV **wherever you want.** It works exactly the same way over a cellular connection as it does over your home WiFi. While most cable companies offer mobile apps for viewing on the go, they all come with significant limitations.

7.4 Codes: The Value of Live Broadcasting

Today, the big difference between cable TV and internet TV is live programming. "Sports is one of those last things that makes people still want to watch TV in a linear fashion," says Tony Emerson, a Microsoft managing director who works closely with hundreds of the world's media and cable TV companies.

"**Live events—sports and others, but mainly sports—are certainly an impediment to cord cutting,"** says Stephen Beck, the founder of a consulting firm called cg42, which has closely studied the move to internet television over the last few years. "But this problem will ultimately be solved."

(**Sling Opens the Gates to Cord-Cutting** - This move all started with a service called Sling TV (…) and its collection of channels **includes ESPN**)

"This was the one that could break the camel's back," says Emerson, who helps media and cable companies across the globe build internet TV services atop Microsoft's Azure cloud computing service. Emerson has seen firsthand a huge shift in the way these businesses treat the net. "Once you can get ESPN unbundled from the cable system, it puts into question the whole bundle [idea] for lots of different channels."

Also, as subscription-based VOD services reach the mass market (Ovum points out that it is now commonplace to watch original productions like Netflix' House of Cards, streamed to the main TV), **the emergence of linear streaming propositions such as PlayStation Vue represent the next wave of disruptive services, which can truly substitute for traditional pay-TV**. Broadcast is an important part of that.

We see a shift in how TV is increasingly addressing individuals rather than households, and how the merging of online and broadcast advertising technologies and the on-going hunger for true 'martini TV' – any time, any place, anywhere – from the audience offers significant incremental revenue opportunities. **The proliferation of linear SVOD** from traditional TV is just one part of this shift which underpins our firmly held view: TV's best days lie ahead."

I've been testing the service and can report that it works as advertised: You can watch **crystal-clear live TV with a simple app** that works on most devices.

When I briefly gave up pay TV in 2012, the hardest programming to part with was sports—but I still couldn't justify paying about $100 a month for sports alone. However, if my provider, Time Warner Cable, had offered a way to get ESPN for $20 a month, I would have happily downgraded.

According to PwC, 79% of the U.S. population still pays for cable TV. Let's face it – there are still times that viewers just want to sit back and turn on the TV without being overwhelmed by all those choices!

Over-the-top (OTT) operators are proliferating—and offering consumers an ever-greater opportunity to cut the cord, i.e., to ditch their pay-TV subscriptions in favor of Internet-delivered video. **But there's one programming feather in the cap that has eluded most OTT providers so far: live broadcast TV.**

The limitations are the fault of programmers and the archaic norms of pay television, but Sling TV could do a better job at making the reach and limits of its offerings more obvious. **The interface is still frustratingly focused on live TV**, when the target audience—"millennials," according to the company— clearly prefers the control offered by on-demand services like Netflix. Dish Networks says on-demand offerings will improve over time.

The sports broadcasting behemoth [ESPN] has long been the most attractive element of any pay TV package. Cable and satellite TV companies pay an average of $6 per subscriber per month for the right to carry it—far more than any other channel.

For many years, streaming video didn't threaten traditional TV: the files involved were extremely large, and they required significant bandwidth and network capacity. **But the network has caught up, and the infrastructure needed to deliver long-form and live linear television content online to mass audiences is in place**. Now that the streaming-video infrastructure (both landline and mobile) has matured, **traditional TV distribution is at risk**.

"Digital MVPDs" are emerging. Cable, satellite, and telecom operators have long had an iron grip on the major networks and live programming, and they relegated streaming video to serving people who wanted to do catch-up viewing. This is changing, too. **With the launch of Sling TV and PlayStation Vue, viewers have access to an array of online channels that can compete with traditional cable bundles by offering live, linear programming.** The cable networks are eager to promote their programming on these new streaming services, which may pay higher rates (a typical new entrant premium) and fuel competition among distributors.

Water-cooler events, such as the Super Bowl and the Oscars, provide singular opportunities for companies to advertise their message to millions of viewers at once—**and the power of these live formats is increasing.** But advertisers can now aggregate audiences of similar size in real time via OTT entertainment programming. And these platforms benefit from real-time bidding, with better demographic targeting, at more efficient cost.

Linear TV rights are expanding to OTT. Although people often associate OTT with on-demand viewing, this is changing. **A wide array of players now deliver linear programming online**: studios working directly with networks, networks working directly with MVPDs, and so on. By attempting to keep pace with the trend toward multiplatform and time-shifted viewing, traditional players are looking to hold onto viewers who might otherwise pursue “sexier” OTT services.

These ventures use a variety of business models. Some, like Netflix, allow unlimited viewing for a flat monthly rate. Others charge a fee to digitally rent a particular movie or TV show, or to buy it. **Most operate on an “on demand” basis, but a few, including Apple’s planned service and Dish Network’s Sling TV offer “linear,” or scheduled, programming**. Many are affiliated with existing players in the TV marketplace, but backing for these ventures is coming from a dizzying variety of sources, including retailers, equipment manufacturers, and Hollywood studios.

Thus, while broadcast programming remains an important source of content, it does not dominate the market as it once did. In many cases, online video providers have produced their own programming (such as Netflix’s House of Cards). **Nevertheless, broadcast content is still much in demand. The acquisition of rights from the broadcast networks, for instance, is a major part of Apple’s plan for its new OTT service.**

The FCC now proposes to expand the MVPD definition to include OTT video providers, which offer scheduled programming on discrete channels of content.

Designation as a MVPD triggers a number of regulatory burdens for providers. Among these are mandatory closed-captioning, restrictions on the loudness of commercials, FCC equal-employment obligations, and requirements that set-top boxes be available for sale at retail stores rather than being provided by cable companies. Perhaps most important, however, **MVPD status subjects providers to the FCC’s system of “retransmission consent” in order to acquire broadcast programming.**

But despite the failure of some individual competitors**, competition in TV service**—both among OTTs as well as **between them and more traditional forms of transmission**—is robust. While individual failures do occur, as they do in any healthy market, choices for consumers are still growing, with new services being launched frequently. This market does not need the FCC’s help.

Internet television’s turning point—the time when we can finally cut the cable cord—is almost here.

In recent years, however, even live sports have pushed onto the net, because that’s where so many people want to watch them. Typically, this comes with strings attached. You can’t watch the Olympics online, for instance, unless you key in credentials for a home cable TV subscription. But now, a wide range of forces—from changes in the way people view stuff on cable to the new internet TV habits engendered by services like Netflix and Amazon Prime Video—are pushing broadcasters towards unfettered sports-laden services from likes of Sony. These services are on verge of reality.

The problem lies in the fact that **OTT providers would need to license broadcast feeds on a per-affiliate basis,** per market, and pay retransmission fees to the stations’ owners in order to show them. The FCC has not yet grouped OTT services under what’s known as must-carry rules, so broadcasters are not required to make a deal with them for carriage. **And that means that broadcasters can hold their content over OTT’s head as expensive leverage, particularly since network ratings continue to show that broadcast of the most sought-after in TV.**

The FCC could offer a path forward on the OTT –broadcast front. It is considering reclassifying OTT operators to put them on parity with cable MSOs and satellite companies—**giving them must-carry access to broadcast.**

Some are not pleased with the developments, notably Amazon, which has built its Prime streaming business on the back of an on-demand content proposition—one that it's not looking to change. **That means that OTT rivals with live channels—let alone broadcast feeds—present a competitive threat when courting the cord-cutters.**

TV-like OTT Leads Market Traction

With the increasing number of linear options and truly TV-like content types, the OTT marketplace that Amazon refers to is without a doubt rapidly evolving—and presenting potential trouble for the likes of the Prime service.

Analyst firm Ovum said that live direct-to-consumer initiatives on the part of established players — such as CBS All Access and DISH's Sling TV —**will mean a reassertion of the traditional TV value chain**, pushing back against technology-led OTT specialists such as Amazon, Netflix and Hulu.

The internet and television have finally converged.

On Tuesday, Jan. 27, Dish Network will **begin rolling out the first live television service** delivered entirely over the internet and available across the United States. It's called Sling TV and costs $20 a month for a small set of channels—including, crucially, ESPN—intended to appeal to young Americans uninterested in large and expensive cable bundles.

All pay television services struggle to **balance the simplicity of live TV with the flexibility and breadth of on-demand video**, without confusing users with the complex licensing agreements that dictate what can be offered. But I've seen better attempts by Comcast's X1 cable box, Time Warner Cable's apps, and Fan TV. Still, those services cost a lot more, have limits on use outside your home, and aren't available everywhere. Sling TV is cheap, and you can use it anywhere in the US.

In short, ESPN—and, more broadly, live sports—are the number one reason why more Americans haven't already cut the cord. Now it may become the reason for people to opt for a slimmed-down cord, instead.

Yes, internet TV makes it easier to view programming on any device, from TVs to phones, and it gives you more freedom to watch stuff when you want to watch it. But many wouldn't dream of cutting their cable cords **because they would lose live games from the NFL, Major League Baseball, the NBA, the NCAA, and other popular sports organizations.**

As the industry hunts for opportunities to address slowing traditional TV subscription revenues, the major trends in technology, audience consumption, and service evolution offer glimpses of a brighter future. We see a shift in how TV is increasingly addressing individuals rather than households, and how the merging of online and broadcast advertising technologies and the on-going hunger for true 'martini TV' – any time, any place, anywhere – from the audience offers significant incremental revenue opportunities. **The proliferation of linear SVOD from traditional TV** is just one part of this shift which underpins our firmly held view: **TV's best days lie ahead."**

7.5 Codes: Decoupling Television from the Industry

When I joked with Todd Yellin, VP of Product Innovation at Netflix, and Sean Carry, Vice President of Content Acquisition at Netflix, that maybe one day Netflix would be licensing its original programming to traditional cable companies like Fox and CBS, they laughed. That's because **Netflix and its pioneering streaming comrades have opened Pandora's box.** They're too strong to work with other companies, **so the legacy media conglomerates will have to innovate on their own.** Even though I'm sure CBS (and its viewers!) would die to have "House of Cards" on during primetime, they'll have to get creative.

The FCC described this proposed change as a simple "update" of its rules. The expanded definition, FCC chairman Tom Wheeler explained in a separate statement, **is technology-neutral.** "**Video is no longer tied to a certain transmission technology, so our interpretation of MVPD should not be tied to transmission technologies."**

"This was the one that could break the camel's back," says Emerson, who helps media and cable companies across the globe build internet TV services atop Microsoft's Azure cloud computing service. Emerson has seen firsthand a huge shift in the way these businesses treat the net. "**Once you can get ESPN unbundled from the cable system, it puts into question the whole bundle [idea] for lots of different channels."**

Content viewing has truly become a whatever, wherever, whenever experience. John Rose, a senior partner at BCG, said it best: "**The biggest impact of the OTT market on the television and film industries is the removal of barriers – strategic, economic, and national – to the distribution of video content."**

By the 1990s, more new competitors **entered the television fray**, providing additional choices for viewers. Cable TV's moment in the sun lasted only about two decades, as other distribution platforms **entered the fray.** By 2013, cable TV represented barely half of the MVPD market. Satellite TV accounted for a third, with telecommunication service providers, such as Verizon and AT&T, accounting for another 10 percent of subscribers.

"At the end of the day," says Beck. "**Comcast wants to preserve its existing model."** But remember: NBC is available on Sony's service. The landscape is shifting. The walls are cracking.

For a long time, TV was a fairly sleepy business. You had three major networks in the US—less elsewhere—**acting as gatekeepers.** They chose their programming lineup each year, which attracted a certain amount of audience that could be transformed into a certain amount of money.

That makes the traditional cable box somewhat of an **anachronism.** We don't actually need it, at least technically speaking, to access programming. Cable boxes today mainly serve to perpetuate **cable companies' role as gatekeepers** through their agreements with broadcasters. That's simply not a sustainable business model.

The reason for the omission is simple: **live broadcast arena is a thorny thicket of content licensing snags for distributors.**

The old model of cable television has been broken for years. Cable companies have grappled with how to stay relevant, unbundling packages and offering streaming options. The pay-TV industry lost subscribers for the first time ever back in 2013, and a record 600,000 cut the cord last year, according to Nielsen.

Contracts and old industry standards, coupled with questions over whether to offer channels a la carte or in packages (for sports lovers, for example), **have been major obstacles** to giving consumers exactly what they want.

Television is no longer the central place where content is distributed.

Moonves joked that it took him a year to see why CBS should do its own paid TV app after he was pitched internally on the idea.

"I'm Dr. No, I'm the old network guy," he said, b**efore he finally came to the realization that it would help the company control its own destiny.** "God knows I'm very happy I listened to them."

The digital disruption of the US television industry is at hand. Streaming video is changing every existing relationship in the TV value chain. **The very neat and structured relationships of the past—with studios and rights holders relying on broadcast and cable networks to air their content, and networks relying on pay TV distributors to deliver their content into people's homes—are no longer intact.** Powerful digital attackers (among them Amazon, Apple, and Google) are emerging from outside the traditional TV ecosystem, and they are armed with fundamentally different business models and motivations to engage with consumers via video services.

Many in the industry continue to believe that the **TV industry will evolve with no major disruptions to existing relationships and with little shift in share**.

This is a new dynamic in the industry, and one that creates significant tension between cable networks and MVPDs. **Within the fixed cable bundle, economics and incentives aligned fully. If the cable company thrived, the entire spectrum of networks thrived along with it.** But now MVPDs have an economic incentive to drop costly networks—and because of their concentration within the industry, they have the power to do so. In the US, four MVPDs control 80% of distribution, with a regional monopoly in broadband, whereas six cable networks share 70% of the market and five studios share approximately 65%.

"Digital MVPDs" are emerging. **Cable, satellite, and telecom operators have long had an iron grip on the major networks and live programming, and they relegated streaming video to serving people who wanted to do catch-up viewing.** This is changing, too.

The new realities of the television marketplace have rendered much of **the regulatory infrastructure that has long governed television obsolete. Rules written for an industry consisting of a handful of broadcasters licensed by the Federal Communications Commission (FCC)** do not fit today's world of innovative Internet TV services. Yet, while the **FCC—fortunately—no longer wields the comprehensive control over television it once did**—witness the death of the Fairness Doctrine[1]—it finds itself unable to keep its hands off the television marketplace.

The television marketplace of today is almost unrecognizable from that of a generation, or even a decade, ago. **As late as the early 1970s, the word "television" was synonymous with broadcast television, with almost all content transmitted over the air from a handful of FCC-licensed TV stations in each viewing market.** Most of these stations were affiliated with **one of only three national networks.** No market had more than seven very-high-frequency (VHF) stations, plus a few ultra-high-frequency (UHF) stations, which were notoriously hard to tune into.

This oligopoly went hand in hand with a stifling degree of federal control over both the content and distribution of programming. This unhappy situation was demonstrated in a 1961 speech by then–FCC chairman Newt Minow, in which he dismissed the **TV world of the time as a "vast**

wasteland," critiquing what he saw as the unsatisfactory television shows of the time.[3] He bluntly reminded broadcasters that their performance would be evaluated by the government at license-renewal time, and **that broadcasters who failed to provide programming more to the government's liking** (more symphonies, fewer westerns, Minow suggested) **would find their licenses revoked.**

This kind of **content control** was matched by **controls limiting competition between stations, regulating relationships between affiliates and networks, limiting ties between producers and the networks, and limiting ownership of other types of media outlets.**

The first shock to this tightly controlled system came from cable television. Originally designed to supplement the reach of broadcasters in areas where reception was poor, cable TV was long stunted by FCC rules. **After these restrictions were eased in the early 1970s, cable grew rapidly, becoming a real challenger to over-the-air broadcasting.** From only 650,000 subscribers in the 1960s, cable reached 4.5 million in 1970, and over 50 million in 1990.[5] **During the same period, new cable-only channels, such as HBO, ESPN, and CNN, were launched**, offering programming that competed with that aired by the broadcasters. **Cable eventually displaced broadcasting as the most common distribution system for TV** (although broadcast programming remained the largest source of content).

In the wake of this explosion of new choices for consumers, **federal regulations premised on the old oligopolistic TV marketplace have become unnecessary.** And the FCC has rolled back some of these rules.

For a long time, TV was a fairly sleepy business. **You had three major networks in the US**—less elsewhere—**acting as gatekeepers**. **They chose their programming lineup each year, which attracted a certain amount of audience that could be transformed into a certain amount of money.**

Cable clouded the picture somewhat, adding subscription revenues to the mix, fragmenting audiences and giving rise to pay channels like HBO and Showtime, **yet the change wasn't drastic**. **You still had those who developed programs and those who distributed them, along with a few players that could do both.**

Until recently, **cable companies held a lot of leverage because, unlike broadcasters, they had a direct financial relationship with the consumer. They could decide to pay a programmer more or less, give them access to a coveted spot on the cable box, or bury them deep in the back of the lineup. Broadcasters, whether they liked it or not, had to play ball.**

Rapid expansion of the over-the-top (OTT) market shows how TV is breaking free from its classic model

The traditional TV ecosystem is relatively straightforward. Organizations (e.g., production houses, sports leagues) create and own the content, which they sell to aggregators (i.e., channels, broadcasters or cable networks), whose programming wheels contain a variety of content (note that many aggregators have their own captive studio). Aggregators have agreements with pay TV distributors (e.g., Comcast, Time Warner), which sell their TV packages to us, the consumers. In this ecosystem, TV packages are the only means by which consumers have access to all the channels.

The sports broadcasting behemoth has long been the most attractive element of any pay TV package. Cable and satellite TV companies pay an average of $6 per subscriber per month for the right to carry it—far more than any other channel.

In addition to a simple interface, Sling TV promises that $20 a month **isn't an introductory price that will rise after a year. There aren't any mysterious additional costs, like the $4.11 "franchise fee" on my monthly Time Warner Cable bill.**

Bundling makes it hard to properly define the revenue contribution for the video element: **Pay TV operators have for years been adopting a bundling strategy** and so it is in many cases impossible to accurately determine what percentage of a Pay-TV operator's revenues are coming from video vs. voice vs. broadband internet and, in some cases, vs. mobile;

This is very different to how the costs of TV distribution have traditionally been recovered.

Because TV distribution networks could only used to distribute television programming, the cost of building and operating those networks had to be incurred by Pay-TV operators and then recovered indirectly from subscribers.

In wake of all the CES announcements, platforms like HBO Now, Sling TV, Netflix and Hulu are credited with **inspiring industry-wide change**, in terms of how and when consumers want to consume content.

Given: **all the ways content can be distributed now, the fact that content has been democratized thanks to the Internet,** and that consumers have come to expect premium programming, **we're in a renaissance of sorts.** Netflix and Amazon Instant Video have had dozens of Emmy nominations and wins. YouTube has its own video and music awards shows to honor its best video stars. And Funny or Die, LouisCK.net and EW.com have been lauded for their online content. Heck, "Sleepy Hollow" on Oculus Rift has won an Emmy. **With a range of platforms, creators and storytellers of all kinds have been inspired to tell their stories in new and engaging ways.** We're just getting started. Prepare for the golden, golden age of television.

Moonves did not touch on the topic despite calls from Wall Street to reunite the two companies, saying they would **wield more leverage in negotiations with pay-TV providers**, among other reasons.

The disruption of the TV industry is coming, and—as we've seen in other media industries—it will be deeply rooted in the **changing role of distribution as a critical driver of value**. As **the industry shifts from a model based on incentives that are aligned across the value chain to one in which disintermediation** is not only possible but probable, the stakes are higher than ever. Already, some **companies formerly bound to a specific industry function—content creation, aggregation, or distribution—are now filling all three roles at once.**

Media companies need to strategically reinvent their portfolios to get ahead of the massive shifts happening across the industry. To stay competitive in the digital era, it is important to understand how **the online ecosystem has changed three fundamental components of the television industry: consumer services, advertising, and content development and distribution.**

Although not large by TV industry standards, the deal illustrates **the changing landscape with regard to how content reaches consumers. By experimenting with new media, technologies, and distribution models, companies are looking to expand digital engagement while circumventing traditional distribution partners.**

Broadcast-tier (extra-cost) and skinny-bundle offerings are creating tension between cable networks and MVPDs. In the latest round of distribution deals, many cable networks negotiated for higher rates in exchange for, among other things, lower penetration floors. As a result, where networks may previously have required MVPDs to distribute their content to 90% of all subscribers, the newer deals have lowered the floor to 75% or 80% in some cases. **Consequently, MVPDs have gained the freedom to market a series of lower-priced, pared-down services to attract price-conscious consumers** who can't stomach payments of $75 plus per month for 200 channels. (See Exhibit 1.)

MVPDs have begun dropping top-tier cable networks. MVPDs are **taking a calculated risk** in dropping certain cable networks **when those networks' value as a source of subscriber acquisition and retention ceases to outweigh the cost of carrying them**. This tactic affects not only low-performing, independent networks, but also marquee network groups. When two MVPDs recently dropped Viacom, for example, they suffered limited video subscriber losses, maintained broadband subscriber levels, and increased near-term earnings before interest, tax, depreciation, and amortization. **This is a new dynamic in the industry, and one that creates significant tension between cable networks and MVPDs.** Within the fixed cable bundle, economics and incentives aligned fully. If the cable company thrived, the entire spectrum of networks thrived along with it. **But now MVPDs have an economic incentive to drop costly networks—and because of their concentration within the industry, they have the power to do so.** In the US, four MVPDs control 80% of distribution, with a regional monopoly in broadband, whereas six cable networks share 70% of the market and five studios share approximately 65%.

Networks are spending more to develop must-see programming. **Hit content has become a major differentiator and an increasing source of leverage for cable networks, so networks have begun to trim selling, general, and administrative (SG&A) expenses to free up funds for content development**. Average industry SG&A costs declined from 35% of operating expenses in 2004 to just 22% in 2015. Meanwhile, spending on original programming has spiked. In 2014, networks spent $45 billion on content development, resulting in the production of approximately 350 original titles.

The US TV industry is quickly transitioning from a relatively harmonious ecosystem based on mutual dependency to one in constant change. To capitalize on the new online and mobile pathways and to thrive in an increasingly combative environment, **industry participants need a fresh approach.** Pushing bloated cable bundles and exorbitant prices is **a losing tactic** in a world where streaming video is the growth engine for the industry. **MVPDs and cable networks, in particular, must make the right moves to thrive amid the disruption.**

The OTT marketplace is competitive, dynamic, and even a bit chaotic.

These ventures use a variety of business models. Some, like Netflix, allow unlimited viewing for a flat monthly rate. Others charge a fee to digitally rent a particular movie or TV show, or to buy it. Most operate on an "on demand" basis, but a few, including Apple's planned service and Dish Network's Sling TV offer "linear," or scheduled, programming. **Many are affiliated with existing players in the TV marketplace, but backing for these ventures is coming from a dizzying variety of sources, including retailers, equipment manufacturers, and Hollywood studios.**

Television programming—the content seen by viewers as opposed to the distribution platform that delivers it—**has also been changing.**

The "vast wasteland" of the 1960s is gone forever—**replaced by a world of choice, competition, and constant innovation**—providing viewers with options never dreamed of by previous generations. **Over-the-top video promises even more benefits in the near future.** But these benefits would be undermined by the imposition of rules written for a different time and a different television world.

Instead of expanding old rules to cover these new services, the FCC (and Congress) should ensure that outdated rules are not imposed anywhere in this new marketplace.

The heat will only increase as the sport leagues start negotiating directly with internet-only services—without going through the cable and satellite providers. In some cases, they're already moving in this direction. As Lynch points out, the European golf tour recently went straight to the net.

Existing rights deals can prevent unfettered access to some sport programming on the internet (because wireless phone service provider Verizon has an exclusive deal for Monday Night Football, Sling TV can't show the MNF games on phones). **A cable company like Comcast still has reason to slow the move to internet streaming** (witness: the Apple talks). **And the internet, well, can't yet handle all programming.**

Yet as I wrote two years ago, **we're entering a new age of TV where distribution is being devalued and completely new models for programming are beginning to evolve.** Now, we're approaching a tipping point where what **we used to call "TV" is morphing into something else entirely**. Cable providers, if they are to survive, **will have to innovate their business models**.

Everybody wins. Except, of course, the cable companies. And HBO's new service is just the tip of the iceberg.

What has struck me most about cutting out my cable service is that what few barriers remain aren't economical or technological—broadcasters are perfectly able to serve ads and charge subscriptions in streaming video—but tied to agreements with cable providers. The truth is that, beyond infrastructure, cable companies are providing little, if any value.

As I've noted before, **the cloud might very well be the most disruptive technology ever** because it **compels legacy players to change their business models**, **including pricing strategies, sales channels and even their basic technology.** And that appears to be exactly what's happening in the cable business.

That doesn't mean the cable companies themselves are dead. They still have valuable infrastructure and have begun to offer new services like home security. **However, the cable business, as we have come to know it, will soon be a thing of the past.**

Although this seems to be a formidable model, OTT platforms are disintermediating the traditional TV network value chain, bringing content owners and consumers closer, and forcing the traditional players to compete in different ways. In today's ecosystem, everything is new: **new content creators, new aggregators, new distributors, new ways for consumers to access an ever-expanding portfolio of content.** The next chart shows four distinct ways to think about OTT distribution:

Content owners, in particular, benefit from the development of OTT offerings. For example, they can establish relationships with consumers, obtain helpful feedback directly from consumers and wield greater control over how the content is shown and consumed.

Although content owners that have their own OTT TV platforms collect more revenue, **they encounter challenges, including customer acquisition/retention and technological innovation. Nonetheless, the industry is booming.**

The problem lies in the fact that OTT providers would need to license broadcast feeds on a per-affiliate basis, per market, and pay retransmission fees to the stations' owners in order to show them. The FCC has not yet grouped OTT services under what's known as must-carry rules, so

broadcasters are not required to make a deal with them for carriage. And that means that broadcasters can hold their content over OTT's head as expensive leverage, particularly since network ratings continue to show that broadcast fare is still some of the most sought-after in TV.

The FCC could offer a path forward on the OTT –broadcast front. It is considering **reclassifying OTT operators to put them on parity with cable MSOs and satellite companies**—giving them must-carry access to broadcast.

Analyst firm Ovum said that live direct-to-consumer **initiatives on the part of established players** — such as CBS All Access and DISH's Sling TV —**will mean a reassertion of the traditional TV value chain, pushing back against technology-led OTT specialists such as Amazon, Netflix and Hulu**.

All pay television services struggle to balance the simplicity of live TV with the flexibility and breadth of on-demand video, without confusing users with the **complex licensing agreements that dictate what can be offered.** But I've seen better attempts by Comcast's X1 cable box, Time Warner Cable's apps, and Fan TV. Still, those services cost a lot more, have limits on use outside your home, and aren't available everywhere. Sling TV is cheap, and you can use it anywhere in the US**.**

The obvious question is why ESPN doesn't sell this kind of access itself, cutting out pay TV middlemen. ESPN, which is owned by Disney, **says the economics don't make sense for now**, but it's experimenting with "over the top" services for specific sports like cricket. **It may just be a matter of time before you can pay ESPN directly for what Sling TV now provides**.

These internet providers desperately want to play a part in the television experience of the future. **Some have improved their offerings to take advantage of internet TV, but they all seem trapped by their existing business models.** It's no coincidence that Dish, which has always challenged the incumbents of its industry, is the first to offer a small, internet-only bundle of channels in the form of Sling TV. **The $20-a-month package may not be as lucrative in the short term, but that won't be a problem if it's an experience that people prefer.**

If the TV broadcast industry manages this transition perfectly, then the companies collecting the $178 billion that will be spent on TV advertising worldwide in 2015 will be the same as those who will do the revenue collection in the future. But even in this 'best case' scenario, total industry revenues will fall by about 30% – **partly because of the lower costs associated with internet-based distribution and partly as a result of increased viewing on mobile devices, where ad rates are structurally lower.**

- Changes to reporting policies mask what is really going on**: Pay-TV operators are introducing their own OTT services and changing the way they report their video revenues**, so reporting **measures like 'video revenues' and 'video subscribers' now include contributions from Pay TV, pseudo-OTT TV and OTT TV.** The relative contributions of these three are unfeasible to accurately separate;

However, further ahead, as the content and features offered by OTT providers **become more compelling and as overall consumer awareness of OTT increases,** then we are sure that we will see a much more tangible adverse impact on the video revenues of Pay-TV providers whose premium video content offers **will increasingly have to compete with much lower-priced alternatives.**

1. **Internet-based distribution means a structural reduction in the cost of delivering television programming.**

2. **Because users pay for their own broadband service** (which they need to access a range of internet content and services, in addition to video), **they are in effect covering most of the cost of distribution themselves.**

Eventually, when OTT's total viewing time reaches a critical threshold - which we estimate will be within the next 10 years - **these 'extra' costs will need to be removed from the business models of all Pay-TV operators:** basic economics mean that the internal human resources and tangible assets that Pay-TV operators have needed in order to operate their proprietary video distribution networks and network-specific OSS/BSS systems**, will no longer be needed.**

This will mean that a structural downsizing will need to take place because there is no way that any company can operate profitably in a competitive market environment, while carrying significant costs that rivals are avoiding by using a different strategy.

Pay-TV operators used to be able to own and control all aspects of their service delivery infrastructure and all of the features offered to users.

But with OTT internet TV, Pay-TV operators will lose control of much of what they have previously done themselves. In effect this means that the proportion of the total value they will be delivering will fall because a significant part of the value proposition will be delivered by the large platform operators and device vendors.

In summary, **the impact of OTT on Pay-TV is a bit like a slow puncture: the nail first entered the tire hundreds of miles ago, but mile by mile, it slowly works its way through the rubber until it reaches the inside – at which point the process of deflation is irreversible and the outcome is certain.**

Pay-TV have the option to deploy a range of defensive strategies, but running their video offers on a 'business as usual' basis isn't one of them.

There's an old saying: if you can't beat them, join them. Examples like AOL with AOL.On, The Weather Channel with LocalNow, Showtime with Hulu, HBO with HBO GO & HBO NOW, Vice with Viceland, and Youtube with Youtube Red are already **proving why the adoption of a hybrid business model is beneficial to media companies and audiences alike**. The symbiotic relationship between broadcast and OTT video is critical for providing audiences with a truly seamless viewing experience – and **for content providers to remain competitive in an increasingly fragmented market.**

Later this year, HBO will start offering a streaming service that doesn't require a subscription to pay TV, **which could prompt some other coveted channels to follow suit**. **That will put pressure on pay TV companies to offer slimmer, cheaper bundles of channels—and maybe even better service.** Programmers will also make more of their shows available to watch whenever you want, while also investing in live events that can still draw massive realtime audiences.

7.6 Complete Corpus

1. CES 2016: Predictions for the Future of Television – By Megan Anderle.

Netflix's CEO Reed Hastings announced that his company was bringing its Internet TV network to more than 130 new countries around the world, up from 60 countries. YouTube announced its partnership with GoPro and that the video platform will soon support HDR video. Sling TV came out with a sleeker, more personalized user interface to lure cord cutters. And like last year, every major television manufacturers tried to one-up its competitors with sharper, larger and smarter TVs.

Given the rise of over-the-top television and unbundled cable, it's obvious that major changes are afoot, but these changes are often overstated. Advertising on television, for example, isn't going away anytime soon, even with the popularity of Netflix's ad-free model. What's really changing in terms of how we're consuming media, and where are we headed? Read on to find out.

1. We're in a time of rapid innovation from a few key players, but don't forget that it's part of a larger paradigm shift.

In wake of all the CES announcements, platforms like HBO Now, Sling TV, Netflix and Hulu are credited with inspiring industry-wide change, in terms of how and when consumers want to consume content.

The old model of cable television has been broken for years. Cable companies have grappled with how to stay relevant, unbundling packages and offering streaming options. The pay-TV industry lost subscribers for the first time ever back in 2013, and a record 600,000 cut the cord last year, according to Nielsen.

Since then, there have been many growing pains for legacy media companies. Back in April, Verizon and Disney had issues when Verizon wanted to offer its customers a selection of slim cable bundles with its FIOS service. Disney said it violated their contract, specifically because the selection would split ESPN and ESPN 2 into a separate sports package. Contracts and old industry standards, coupled with questions over whether to offer channels a la carte or in packages (for sports lovers, for example), have been major obstacles to giving consumers exactly what they want.

And then there's YouTube, which has benefitted immensely from increased digital video. Analysts predict that 90 percent of all Internet traffic will be from video by 2019. Capitalizing on the trend, YouTube unveiled its paid subscription service, YouTube Red, back in October.

YouTube's chief business officer Robert Kyncl made a bold bet during his Jan. 7 during a CES keynote in reference to his prediction four years ago that 90 percent of Internet traffic will be video by 2020 and that 75 percent of all video would be digital by then as well.

"This being Vegas, I'm doubling down and standing by my prediction," he said. "I think digital video will be the single biggest way people spend their day after sleep and work."

It remains to be seen whether Kyncl is correct or what will happen to cable companies. Eventually, legacy media will figure out how to adapt to this changing world, but it's unclear exactly how unbundled and a la carte television will pan out because traditional cable television is on a slow and steady demise. It's not in rapid decline.

What is clear: we can expect to pay for Hulu, Netflix and unbundled packages separately for a while. When I joked with Todd Yellin, VP of Product Innovation at Netflix, and Sean Carry, Vice President of Content Acquisition at Netflix, that maybe one day Netflix would be licensing its original programming to traditional cable companies like Fox and CBS, they laughed. That's because Netflix and its pioneering streaming comrades have opened Pandora's box. They're too strong to work with other companies, so the legacy media conglomerates will have to innovate on their own. Even though I'm sure CBS (and its viewers!) would die to have "House of Cards" on during primetime, they'll have to get creative.

2. It's more important than ever before for television networks to think like brands and operate cross-platform.

Part of the reason why HBO and Vice Media are so successful is both companies think like brands. Vice Media has a strong Snapchat presence with a channel that resonates with its followers. HBO has engaged "Game of Thrones" fans through a number of social campaigns. In both cases, these companies are authentic and unafraid to experiment. But they're taking a holistic approach, exploring established and emerging social platforms rather than focusing on one single platform. And they're being strategic, only developing content on platforms that their fans use.

"You need to be on Facebook, YouTube, Twitter, Snapchat — every channel — and you need to do it really well to win," BET Network's chief digital officer Kay Madati said during a CES panel. "That means committing resources — writers and producers — to be everywhere our consumer is."

Television is no longer the central place where content is distributed. Today, networks like AMC are engaging "Walking Dead" fans even when the season has ended, through Snapchat filters when that turn you into a Zombie and interactive quizzes and trivia contests online. A strategy like this keeps viewers tuning in season after season.

3. Advertising is here to stay for a while, in one form or another.

Even though Netflix is "allergic to ads," in the words of Yellin, not every streaming service has the same ethos. Hulu has an ad-free subscription option and an ad-supported option. Hulu's strength is its ads are very targeted to each user, which makes them less insufferable than regular ads on television, which have no idea whether you're in the market for a new Audi or whether you use Tide to do your laundry. And if you're a Hulu fan who's allergic to ads too, you have the choice to pay slightly more ($12/month) to watch your shows uninterrupted.

The point is, we're getting more choice when it comes to advertisements. There's still so much money in the ad-supported model, and conglomerate companies like Clorox and Ford still see value in them, so platforms will keep them around for a while. But digital platforms are keen to this idea that users hate repetitive, in-your-face ads, and users are less tolerant of them now that platforms like Hulu and Netflix have eliminated them completely.

What's getting fazed out is ads that are meaningless to viewers. With the rise of digital content, it will be easier for companies to create targeted advertisements. Advertisements will become a more seamless part of the viewing experience. There might be fewer but slightly lengthier ads to make for a less disruptive experience, or perhaps we'll have the choice for when we'll watch ads (maybe before we start the program, we'll get a prompt asking whether the ad should come at the start or in the middle, for example). Or maybe brands will sponsor programming. Either way, advertising isn't going to be as obtrusive as it once was, as brands strive to serve the right message to the right viewer at the right time. Digital platforms will be able to do this as they learn more about who's viewing their content, which will happen as they aggregate and analyze more data.

4.The floodgates are open for global content. But there are still barriers to delivering content in some countries.

Television series on ABC, NBC, Fox and other networks run at different times of the year in different countries. But in an Internet world, there's a greater consumer desire for shows to be available at the same time, everywhere. Netflix is making all of its shows available in 190 countries simultaneously so that consumers can choose when and over what device they want to view their favorite shows. Expect to see more of this as cable companies adopt digital models. This will prevent piracy (and, probably, spoilers on social media).

But digital content is tricky in certain countries, like China, which has unique laws. Netflix isn't available in China, North Korea, Crimea or Syria due to government restrictions on American countries. Yellin said his company is working within the constraints of these laws but is hopeful that things change down the line.

5. We'll have better content than ever before. We're approaching the golden, golden age of television and streaming content.

Given: all the ways content can be distributed now, the fact that content has been democratized thanks to the Internet, and that consumers have come to expect premium programming, we're in a renaissance of sorts. Netflix and Amazon Instant Video have had dozens of Emmy nominations and wins. YouTube has its own video and music awards shows to honor its best video stars. And Funny or Die, LouisCK.net and EW.com have been lauded for their online content. Heck, "Sleepy Hollow" on Oculus Rift has won an Emmy. With a range of platforms, creators and storytellers of all kinds have been inspired to tell their stories in new and engaging ways. We're just getting started. Prepare for the golden, golden age of television.

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2. Les Moonves says over-the-top TV is the future – By Claire Atkinson.

Over-the-top video is the future of television, CBS Chief Executive Les Moonves said Thursday at the Cannes Lions advertising festival in France.

Moonves, who successfully pushed cable-TV providers to pay broadcast networks for carriage in the same way they do for cable channels, touted the company's efforts to grow its own Web-delivered streaming service.

"We believe OTT is our future," said Moonves, who has been one of broadcast television's biggest boosters for years. "You will want to pay $5.99 to get 'Star Trek' and that will get the ball rolling."

CBS launched its own streaming app that includes current and older shows in 2014. Moonves opted to debut CBS's upcoming "Star Trek" series on CBS All Access exclusively even though Netflix and Amazon would have paid a fortune for it, he said.

"We want to offer you something you can't get anywhere else," he said of the series that will premier close to Jan. 17. "What better way to do it than with the crown jewels."

Moonves joked that it took him a year to see why CBS should do its own paid TV app after he was pitched internally on the idea.

"I'm Dr. No, I'm the old network guy," he said, before he finally came to the realization that it would help the company control its own destiny. "God knows I'm very happy I listened to them."
While the CBS boss touted the growth of digital initiatives, he said that the TV "upfront" ad sales season is particularly strong this year. Advertisers now recognize that digital should be done in tandem with TV rather than replacing it, according to Moonves.

“[The upfront] is going phenomenally well. We had a rough year a year ago because people were confused about digital,” he said. “ A combination of TV and digital is extremely effective.”
CBS is subject to intense speculation about its future given the legal battle enveloping Viacom. The two companies have a common controlling shareholder, Sumner Redstone’s holding company National Amusements Inc.

Moonves did not touch on the topic despite calls from Wall Street to reunite the two companies, saying they would wield more leverage in negotiations with pay-TV providers, among other reasons.

Viacom CEO Philippe Dauman, who is battling Redstone in court over his efforts to reassert control over the company, will host advertisers on Thursday at the Chateau de la Napoule just outside of Cannes. Gwen Stefani is expected to perform.

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3. The Future of Television: Where the US Industry Is Heading - By Frank Arthofer And John Rose.

The digital disruption of the US television industry is at hand. Streaming video is changing every existing relationship in the TV value chain. The very neat and structured relationships of the past—with studios and rights holders relying on broadcast and cable networks to air their content, and networks relying on pay TV distributors to deliver their content into people’s homes—are no longer intact. Powerful digital attackers (among them Amazon, Apple, and Google) are emerging from outside the traditional TV ecosystem, and they are armed with fundamentally different business models and motivations to engage with consumers via video services.

Many in the industry continue to believe that the TV industry will evolve with no major disruptions to existing relationships and with little shift in share.

Our view of the future of television is quite different. (See The Digital Revolution Is Disrupting the TV Industry, BCG Focus, March 2016.) The disruption of the TV industry is coming, and—as we’ve seen in other media industries—it will be deeply rooted in the changing role of distribution as a critical driver of value. As the industry shifts from a model based on incentives that are aligned across the value chain to one in which disintermediation is not only possible but probable, the stakes are higher than ever. Already, some companies formerly bound to a specific industry function—content creation, aggregation, or distribution—are now filling all three roles at once.

Media companies need to strategically reinvent their portfolios to get ahead of the massive shifts happening across the industry. To stay competitive in the digital era, it is important to understand how the online ecosystem has changed three fundamental components of the television industry: consumer services, advertising, and content development and distribution.

Changes in Consumer Services

For many years, streaming video didn’t threaten traditional TV: the files involved were extremely large, and they required significant bandwidth and network capacity. But the network has caught up, and the infrastructure needed to deliver long-form and live linear television content online to mass audiences is in place. Now that the streaming-video infrastructure (both landline and mobile) has matured, traditional TV distribution is at risk.

Digital OTT companies are gaining ground. Netflix, Hulu, Amazon Prime Video, and other Internet-based digital over-the-top (OTT) players have matured rapidly—and they’re stealing a meaningful share of business from traditional cable and satellite TV companies. We expect OTT to grow from approximately 10% of total US video industry value capture in 2014 to 20% by 2018, a percentage that represents more than $30 billion in revenues. With more than a hundred ad-free, subscription-based OTT services operating in the US, the race is on to win those dollars.

Ad-supported OTT business models are making big bets, too. The National Football League has agreed to a $10 million (approximately) deal with Twitter that enables the social media site to live-stream ten *Thursday Night Football* games. Although not large by TV industry standards, the deal illustrates the changing landscape with regard to how content reaches consumers. By experimenting with new media, technologies, and distribution models, companies are looking to expand digital engagement while circumventing traditional distribution partners.

Cord cutters and cord nevers are increasingly prevalent. US viewers spend more than four hours per day watching TV—with average monthly bills of $75. These prices, which have grown steadily since the early days of pay TV, have fed various contributors: content creators, networks, cable companies, satellite operators, and telcos. But US consumers are dropping pay TV (or not subscribing in the first place) in larger numbers than ever before. In the fourth quarter of 2015, 13.7 million US households had broadband but no pay TV service, up from 9.8 million in the first quarter of 2013. In addition, consumers are actively thinning the services they buy from multichannel-video-programming distributors (MVPDs). These changes are not solely a result of sensitivity to rising prices; rather, the price-to-value ratio has depreciated. The price of pay TV continues to climb, while inexpensive (or free) alternatives to pay TV have proliferated, tempting viewers to find better value elsewhere.

Broadcast-tier (extra-cost) and skinny-bundle offerings are creating tension between cable networks and MVPDs. In the latest round of distribution deals, many cable networks negotiated for higher rates in exchange for, among other things, lower penetration floors. As a result, where networks may previously have required MVPDs to distribute their content to 90% of all subscribers, the newer deals have lowered the floor to 75% or 80% in some cases. Consequently, MVPDs have gained the freedom to market a series of lower-priced, pared-down services to attract price-conscious consumers who can’t stomach payments of $75 plus per month for 200 channels. (See Exhibit 1.)

EXHIBIT 1 | MVPDs Are Offering Cheaper Packages to Attract Price-Sensitive Consumers

	TRADITIONAL PACKAGE	CHEAPER OPTIONS		
	Expanded basic	Skinny bundles	Broadcast + OTT	OTT only
Video offering	Typically, 100+ channels with multiple tiers	45+ channels (only the most popular cable channels)	10–20 channels (no cable)	20–45+ channels (the most popular cable channels with add-on)
Other offering	N/A	N/A	Often bundled with Internet	N/A
Subscription rate (per month)[1]	\$49.99–\$100+	\$39.95	\$20–\$49.99	\$20–\$50
Provider example	Time Warner Cable AT&T Comcast Dish	Comcast	Time Warner Cable Verizon Fios	Sling Television
Subscription base (2015 Q3)	Majority of 90 million MVPDs, but declining	Comcast Digital Economy: ~2 million	Time Warner Cable Starter: ~1 million Verizon Fios Local: ~0.5 million	Nascent adoption (<0.5 million)

Sources: Company websites; BCG analysis.
Note: OTT = over-the-top digital.
[1]Certain packages quote only the first 12 months of pricing.

Skinny bundles (scaled-down selections of pay TV channels) are margin neutral for MVPDs, compared with the traditional expanded basic package, and already more than 15% of subscribers at one major US distributor have signed up for skinny bundles. This trend is creating friction between MVPDs and cable networks. Skinny bundles often exclude the priciest networks, and consumers have adopted them faster than the networks anticipated. For cable networks locked out of bundles, subscriber losses are neutralizing the higher rates they negotiated.

MVPDs have begun dropping top-tier cable networks. MVPDs are taking a calculated risk in dropping certain cable networks when those networks' value as a source of subscriber acquisition and retention ceases to outweigh the cost of carrying them. This tactic affects not only low-performing, independent networks, but also marquee network groups. When two MVPDs recently dropped Viacom, for example, they suffered limited video subscriber losses, maintained broadband subscriber levels, and increased near-term earnings before interest, tax, depreciation, and amortization. This is a new dynamic in the industry, and one that creates significant tension between cable networks and MVPDs. Within the fixed cable bundle, economics and incentives aligned fully. If the cable company thrived, the entire spectrum of networks thrived along with it. But now MVPDs have an economic incentive to drop costly networks—and because of their concentration within the industry, they have the power to do so. In the US, four MVPDs control 80% of distribution, with a regional monopoly in broadband, whereas six cable networks share 70% of the market and five studios share approximately 65%.

"Digital MVPDs" are emerging. Cable, satellite, and telecom operators have long had an iron grip on the major networks and live programming, and they relegated streaming video to serving people who wanted to do catch-up viewing. This is changing, too. With the launch of Sling TV and PlayStation Vue, viewers have access to an array of online channels that can compete with traditional cable bundles by offering live, linear programming. The cable networks are eager to promote their programming on these new streaming services, which may pay higher rates (a typical new entrant premium) and fuel competition among distributors.

The Evolution of Video Advertising

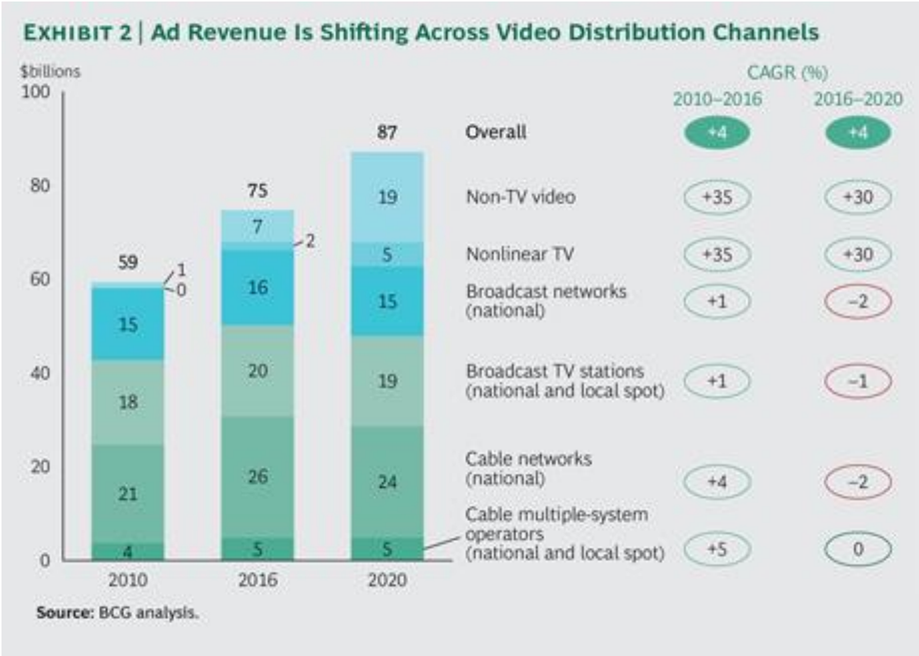
Spending on digital media has been booming in social and video formats, but the technology to deliver advertising in the online TV ecosystem lags behind usage. Nevertheless, advertising will eventually catch up. Online players are developing innovative ways to lure advertisers hungry to reach large and different digital audiences.

Viewers watch half of all hit prime-time entertainment after using some form of time-shifting technology. A growing number of studios, cable networks, and MVPDs have made their content available on demand. Time-shifted viewing on DVRs has skyrocketed as viewers have migrated to standalone streaming services (such as HBO Now, Showtime, and CBS All Access). This fragmentation presents a challenge to advertisers because the technology to serve, deliver, and measure advertising in nonlinear platforms lags significantly behind the usage of those platforms.

Approximately 50% of online viewing occurs in ad-free or ad-light formats. In recent years, subscription-based, ad-free, video-on-demand services have become wildly popular. Netflix, the largest ad-free subscription service, reported that monthly viewing hours of its content increased from 1.2 billion in 2013 to 2.4 billion in 2015. If Netflix were a television network, it would rank as one of the top five most viewed networks today. With such extensive access to uninterrupted, ad-free viewing, it’s reasonable to ask whether consumers are gradually becoming less tolerant of the ad-interrupted model.

Broadcast and cable TV premiums are beginning to erode. Broadcast and cable networks have long been the go-to destination for advertisers because of their ability to deliver a massive number of viewers at one sitting in real time. Water-cooler events, such as the Super Bowl and the Oscars, provide singular opportunities for companies to advertise their message to millions of viewers at once—and the power of these live formats is increasing. But advertisers can now aggregate audiences of similar size in real time via OTT entertainment programming. And these platforms benefit from real-time bidding, with better demographic targeting, at more efficient cost.

These incremental differentiators (vis-à-vis traditional TV) offer advertisers new opportunities. Much of the growth in online advertising has come from nonlinear, digital-native content—content that never airs on TV and subsists primarily on preroll advertising. We expect this digital-native content to capture nearly $20 billion in ad spending by 2020. Nonlinear TV content, on the other hand, is likely to represent just $5 billion in ad spending by 2020. (See Exhibit 2.) To become more attractive to advertisers, the nonlinear TV ecosystem needs to improve its measurement and delivery of ads across DVRs, set-top-box video on demand, and OTT platforms.



Changes in Content Development and Distribution

As consumers become more conscious of the price-to-value ratio in television viewing, the days of passing network license fee increases along to consumers are over. This has led to increased tension between cable networks and MVPDs.

Networks continue to negotiate aggressive rate increases. Even as OTT content cuts into cable subscriptions and profits, and as MVPDs act on their threat to drop network groups, the marquee networks continue to push MVPDs for significant rate increases. But in such a cost-competitive environment, MVPDs find it difficult to pass those increases on to consumers. The favored lever for MVPDs is to market lower-priced packages with fewer channels, a trend that cable networks may not be able to reverse in future distribution deal cycles.

Top content is thriving, but middle-tier content will eventually decline. From 2004 through 2014, the ten highest-rated cable networks achieved a compound annual growth rate (CAGR) of 7.3% on affiliate fees per subscriber, per month; the overall networks grew by just 3.6% during the same period. Live sporting events, hit content, and original, niche programming continue to generate strong viewership and rates, while middling entertainment networks are falling behind.

Networks are spending more to develop must-see programming. Hit content has become a major differentiator and an increasing source of leverage for cable networks, so networks have begun to trim selling, general, and administrative (SG&A) expenses to free up funds for content development. Average industry SG&A costs declined from 35% of operating expenses in 2004 to just 22% in 2015. Meanwhile, spending on original programming has spiked. In 2014, networks spent $45 billion on content development, resulting in the production of approximately 350 original titles.

Linear TV rights are expanding to OTT. Although people often associate OTT with on-demand viewing, this is changing. A wide array of players now deliver linear programming online: studios working directly with networks, networks working directly with MVPDs, and so on. By attempting to keep pace with the trend toward multiplatform and time-shifted viewing, traditional players are looking to hold onto viewers who might otherwise pursue “sexier” OTT services.

The US TV industry is quickly transitioning from a relatively harmonious ecosystem based on mutual dependency to one in constant change. To capitalize on the new online and mobile pathways and to thrive in an increasingly combative environment, industry participants need a fresh approach. Pushing bloated cable bundles and exorbitant prices is a losing tactic in a world where streaming video is the growth engine for the industry. MVPDs and cable networks, in particular, must make the right moves to thrive amid the disruption.

4. FCC: Over the Top on Internet TV. – By James Gattuso.

Many television critics say that America is experiencing a new "Golden Age of Television," citing an abundance of high-quality programming available today. That judgment is of course a matter of opinion. What is certain, however, is that today's TV marketplace offers consumers more choices, more competition, and more innovation that ever before. From a service providing perhaps three to seven channels of programming a generation ago, and roughly 200 channels a decade ago, TV is now able to offer practically limitless choices to American viewers via the Internet.

The new realities of the television marketplace have rendered much of the regulatory infrastructure that has long governed television obsolete. Rules written for an industry consisting of a handful of broadcasters licensed by the Federal Communications Commission (FCC) do not fit today's world of innovative Internet TV services. Yet, while the FCC—fortunately—no longer wields the comprehensive control over television it once did—witness the death of the Fairness Doctrine[1]—it finds itself unable to keep its hands off the television marketplace.

Case in point: The FCC this fall is expected to re-define certain Internet-TV systems as multichannel video program distributors (MVPDs).[2] This step would trigger a hodge-podge of regulatory burdens on—and regulatory advantages for—these dynamic new services. This would be a step in the wrong direction, limiting the benefits to viewers of the new TV marketplace.

The Revolutions in Television

The television marketplace of today is almost unrecognizable from that of a generation, or even a decade, ago. As late as the early 1970s, the word "television" was synonymous with broadcast television, with almost all content transmitted over the air from a handful of FCC-licensed TV stations in each viewing market. Most of these stations were affiliated with one of only three national networks. No market had more than seven very-high-frequency (VHF) stations, plus a few ultra-high-frequency (UHF) stations, which were notoriously hard to tune into.

This oligopoly went hand in hand with a stifling degree of federal control over both the content and distribution of programming. This unhappy situation was demonstrated in a 1961 speech by then–FCC chairman Newt Minow, in which he dismissed the TV world of the time as a "vast wasteland," critiquing what he saw as the unsatisfactory television shows of the time.[3] He bluntly reminded broadcasters that their performance would be evaluated by the government at license-renewal time, and that broadcasters who failed to provide programming more to the government's liking (more symphonies, fewer westerns, Minow suggested) would find their licenses revoked.

This kind of content control was matched by controls limiting competition between stations, regulating relationships between affiliates and networks, limiting ties between producers and the networks, and limiting ownership of other types of media outlets.[4]

The first shock to this tightly controlled system came from cable television. Originally designed to supplement the reach of broadcasters in areas where reception was poor, cable TV was long stunted by FCC rules. After these restrictions were eased in the early 1970s, cable grew rapidly, becoming a real challenger to over-the-air broadcasting. From only 650,000 subscribers in the 1960s, cable reached 4.5 million in 1970, and over 50 million in 1990.[5] During the same period, new cable-only channels, such as HBO, ESPN, and CNN, were launched, offering programming that competed with that aired by the broadcasters. Cable eventually displaced broadcasting as the most common distribution system for TV (although broadcast programming remained the largest source of content).

By the 1990s, more new competitors entered the television fray, providing additional choices for viewers. Cable TV's moment in the sun lasted only about two decades, as other distribution platforms entered the fray. By 2013, cable TV represented barely half of the MVPD market. Satellite TV accounted for a third, with telecommunication service providers, such as Verizon and AT&T, accounting for another 10 percent of subscribers.[6]

Today, a new wave of change is rocking television: Internet-based TV. Often called over-the-top (OTT) video, such service is provided via the consumer's existing broadband connection rather than through separate cables, spectrum, or other infrastructure.

The OTT marketplace is competitive, dynamic, and even a bit chaotic. Perhaps the best-known video provider is Netflix, which started out as a mail-order DVD rental service.[7] Now, its online service is so popular that Netflix streaming constitutes over a third of all Internet usage during prime time. But the service faces a virtual horde of competitors, including Amazon Instant Video, Vudu, Hulu, Sling TV, Flixster, Crackle, TV.com, and YipTV among others.

And more OTT services are on the way. Perhaps most notably, Apple is planning to debut a new online TV service this fall, providing about 25 channels of OTT programming, including content from CBS, ABC, and Fox.[8] Google is also rolling out a new subscription service, called YouTube Red.[9]

These ventures use a variety of business models. Some, like Netflix, allow unlimited viewing for a flat monthly rate. Others charge a fee to digitally rent a particular movie or TV show, or to buy it. Most operate on an "on demand" basis, but a few, including Apple's planned service and Dish Network's Sling TV offer "linear," or scheduled, programming. Many are affiliated with existing players in the TV marketplace, but backing for these ventures is coming from a dizzying variety of sources, including retailers, equipment manufacturers, and Hollywood studios.

It is difficult to make an apples-to-apples comparison of the popularity of OTT television versus cable and broadcasting. The services vary tremendously, and standard ratings systems may not make sense for on-demand services watched at a time chosen by the viewers. But it is clear that OTT serves more than a niche role. One recent survey showed that some 60 percent of households with broadband subscribed to at least one OTT video service, spending an average of $9 per month.[10] According to the Nielson rating agency, the 10.5 hours per month spent viewing online TV is still quite low—compared to the nearly 150 hours per month spent watching traditional television.[11]

Other reports paint a different picture. Based on the amount of video downloaded, recent analysis from investment firm FBR Capital Markets predicts that by 2016, Netflix alone will have a bigger audience than any of the top TV networks (ABC, CBS, NBC, and Fox).[12]

Whatever its exact size, online video is beginning to have a significant effect on cable TV providers, as Americans cut the cord on their cable service—or at least limit it. The number of Americans without cable service stood at about 15 million at the end of 2014, about three million more than in 2012.[13] Many more are reducing their cable services, a process known as "shaving the cord." About 46.2 percent of cable subscribers last year simply reduced cable costs by buying smaller bundles of channels.[14]

Television programming—the content seen by viewers as opposed to the distribution platform that delivers it—has also been changing. As late as the 1980s, broadcast stations were the source of 80 percent of all programming viewed (albeit by then, most broadcast signals were already delivered via cable rather than by antennas). By 2012, only 30 percent of viewed programming was from broadcast stations.[15] Thus, while broadcast programming remains an important source of content, it does not dominate the market as it once did. In many cases, online video providers have produced their own programming (such as Netflix's *House of Cards*). Nevertheless, broadcast content is still much in demand. The acquisition of rights from the broadcast networks, for instance, is a major part of Apple's plan for its new OTT service.

Regulation Everywhere?

In the wake of this explosion of new choices for consumers, federal regulations premised on the old oligopolistic TV marketplace have become unnecessary. And the FCC has rolled back some of these rules. It has, for instance, pared back "program access" mandates that required cable networks that also owned programming to make it available to competitors,[16] ruling that cable systems are subject to "effective competition" (limiting the ability of local governments to regulate cable rates),[17] and proposing the repeal of broadcast non-duplication rules.[18]

Yet, the FCC is poised to move in the opposite direction when it comes to Internet TV. Specifically, in a notice adopted last December, the FCC proposed reclassifying certain Internet television providers as MVPDs. Such a step presents a danger to these still-nascent services: The term "multichannel video programming distributor" stems from the Cable Act of 1992, which defines MVPDs as:

[A] person such as, but not limited to, a cable operator, a multichannel multipoint distribution service, a direct broadcast satellite service, or a television receive-only satellite program distributor, who makes available for purchase, by subscribers or customers, multiple channels of video programming.[19]

At the time the Cable Act was written, this term described a limited range of firms, basically including cable TV providers, the then-nascent satellite services and so-called wireless cable services. The FCC now proposes to expand the MVPD definition to include OTT video providers, which offer scheduled programming on discrete channels of content.

Designation as a MVPD triggers a number of regulatory burdens for providers. Among these are mandatory closed-captioning, restrictions on the loudness of commercials, FCC equal-employment obligations, and requirements that set-top boxes be available for sale at retail stores rather than being provided by cable companies. Perhaps most important, however, MVPD status subjects providers to the FCC's system of "retransmission consent" in order to acquire broadcast programming.

The FCC described this proposed change as a simple "update" of its rules. The expanded definition, FCC chairman Tom Wheeler explained in a separate statement, is technology-neutral. "Video is no longer tied to a certain transmission technology, so our interpretation of MVPD should not be tied to transmission technologies."[20]

Chairman Wheeler believes that this shift is needed in order to assist linear OTTs, some of which have had difficulty acquiring the programming necessary to succeed in the marketplace. According to Wheeler, "efforts by new entrants to develop new video services have faltered because they could not get access to programming content that was owned by cable networks or broadcasters."[21]

In fact, the FCC was initially spurred to look at the MVPD definition by a 2012 complaint against Discovery Communications by Sky Angel, an OTT provider that had been denied access to Discovery's channels.[22] Sky Angel asked the FCC to order Discovery to provide programming under the mandatory program access rules then in place. The FCC did not grant the request, and in 2013 Sky Angel terminated its service.

But despite the failure of some individual competitors, competition in TV service—both among OTTs as well as between them and more traditional forms of transmission—is robust. While individual failures do occur, as they do in any healthy market, choices for consumers are still growing, with new services being launched frequently. This market does not need the FCC's help. Moreover, given the regulatory burdens that accompany MVPD status, even some linear OTTs have reservations about the FCC's new definition. For instance, YipTV, a primarily Spanish-language online video service launched this past May, told the FCC that "classification as an MVPD will bring substantial costs that may limit its ability to obtain new programming— thus reducing the programming choices available to consumers."[23] YipTV is especially concerned about the cost of mandated closed-captioning, a step that it says would be cost-prohibitive.

The Retransmission Consent Mess

Other online TV providers, such as FilmOn, argue that the burden of additional regulation would be offset by OTTs gaining greater access to content, primarily from broadcasters. The key to providing such greater access, according to supporters of the expanded definition, is putting online video providers under the "retransmission consent" regime for broadcast-programming rights. These rules require MVPDs to acquire the consent of individual broadcasters before they can retransmit the signals of broadcast stations on their system.

While negotiations over such consent are largely the result of voluntary negotiations between the parties, the FCC requires each side to negotiate in "good faith." This good faith requirement has been a lever allowing the FCC to become involved in squabbles between MVPDs and broadcasters over retransmission consent.

In recent years, these squabbles have been more frequent and more acrimonious. Broadcasters, under increasing economic pressure, have demanded higher prices for the granting of their consent. And, because of objections to rising fees received by broadcasters for their consent[24] and the threat of programming blackouts where negotiations fail, the FCC has been taking a more interventionist role in the process, often pressuring broadcasters to temper their demands. This intervention will likely only increase under a rule change proposed in September by the FCC that would expand "good faith" obligations.[25] Under this FCC-supervised negotiation process, OTTs would be able to claim more of the broadcasters' programming.

There is a better way to provide compensation for programming rights: copyright laws. Under established intellectual property laws, the owners of programing rights can license use of their content, under a system adjudicated by courts, not a regulatory agency subject to political pressure.[26]

The problem is that—for traditional MVPDs—the copyright laws have been effectively nullified by a statutory compulsory license, which mandates that broadcasters grant program rights to cable and satellite TV providers at nominal rates. But no such compulsory license currently applies to online TV providers, meaning that the copyright laws are in full force for OTTs. Rather than abandon copyright law for Internet TV, policymakers should be moving in the opposite direction—that is, applying copyright law to traditional MVPDs in lieu of the FCC retransmission consent system.

There is one last twist on this already Byzantine issue. Even if the FCC did impose retransmission consent rules on OTTs, it is not clear what would happen to the existing copyrights. Without further changes, some of which would require Congress to act, the two regulatory systems would be in conflict. This mess is avoidable: Rather than impose the outdated retransmission-consent rules on the online world, regulators should simply allow the copyright system to work for all.

Conclusion

The "vast wasteland" of the 1960s is gone forever—replaced by a world of choice, competition, and constant innovation—providing viewers with options never dreamed of by previous generations. Over-the-top video promises even more benefits in the near future. But these benefits would be undermined by the imposition of rules written for a different time and a different television world. Instead of expanding old rules to cover these new services, the FCC (and Congress) should ensure that outdated rules are not imposed anywhere in this new marketplace.

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5. **Can OTT Contribute to the Growth of Traditional Television? – By Benedicte Guichard.**

Many people feel that the rise of OTT services is directly contributing to the death of traditional television. But, while it's true that the needs and habits of today's consumers are shifting away from the shackles of traditional TV services, could OTT, and television actually serve to complement each other?

The "multichannel ecosystem" and why viewers love OTT services

Of course, today's consumer has made the decision to migrate to OTT from traditional TV services because of better pricing and more content. According to a study from LEK**,** 15% of people surveyed said they prefer OTT because of increased choice and content libraries, and 14% said their preference boils down to OTT subscription services being more affordable.

This may be the case but despite a prolific rise in cord cutting, it seems that today's consumer – and surprisingly, this applies to Millennials too – are tapped into the ***multichannel ecosystem***.

What does this mean? It means that the modern entertainment hungry adult likes a mix of services, including OTT and traditional pay television. In fact, according to LEK, a whopping 88% of 18 to 24-year-olds are multichannel subscribers. It is possible that many Millennials fall into this category as they use their parents' pay TV services as well as their personal OTT subscriptions, but the results are intriguing nonetheless.

Surprisingly, OTT has a boosting effect on traditional TV

In the world of sports entertainment, OTT has had a huge impact, but it hasn't necessarily taken away from the more traditional viewing mediums.

For example, before the launch of OTT, the **WWE** was one of the most body-slammingly exciting spectacles on primetime TV. Since the inception of OTT, which has proved fruitful for the organisation, revenue from traditional TV viewership has increased by 45%, and still exceeds that of the company's OTT channel (source).

Comparison of Key WWE Metrics Before and After OTT Service Launch (2013 vs. 2016 TTM)

	2013	2016 TTM*	% change
Revenue			
TV	$163M	$238M	45%
PPV	$82M	$16M	(80%)
OTT service	-	$158M	n/a
Total video revenues	**$245M**	**$412M**	**68%**
Operating metrics			
PPV buys	3.8M	1.1M	(71%)
Avg. paid OTT service subscribers	n/a	1.5M***	n/a
Social media followers**	246M	672M***	173%
YouTube views	2,900B	10,600B	266%
Valuation			
Market cap^	$778M	$1,458M	87%
Operating income before depreciation and amortization (OBIDA)	$30M	$63M	106%

Notes: *Ending Q2 2016; **Social media platforms include Facebook, Twitter, Instagram, YouTube, Google+ and others; ***2016 Q2; ^Based on period end weighted average of basic outstanding shares and average period share price
Sources: Company financials, Yahoo! Finance, Google Finance, L.E.K. analysis

These findings prove that it is possible to gain maximum success by taking a multichannel, or omnichannel, approach to content distribution. Rather than putting all their eggs in one basket, a content provider can reach a broader audience and yield significant commercial benefits by spreading their offerings across a host of platforms, and forming partnerships with traditional television channels.

An excellent example of a niche content provider maximising their audience by employing a savvy broadcasting infrastructure is Acorn TV. By offering their subscribers a particular genre of content and thus, a content library that they can't get anywhere else while distributing their service wisely, the provider has seen a 400% increase in subscribers in just two years.

Another good finding. **Homes with SVoD subs for Netflix, Prime and others are watching more TV overall than pay TV-only homes and are turning way from pay-TV services,** according to Guy Bisson from Ampere Analysis.

The world has gone digital, and while it may damage traditional television viewing formats, it doesn't mean they have to be left dead in the water. Rather than a case of service alone, to thrive in today's world, a content provider has to adopt a certain way of thinking – and it looks like by thinking wider rather than straight down the line will achieve the greatest results.

6. Internet TV's Big Chance to Oust Cable Is Almost Here. – By Cade Metz.

Internet television's turning point—the time when we can finally cut the cable cord—is almost here.

On Wednesday, in three American cities, Sony launched an internet television service that streams more than 50 channels into homes via its PlayStation game consoles. And little more than a day earlier, word arrived that Apple is building a similar service for use with its Apple TV set-top boxes. These big-name tech companies are following several others in the push to stream television over the net—without requiring ties to traditional cable TV services—and together, they're approaching a new peak.

Sony's service, you see, offers all but one of the big sports broadcasters. CBS, Fox, and NBC are all on board. Apple is pushing towards its own sports-happy deals. And sports is really all that cable has left.

Today, the big difference between cable TV and internet TV is live programming. "Sports is one of those last things that makes people still want to watch TV in a linear fashion," says Tony Emerson, a Microsoft managing director who works closely with hundreds of the world's media and cable TV companies.

Unlike almost everything else on TV, sports happen in the moment. And fans want to be there for that moment. Emerson points to himself as an example: "I am a big fan of Formula One and I will still stay up until 2 a.m. to see a race in the Far East—partly so my brother doesn't call me to tell me who won and partly because I want to see it right away."

Yes, internet TV makes it easier to view programming on any device, from TVs to phones, and it gives you more freedom to watch stuff when you want to watch it. But many wouldn't dream of cutting their cable cords because they would lose live games from the NFL, Major League Baseball, the NBA, the NCAA, and other popular sports organizations.

In recent years, however, even live sports have pushed onto the net, because that's where so many people want to watch them. Typically, this comes with strings attached. You can't watch the Olympics online, for instance, unless you key in credentials for a home cable TV subscription. But now, a wide range of forces—from changes in the way people view stuff on cable to the new internet TV habits engendered by services like Netflix and Amazon Prime Video—are pushing broadcasters towards unfettered sports-laden services from likes of Sony. These services are on verge of reality.

"Live events—sports and others, but mainly sports—are certainly an impediment to cord cutting," says Stephen Beck, the founder of a consulting firm called cg42, which has closely studied the move to internet television over the last few years. "But this problem will ultimately be solved."

Sling Opens the Gates to Cord-Cutting

This move all started with a service called Sling TV. Sling was built by satellite TV company Dish, but it doesn't send TV signals via satellite. It sends them over the internet—and its collection of channels includes ESPN, the preeminent cable sports channel now owned Disney.

"This was the one that could break the camel's back," says Emerson, who helps media and cable companies across the globe build internet TV services atop Microsoft's Azure cloud computing service. Emerson has seen firsthand a huge shift in the way these businesses treat the net. "Once you can get ESPN unbundled from the cable system, it puts into question the whole bundle [idea] for lots of different channels."

Sony's new service doesn't offer ESPN or its sister network, ABC. But it does offer all the other big American sports broadcasters. It streams feeds from the local CBS, NBC, and Fox affiliates in New York, Chicago, and Philadelphia, and yes, this includes all the usual sports coverage, according to

Sony. And no, you don't need a cable TV subscription to use it—-just a PlayStation and a broadband internet connection.

Meanwhile, according to The Wall Street Journal, Apple is in talks with traditional television programmers as it seeks to offer a streaming service that includes about 25 channels, including ABC, CBS, and Fox. The rub, the Journal reports, is that the talks don't include NBC. Apparently, there was a "falling out" between Apple and NBC's parent company, Comcast.

It's hardly surprising that Comcast is the one holdout. After all, it's a cable TV company. According another report from tech news site 9to5Mac, NBC and Comcast are now looking to offer their own NBC app on Apple TV—an app can't be used unless you're also a cable TV subscriber. "At the end of the day," says Beck. "Comcast wants to preserve its existing model." But remember: NBC is available on Sony's service. The landscape is shifting. The walls are cracking.

Change Abounds for Internet TV

The reasons are myriad. Sling's deal with ESPN, it seems, came about in part because Disney did a little horse-trading to stop some of the commercial skipping that is so common on today's cable and satellite services. (It agreed to offer its channels over a Dish internet TV service, and Dish agreed to limit commercial skipping on its Hopper set-top box). And due to the government consent decree it signed in order to acquire NBCUniversal years ago, Comcast may be under pressure to offer up NBC programming to services outside its own cable TV offering.

But most notably, people are changing the way they consume TV. According to one study, about 7.6 million households have cut the cable cord. Dish TV began as a satellite TV company but it's moving into internet because that's what so many people want. "What we see is the growth of broadband-only homes," says Sling TV CEO Roger Lynch. "Cord cutting is happening, and it's been happening for years."

The likes of Comcast are feeling the same heat. "Anytime you have a customer base as frustrated as the traditional cable providers' customers are," Beck says, citing a cg24 study that indicates that 53 percent of cable customers say they would leave their cable provider if they hand another viable alternative for TV, "you have an environment that's ripe for technology companies to disrupt it."

The heat will only increase as the sport leagues start negotiating directly with internet-only services—without going through the cable and satellite providers. In some cases, they're already moving in this direction. As Lynch points out, the European golf tour recently went straight to the net.

The Future Is Nearly Here

To be sure, we're a long way from everyone getting all their TV online. There are too many things that need to change.

Existing rights deals can prevent unfettered access to some sport programming on the internet (because wireless phone service provider Verizon has an exclusive deal for Monday Night Football, Sling TV can't show the MNF games on phones). A cable company like Comcast still has reason to slow the move to internet streaming (witness: the Apple talks). And the internet, well, can't yet handle all programming.

"If we went entirely to delivering TV over IP today," says Microsoft's Emerson, referring to the internet networking protocol, "do you know how fast the internet would stop?"

As Emerson rightly says, we don't really know what internet TV will look like in the years to come. But we know it won't look like it does today.

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7. The Future Of TV Is Here. Can Cable Survive? – By Greg Satell.

For a long time, TV was a fairly sleepy business. You had three major networks in the US—less elsewhere—acting as gatekeepers. They chose their programming lineup each year, which attracted a certain amount of audience that could be transformed into a certain amount of money.

Cable clouded the picture somewhat, adding subscription revenues to the mix, fragmenting audiences and giving rise to pay channels like HBO and Showtime, yet the change wasn't drastic. You still had those who developed programs and those who distributed them, along with a few players that could do both.

Yet as I wrote two years ago, we're entering a new age of TV where distribution is being devalued and completely new models for programming are beginning to evolve. Now, we're approaching a tipping point where what we used to call "TV" is morphing into something else entirely. Cable providers, if they are to survive, will have to innovate their business models.

The Transformation Of Access

The family television used to be the centerpiece of every living room and whoever held "the clicker" ruled the roost. Yet today, "TV" the appliance is being decoupled from "TV" as a form of entertainment. Now, every screen in the house—traditional sets, tablets and mobile phones—can access top notch programming.

As for the TV appliance itself, it is also being transformed. Every major manufacturer now offers "smart TV's" that can access the Internet directly and a host of streaming devices, such as Roku, Amazon Fire and Apple TV, just to name a few, transform any set into what's effectively a very large tablet computer.

That makes the traditional cable box somewhat of an anachronism. We don't actually need it, at least technically speaking, to access programming. Cable boxes today mainly serve to perpetuate cable companies' role as gatekeepers through their agreements with broadcasters. That's simply not a sustainable business model.

The New Economics Of TV

Traditionally, the TV business has been built on two revenue streams: advertising and subscription. Premium channels, like HBO and Showtime, are able to thrive on subscription models alone. Most, however, work on a hybrid model. They sell advertising and receive fees from cable providers in return for allowing them to carry programming.

Until recently, cable companies held a lot of leverage because, unlike broadcasters, they had a direct financial relationship with the consumer. They could decide to pay a programmer more or less, give them access to a coveted spot on the cable box, or bury them deep in the back of the lineup. Broadcasters, whether they liked it or not, had to play ball.

Yet that model is already breaking down. Consider the case of Netflix, whose streaming service blends original programing with feature films and documentaries, much like HBO. However, although Netflix charges less, the company earns roughly the same per subscriber because it does not have to pay fees to cable providers.

Clearly, that's no recipe for success, as HBO recently acknowledged with its launch of HBO Now, a service that allows consumers to access the pay channel directly—on any device— without a cable subscription. So consumers get the programming they want and the company gets to keep all of the subscription revenues.

Everybody wins. Except, of course, the cable companies. And HBO's new service is just the tip of the iceberg.

The New Programming Models

I recently discontinued my cable service and am already amazed how little I'm missing. Some of the best shows are actually Netflix and HBO originals, which I don't need a cable subscription for. I can catch most of the rest with Hulu Plus and a digital antenna. Some broadcasters, like Bloomberg TV, already offer a live stream through their apps.

I've also noticed new programming business models starting to emerge. Companies like Red Bull and GoPro have their own channels that are essentially an extension of their marketing activities. Amazon Prime, which has a large video library and some fantastic original programming—Woody Allen has agreed to produce a series—can be seen in the same light.

And there's more to come. Yahoo recently announced that they have acquired the digital rights to stream a NFL game this year. Google, which owns YouTube and has two steaming devices on the market, Chromecast and Nexus Player, has already rolled out its Google Fiber service in five cities, with more on the way.

Cutting the cable certainly isn't ideal. Many of the programming networks require me to enter an activation code tied to a cable subscription, integration is far from seamless and I miss the ability to channel surf a bit, but considering I'll save about $600 a year, the trade-offs seem more than worth it.

The Cloud Disruption

What has struck me most about cutting out my cable service is that what few barriers remain aren't economical or technological—broadcasters are perfectly able to serve ads and charge subscriptions in streaming video—but tied to agreements with cable providers. The truth is that, beyond infrastructure, cable companies are providing little, if any value.

Take a step back and forget that we're talking about entertainment for a moment and it becomes clear that TV programming is going through a similar transformation as every other software business. In effect, it is moving from installed solutions to the cloud. There is, in fact, no reason that we need cable boxes anymore.

As I've noted before, the cloud might very well be the most disruptive technology ever because it compels legacy players to change their business models, including pricing strategies, sales channels and even their basic technology. And that appears to be exactly what's happening in the cable business.

Sling TV already offers cable like service in the cloud for about $20 per month. Charter Communications, which recently acquired Time Warner, has a similar capability. For broadcasters to convert to full streaming, all they would have to do is turn off the access code requirements in their apps. The technology is already here.

That doesn't mean the cable companies themselves are dead. They still have valuable infrastructure and have begun to offer new services like home security. However, the cable business, as we have come to know it, will soon be a thing of the past.

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8. Streaming TV Boom OTT More Than Just Netflix. – By Dan Schechter.

Rapid expansion of the over-the-top (OTT) market shows how TV is breaking free from its classic model

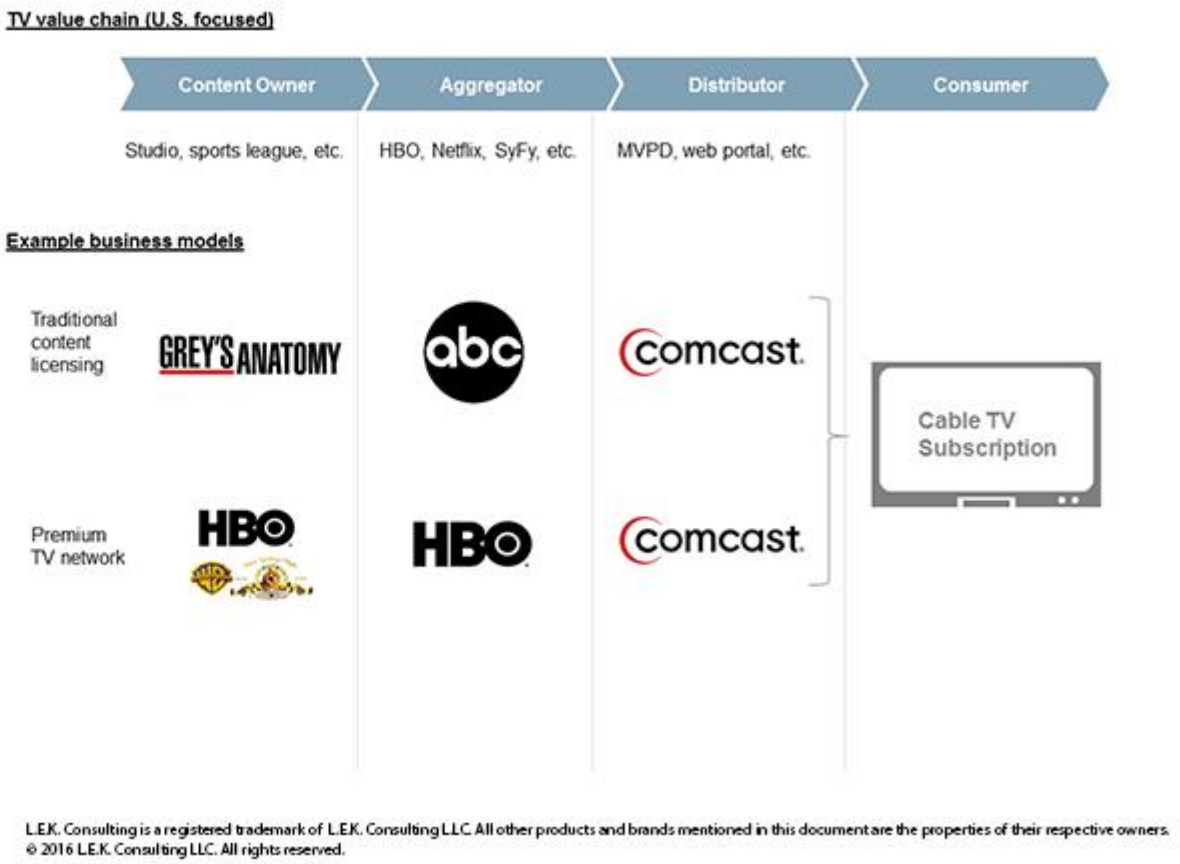
If you subscribe to services such as Netflix and Hulu, you're contributing directly to the boom in the over-the-top (OTT) TV service market. OTT TV services enable subscribers to stream TV content, without a set-top box, over the Internet.

Most of the money in the market comes from professional long-form content, which lasts at least 30 minutes, so this post focuses on only this type of video. (User-generated short-form content, with each episode lasting only a few minutes, does not generate nearly as much cash as its long-form counterpart.)

But exactly why are OTT TV services booming, and what are the economics that underlie this expansion?

The traditional TV ecosystem is relatively straightforward. Organizations (e.g., production houses, sports leagues) create and own the content, which they sell to aggregators (i.e., channels, broadcasters or cable networks), whose programming wheels contain a variety of content (note that many aggregators have their own captive studio). Aggregators have agreements with pay TV distributors (e.g., Comcast, Time Warner), which sell their TV packages to us, the consumers. In this ecosystem, TV packages are the only means by which consumers have access to all the channels.

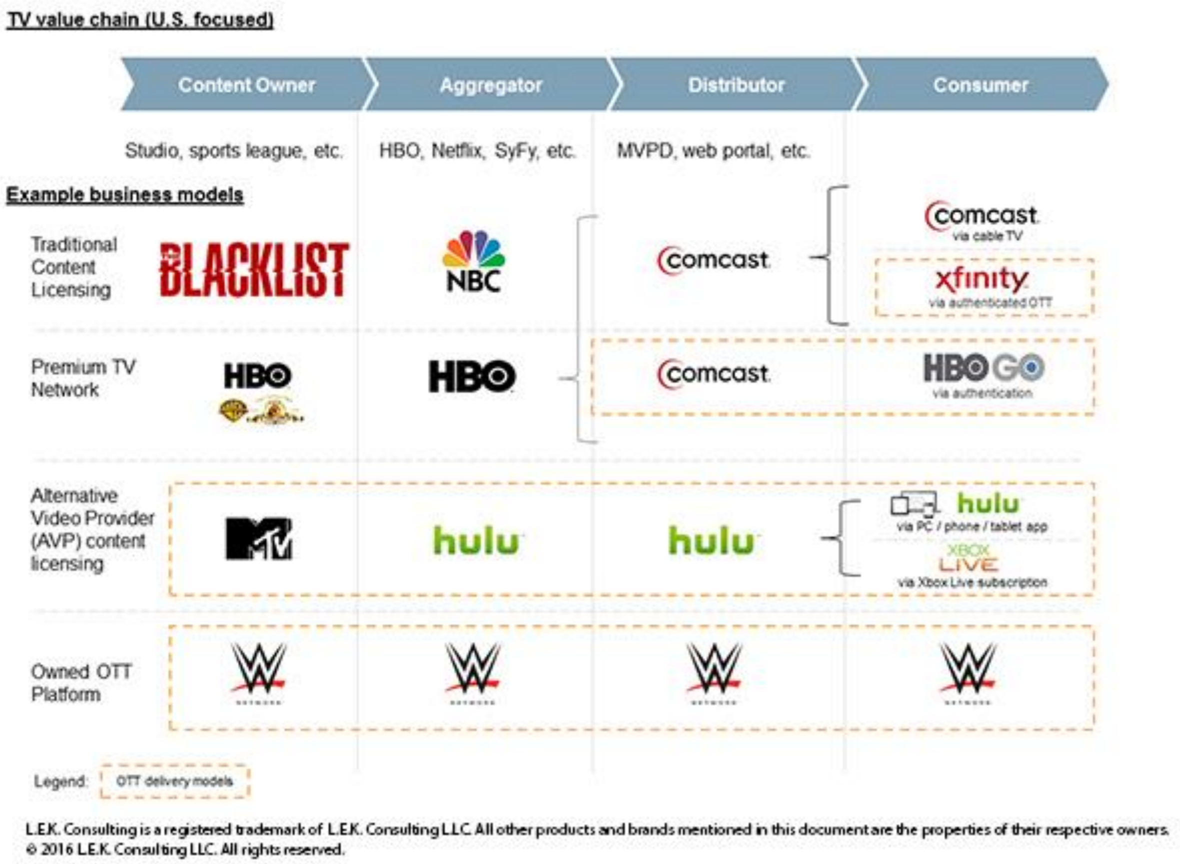
This chart illustrates this simple value chain:



Although this seems to be a formidable model, OTT platforms are disintermediating the traditional TV network value chain, bringing content owners and consumers closer, and forcing the traditional players to compete in different ways. In today's ecosystem, everything is new: new content creators, new aggregators, new distributors, new ways for consumers to access an ever-expanding portfolio of content. The next chart shows four distinct ways to think about OTT distribution:

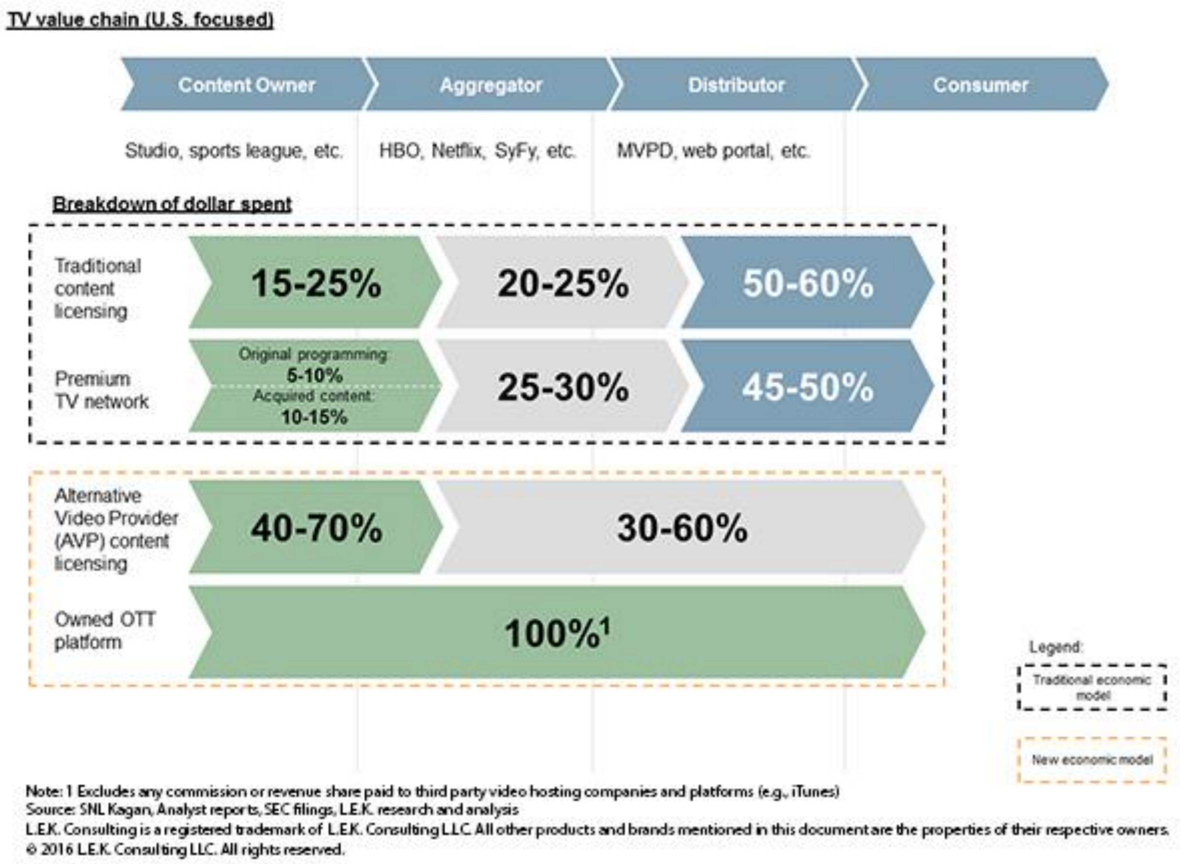
1. The pay-TV provider offers an OTT platform (e.g., Comcast offers Xfinity)
2. The content owner offers an OTT platform, but the pay-TV provider authenticates subscriptions (e.g., HBO offers HBO GO, and Comcast authenticates HBO subscriptions)
3. The OTT platform is offered directly to subscribers from the aggregator, separate from the traditional TV ecosystem (e.g., Hulu, which, in addition to being an aggregator, is an alternative video provider, or AVP)
4. The OTT platform is offered directly to subscribers from the content owner, with absolutely no middleman (e.g., WWE)

As you can see in the graphic below, Hulu short-circuits the traditional system, bypassing traditional aggregators and distributors. And WWE has developed an OTT product that goes direct to consumers, bypassing all the normal steps.



Content owners, in particular, benefit from the development of OTT offerings. For example, they can establish relationships with consumers, obtain helpful feedback directly from consumers and wield greater control over how the content is shown and consumed.

But the main reason why content creators like OTT TV platforms is the literal bottom line: They share revenue dollars with fewer parties by going directly to consumers. In the traditional ecosystem, intermediaries take most of the revenue. In that value chain, distributors like Comcast take 50-60 percent of the consumer dollar, and aggregators like ABC take another 25-30 percent, leaving only 10-25 percent for content creators.



Thus, in the traditional ecosystem, content owners only capture a fraction of what the consumer ultimately pays for their content as aggregators, and distributors take most of the cut. In the new value chain, content owners can boost their cut from the traditional 15-25 percent all the way up to 100 percent by going direct.

Although content owners that have their own OTT TV platforms collect more revenue, they encounter challenges, including customer acquisition/retention and technological innovation. Nonetheless, the industry is booming.

9. **OTT and Broadcast: A Cord-Cutting Dilemma. – By Tara Seals.**

Over-the-top (OTT) operators are proliferating—and offering consumers an ever-greater opportunity to cut the cord, i.e., to ditch their pay-TV subscriptions in favor of Internet-delivered video. But there's one programming feather in the cap that has eluded most OTT providers so far: live broadcast TV.

The reason for the omission is simple: live broadcast arena is a thorny thicket of content licensing snags for distributors. Right now, OTT operators like Sling TV and Sony's new PlayStation Vue service offer live cable network feeds—but broadcast feeds are few and far between, even if content from NBC, CBS, FOX et all may be available on-demand. And that means that as a replacement for traditional cable or satellite subscriptions, they're going to fall short—no local news or weather, and no live primetime events like sports and awards shows.

The problem lies in the fact that OTT providers would need to license broadcast feeds on a per-affiliate basis, per market, and pay retransmission fees to the stations' owners in order to show them. The FCC has not yet grouped OTT services under what's known as must-carry rules, so broadcasters are not required to make a deal with them for carriage. And that means that broadcasters can hold their content over OTT's head as expensive leverage, particularly since network ratings continue to show that broadcast fare is still some of the most sought-after in TV.

So, this is playing out in very real ways. As we explained in last week's breakdown of the OTT marketplace, DISH's Sling TV for instance has a deal with Disney that covers ABC's cable nets, but not the broadcast network. Sony has perhaps the most options in the way of live broadcast fare— access to FOX, CBS, NBC and Telemundo. But, it's only live in three markets—New York, Chicago and Philadelphia. And, perhaps because of the premiums being paid for the content, the service costs $50-$70 per month.

All of that means that for now, perhaps the best option for cord-cutters looking for local news, sports, awards shows and other live events would probably be to buy a set of rabbit ears to get the feeds over the air. Or, resign themselves to going to bars and other people's houses for big broadcasts.

A Changing Situation

The FCC could offer a path forward on the OTT –broadcast front. It is considering reclassifying OTT operators to put them on parity with cable MSOs and satellite companies—giving them must-carry access to broadcast.

The idea is to create a technology-neutral definition of an MVPD, thus eliminating the requirement of having facilities-based transmission path in order to be guaranteed access to TV stations via must-carry rules and retransmission.

In a comment submitted to the FCC, FilmOn laid out a scheme to support authenticated subscribers in local markets consistent with FCC rules: "FilmOn intends to offer TV stations the right to elect must-carry or retransmission consent. FilmOn will also provide program exclusivity, emergency alerts and information, closed captioning, equal employment opportunity and to otherwise comply in good faith with all of the rules and regulations that govern MVPD service."

And certainly, Sling TV and others would be following that path as well.

Some are not pleased with the developments, notably Amazon, which has built its Prime streaming business on the back of an on-demand content proposition—one that it's not looking to change. That means that OTT rivals with live channels—let alone broadcast feeds—present a competitive threat when courting the cord-cutters.

"As the commission noted in its [Notice for Proposed Rulemaking], MVPD status is attended by a large number of regulatory privileges and obligations, including the right to seek relief under the program-access rules and obligations relating to program carriage and good faith negotiation with broadcasters for retransmission consent," Amazon said. "However, many OTT providers have no desire to avail themselves of these rights and obligations."

It added, "In light of the excellent results achieved over the last several years, Amazon does not see why the commission would risk interfering with the OTT marketplace, which is still growing and changing, at this stage in its development."

TV-like OTT Leads Market Traction

With the increasing number of linear options and truly TV-like content types, the OTT marketplace that Amazon refers to is without a doubt rapidly evolving—and presenting potential trouble for the likes of the Prime service.

Analyst firm Ovum said that live direct-to-consumer initiatives on the part of established players — such as CBS All Access and DISH's Sling TV —will mean a reassertion of the traditional TV value chain, pushing back against technology-led OTT specialists such as Amazon, Netflix and Hulu. As such, this will drive the global total of online streaming subscribers past 100 million in 2015, with a further 77 million more expected by 2019.

"Until now, watching the latest Hollywood movies and TV shows has largely been the preserve of downloads, discs and pay-TV," said Tony Gunnarsson, a senior analyst in Ovum's TV practice. "What we're seeing in maturing markets such as the U.S. is that the audience is shifting towards premium linear streaming, which is augmenting well-established, free on-demand services such as YouTube."

Also, as subscription-based VOD services reach the mass market (Ovum points out that it is now commonplace to watch original productions like Netflix' House of Cards, streamed to the main TV), the emergence of linear streaming propositions such as PlayStation Vue represent the next wave of disruptive services, which can truly substitute for traditional pay-TV. Broadcast is an important part of that.

Of course, it should be noted that even with broadcast feeds available for OTT, cable still holds a lot of cards. On an apples-to-apples programming basis, it may be possible to see the case for going exclusively OTT. But one still needs broadband to access it. There's a significant opportunity for mobile broadband here— LTE home routers may have a market opportunity against this backdrop. But in most cases, consumers will still need to turn to their cable provider or telco for a pipe.

Parsing comparisons between pricing for the cable triple play and opting for naked Internet + OTT is exceedingly difficult, requiring a case-by-case analysis. Naked Internet pricing varies wildly neighborhood by neighborhood, and depends on whether the subscriber is brand new. In any event, Comcast, Charter et al have no incentive to make it easy to unbundle, for now.

Further, Ovum warned that an already "unforgiving" competitive environment will intensify and that there will be downward pricing pressure on cableco bundles—making OTT potentially less attractive, and more than likely driving innovation on the part of traditional providers themselves.

"We are on the cusp of the next major evolutionary growth phase in visual entertainment," said Ed Barton, Ovum's head of TV research and analysis. "As the industry hunts for opportunities to address slowing traditional TV subscription revenues, the major trends in technology, audience consumption, and service evolution offer glimpses of a brighter future. We see a shift in how TV is increasingly addressing individuals rather than households, and how the merging of online and broadcast advertising technologies and the on-going hunger for true 'martini TV' – any time, any place, anywhere – from the audience offers significant incremental revenue opportunities. The proliferation of linear SVOD from traditional TV is just one part of this shift which underpins our firmly held view: TV's best days lie ahead."

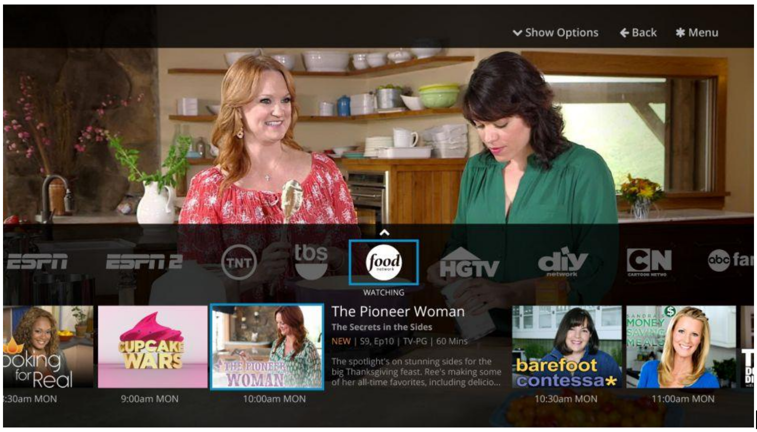
10. **Internet Television Has Arrived: Why Sling TV Marks the Beginning of a New Era. – By Zachary Seward.**

The internet and television have finally converged.

On Tuesday, Jan. 27, Dish Network will begin rolling out the first live television service delivered entirely over the internet and available across the United States. It’s called Sling TV and costs $20 a month for a small set of channels—including, crucially, ESPN—intended to appeal to young Americans uninterested in large and expensive cable bundles.

The first invitations will go to people who have expressed interest on the Sling TV website, with a fully public launch expected within the next two weeks. It’s only available in the US.

I’ve been testing the service and can report that it works as advertised: You can watch crystal-clear live TV with a simple app that works on most devices. For sports fans, Sling TV will be an appealing option because it’s the cheapest way to access ESPN. For everyone else, the service is more symbolic—worth following, if not subscribing to—because it shows what TV is becoming as it moves to the internet.



It’s a lot simpler than traditional TV. (Sling TV)

It will only get more interesting from here. Netflix, which already has 39.1 million subscribers in the US, is rapidly changing viewing habits, and competitors like Amazon, Hulu, and Vimeo are increasingly attractive as well. Later this year, HBO will start offering a streaming service that doesn’t require a subscription to pay TV, which could prompt some other coveted channels to follow suit. That will put pressure on pay TV companies to offer slimmer, cheaper bundles of channels—and maybe even better service. Programmers will also make more of their shows available to watch whenever you want, while also investing in live events that can still draw massive realtime audiences.

That’s the near future of television, of which Sling TV is only a small part for now. But its launch is still significant, coming after years of anticipation and heralding a new, better era for television fans. It will also help the US catch up with parts of the world that have enjoyed internet TV for some time.

How Sling TV works

Here’s my demonstration of Sling TV running on a Roku 3:

Sling TV is similar in form to traditional pay TV, with three major differences: It’s cheaper, offers fewer channels, and is only available over the internet. For $20 a month, you get ABC Family, Adult Swim, Cartoon Network, CNN, Disney Channel, ESPN, ESPN2, Food Network, HGTV, TBS, TNT, and Travel Channel. A few additional channels are available in two supplementary packages, each for $5 a month, but I can’t imagine many people will opt for them. You don’t get access to the four main broadcast networks: ABC, CBS, NBC, and Fox, though you can get those for free with an HD antenna.

TBS’s “Family Guy” rerun looked sharp on an iPhone.

To start, Sling TV will work on Android and Apple tablets and phones, as well as the Roku 3, which plugs into television sets. Support for more devices, including other streaming media players and some TVs, is expected to be added soon. I tested Sling TV on an iPhone 6 Plus, iPad Mini, and Roku 3, and the service worked just fine on all of them.

The interface is as straightforward as you'd hope, given the limited options. Flipping through programming feels a bit like turning the knob on an old television set with just 13 channels. That's refreshingly simple compared to most cumbersome cable boxes, but it also drives home the service's limitations: It's still TV, with all the familiar drawbacks. For the most part, you're limited to whatever happens to be airing on the channels you happen to receive.

Some video is available on-demand. Food Network and a few other channels owned by Scripps Networks Interactive let you watch anything that has aired in the prior three days, which creates a large but somewhat random collection of video. When I searched for the cooking competition show *Chopped*, there were 19 episodes from 11 seasons available to watch immediately, but no way to binge on a complete season. It's also not possible to record shows for later.

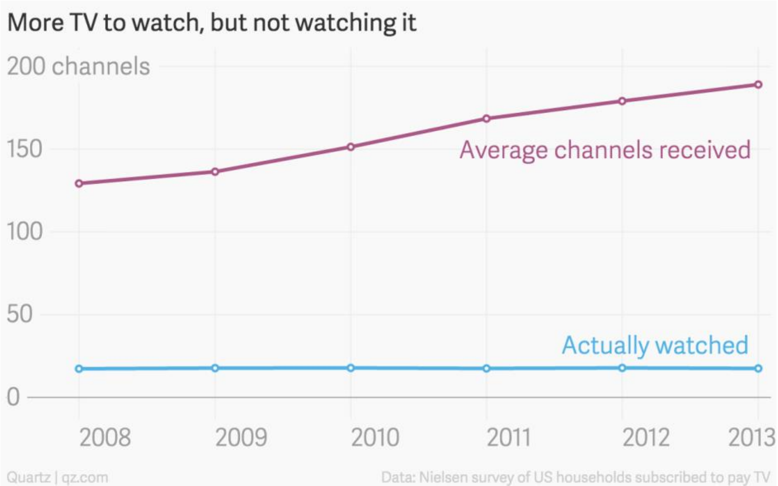
It's still TV, with all the familiar drawbacks.

The limitations are the fault of programmers and the archaic norms of pay television, but Sling TV could do a better job at making the reach and limits of its offerings more obvious. The interface is still frustratingly focused on live TV, when the target audience—"millennials," according to the company— clearly prefers the control offered by on-demand services like Netflix. Dish Networks says on-demand offerings will improve over time.

Sling TV also includes a decent selection of movie rentals, but countless services offer that. And it will soon add videos from Maker Studios, the Disney-owned production company best known for operating popular YouTube channels. It's early yet for this side of the business.

All pay television services struggle to balance the simplicity of live TV with the flexibility and breadth of on-demand video, without confusing users with the complex licensing agreements that dictate what can be offered. But I've seen better attempts by Comcast's X1 cable box, Time Warner Cable's apps, and Fan TV. Still, those services cost a lot more, have limits on use outside your home, and aren't available everywhere. Sling TV is cheap, and you can use it anywhere in the US.

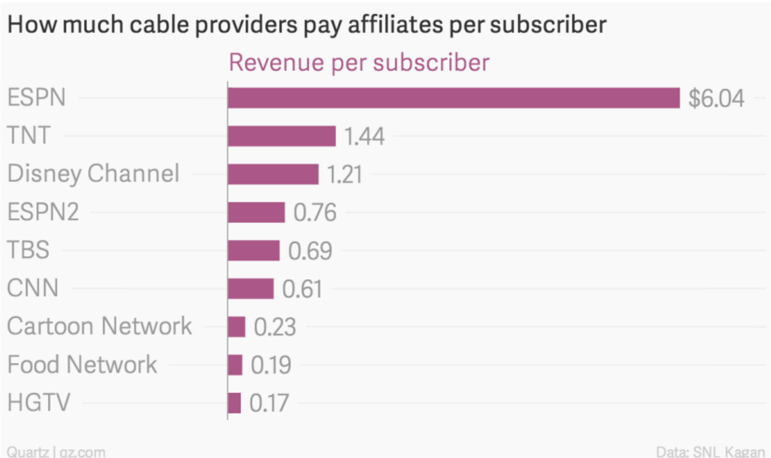
More than anything, Sling TV is a response to the bloated bundles of channels that most pay TV services require to be part of your subscription. The average American household that pays for TV now receives 189 channels, up nearly 50% over the past five years, but watches only 17 of them—a number that hasn't budged:



What Sling TV proposes—and, to a certain extent, delivers—is a world in which you only pay for the channels you actually want to watch.

The ESPN factor

If you just want a few channels filled with popular live programming, you can buy an HD digital antenna and get broadcast television for free. If you want a deep catalog of shows to watch on your own schedule, you can get Netflix ($9 a month in the US), Amazon Prime ($8.25), or Hulu ($8) for less than half of what Sling TV charges.



So why would you subscribe to Sling TV? Quite simply: ESPN.

The sports broadcasting behemoth has long been the most attractive element of any pay TV package. Cable and satellite TV companies pay an average of $6 per subscriber per month for the right to carry it—far more than any other channel. It's also the hardest to replace with subscription on-demand services like Netflix, because people want to watch sports live. In short, ESPN—and, more broadly, live sports—are the number one reason why more Americans haven't already cut the cord. Now it may become the reason for people to opt for a slimmed-down cord, instead.

When I briefly gave up pay TV in 2012, the hardest programming to part with was sports—but I still couldn't justify paying about $100 a month for sports alone. However, if my provider, Time Warner Cable, had offered a way to get ESPN for $20 a month, I would have happily downgraded. Sling TV says it is targeting people who previously cut the cord or never paid for television, but I bet it will also lead some existing TV subscribers to trim their bills.

Watching the NBA over a cellular connection at Whole Foods.

Sling TV comes with live ESPN and ESPN2. It also—and this is crucial—gets you WatchESPN, the network's excellent apps for mobile devices, streaming media players, and television sets. With that, you have access to pretty much all of ESPN's live programming, including niche channels like ESPNU and ESPNews, plus a growing wealth of online-only content on ESPN3. For sports fans, it's an embarrassment of riches. Over the past weekend, I watched professional basketball on my iPhone while standing on-line at Whole Foods, caught the Australian Open on my iPad while making pancakes, and watched endless college basketball on my TV set using a Roku 3.

ESPN, of course, doesn't cover the entire sports universe. Local teams still often air on regional sports networks that Sling TV doesn't carry. ESPN also shows just one National Football League game per week, on Monday nights. Most football games air on broadcast television, so real fans would need to get an antenna to supplement their Sling TV subscription. True diehards would still be better served by DirecTV's NFL Sunday Ticket package, which can be streamed online and is available to some people without a broader DirecTV subscription. However, fans of college and professional basketball—and people who enjoy watching whatever game happens to be on—will be just fine relying on ESPN.

One weird quirk: There are no commercials on ESPN using Sling TV, which is also the case on WatchESPN. Instead, during breaks, a canned message plays over equally canned music. The music is so bad it actually made me miss ads.

Why doesn't ESPN offer something like this itself?

The obvious question is why ESPN doesn't sell this kind of access itself, cutting out pay TV middlemen. ESPN, which is owned by Disney, says the economics don't make sense for now, but it's experimenting with "over the top" services for specific sports like cricket. It may just be a matter of time before you can pay ESPN directly for what Sling TV now provides.

Until then, ESPN is by far the greatest selling point for Sling TV. Perhaps a few people will be moved to subscribe because they really love TNT's *The Librarians* or Food Network's *Beat Bobby Flay*, but they will be few and far between. And of course it's possible Sling TV will reach agreements to carry more highly coveted channels like FX (owned by 21st Century Fox), Bravo (NBCUniversal), or AMC (AMC Networks). But for now it seems like a simple calculus: Subscribe to Sling TV if you think ESPN is worth $20 a month.

Ease of use

Another major selling point of Sling TV is its simplicity. If you're accustomed to poor customer service, clunky cable boxes, byzantine channel guides, and the unshakable feeling that you're being ripped off, then Sling TV will feel like a breath of fresh air.

Searching for "Chopped," but intrigued by "Chopped Canada."

In addition to a simple interface, Sling TV promises that $20 a month isn't an introductory price that will rise after a year. There aren't any mysterious additional costs, like the $4.11 "franchise fee" on my monthly Time Warner Cable bill. And in his presentation at the Consumer Electronics Show, Sling TV CEO Roger Lynch made a point of how easy it is to cancel the service. So if you just want to subscribe for the NCAA men's basketball tournament in March—which will be on TBS and TNT, among other channels—you can do that without breaking a contract or making an aggravating phone call.

Though on-demand options are limited, at least searching for shows to watch that way is easier than what most cable boxes offer. You just type in the name of what you're searching for, and if it's available, it shows up. Netflix subscribers won't find that revolutionary, but, sadly, many cable subscribers will.

The other big, convenient difference from traditional pay television is that you can watch Sling TV wherever you want. It works exactly the same way over a cellular connection as it does over your home WiFi. While most cable companies offer mobile apps for viewing on the go, they all come with significant limitations.

The streaming life

Oops.

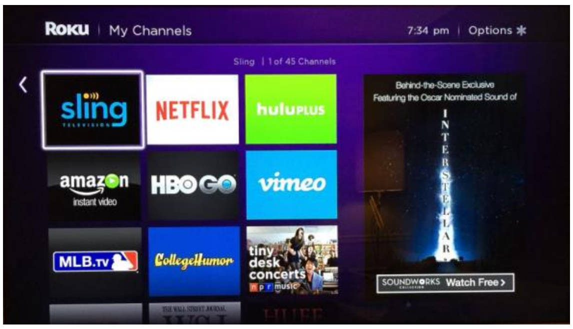
Of course, streaming video is only as good as your internet connection. Using my Time Warner Cable internet service, which promises but rarely reaches speeds up to 20 Mbps, I was able to use Sling TV without much trouble and enjoyed HD-quality streams most of the time. (From what I could tell, you need at least 2 Mbps to maintain a flawless stream.) However, changing channels takes an extra beat longer than traditional TV, and every once and a while doesn't work at all.

For most Americans, their internet and pay TV providers are one in the same, in the form of companies like Comcast, Time Warner Cable, Verizon, and AT&T. Overall, the industry has been losing television subscribers, but making up for it with new internet subscribers who are charged an increasing amount. More Americans now subscribe to cable internet than cable TV. (All of this makes current debates over net neutrality regulation all the more important.)

These internet providers desperately want to play a part in the television experience of the future. Some have improved their offerings to take advantage of internet TV, but they all seem trapped by their existing business models. It's no coincidence that Dish, which has always challenged the incumbents of its industry, is the first to offer a small, internet-only bundle of channels in the form of Sling TV. The $20-a-month package may not be as lucrative in the short term, but that won't be a problem if it's an experience that people prefer.

Comcast has experimented with internet-only television service on some college campuses, and its newest cable box for regular customers takes some advantage of internet delivery, too. If Sling TV or similar services prove popular, Comcast could embrace the idea more fully. It may ultimately have no choice.

While testing Sling TV, I was struck by my Roku homescreen:



That's what internet television looks like. Maybe you subscribe to Netflix and Hulu Plus—and soon, HBO Go, as well. You watch the occasional series on Vimeo, and get your baseball fix directly from the league. It still costs a lot, but you have more options from a wider variety of sources. Live TV, meanwhile, is just another app.

11. Here's How OTT Internet TV Will Transform Pay TV. – By Andrew Sheehy.

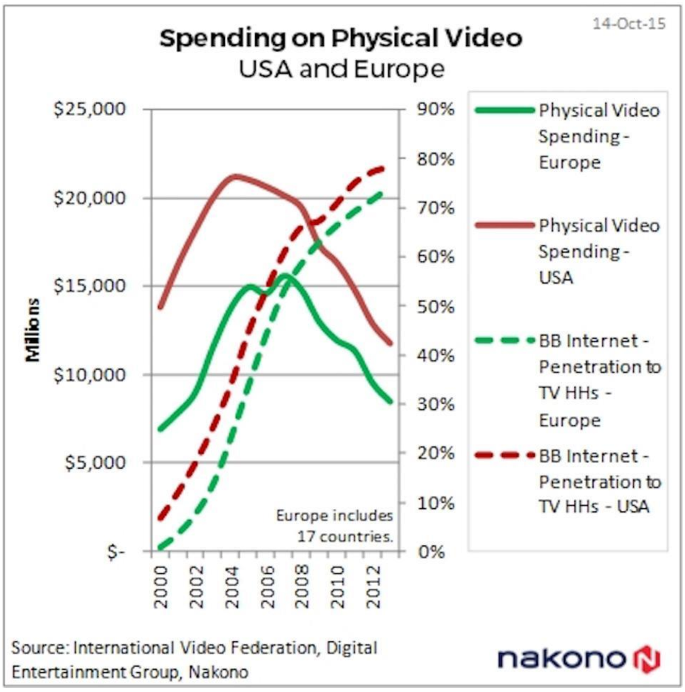
In a report released last week we projected that total service revenues earned by OTT internet television service providers worldwide will be $22.3 billion in 2015, rising to $49.7 billion by 2020. Beyond that, growth will continue for at least the next two decades.

While some of this spending will be incremental (because of the higher value placed on internet-based video, compared with traditional video), most will be because of reduced spending in each of the three existing television industries:

- Physical video (e.g. DVD and Blu-ray)
- Terrestrial broadcast television
- Pay TV

Let's look briefly at the impact on physical video and terrestrial broadcast television, before diving into Pay TV.

It is clear that the internet has severely cannibalized spending on physical video:



Looking ahead, we project that spending on physical video will fall from a worldwide high of $51.8 billion in 2005 to just $8.3 billion by 2020, and the main reason is that almost every dollar that consumers spend on OTT internet TV is a dollar that is not spent on DVD and Blu-ray.

But while the internet is decimating spending on physical video, it will be at least 10 years before it has any meaningful impact on terrestrial broadcast television.

Nevertheless, eventually, in all developed internet markets, terrestrial broadcast television will be undone and redone as distribution shifts from terrestrial radio transmitters that broadcast TV programming out over the airwaves, to cloud-based media servers that deliver the same content over fibre optic cables, coaxial cables and copper lines to hundreds of millions of broadband households worldwide.

In such markets, all the money that is now being spent on TV advertising will shift from linear broadcast content formats to non-linear multicast content formats (of which 'broadcast' is simply a special case, where a large number of viewers want to watch the same content at the same time – a baseball game, for instance).

If the TV broadcast industry manages this transition perfectly, then the companies collecting the $178 billion that will be spent on TV advertising worldwide in 2015 will be the same as those who will do the revenue collection in the future. But even in this 'best case' scenario, total industry revenues will fall by about 30% – partly because of the lower costs associated with internet-based distribution and partly as a result of increased viewing on mobile devices, where ad rates are structurally lower.

Impact on Pay TV

The story for how OTT internet television will affect Pay-TV is more nuanced than that for physical video and terrestrial broadcast TV.

We should start by asking an important question:

If internet-based delivery will eventually make redundant most of the physical video market and – in countries that have mature internet infrastructure – the terrestrial broadcast TV market as well, then is it really credible that the Pay-TV industry will somehow escape unscathed?

Not only do I think the answer to this question is 'definitely not', my conclusion is that internet TV presents an existential threat to Pay TV, although it will be some time before there is a substantive revenue impact and the type of impact will depend on the type of Pay TV under consideration.

Firstly, why is the impact of OTT on Pay TV still so small?

The impact so far has been small because:

- **Changes to reporting policies mask what is really going on:** Pay-TV operators are introducing their own OTT services and changing the way they report their video revenues, so reporting measures like 'video revenues' and 'video subscribers' now include contributions from Pay TV, pseudo-OTT TV and OTT TV. The relative contributions of these three are unfeasible to accurately separate;
- **Bundling makes it hard to properly define the revenue contribution for the video element:** Pay TV operators have for years been adopting a bundling strategy and so it is in many cases impossible to accurately determine what percentage of a Pay-TV operator's revenues are coming from video vs. voice vs. broadband internet and, in some cases, vs. mobile;
- **Consumers are using OTT in addition to, not instead of their Pay-TV service:** It is becoming clear to me that consumers presently see OTT internet TV services like Netflix and iTunes more as an additional category of expenditure and less of a direct replacement: this means that most internet TV users are at this point spending on internet TV in addition to their pay-TV subscription. However, by definition, if a consumer is now paying to access a new video

service – such as Netflix – then it is obvious that they will be spending less time watching their Pay-TV video packages – even though the spending on those video packages might not have decreased;

- **Aggressive 'do or die' retention programmes:** Pay-TV operators in developed internet markets are being extremely aggressive in their efforts to retain their existing subscription customers by, for example routinely offering heavy discounts rather than losing customers. Existing customers are offered exclusive price deals and sometimes have to face very aggressive sales people who receive bonuses for each customer they convert from 'wants to leave' to 'agrees to stay'.

Taking all of these factors into account, rather than a direct cannibalisation of Pay-TV revenues, what I think is more likely to be happening now is that people are retaining their Pay-TV subscription, but they are using internet-TV services in addition – with the money being spent on OTT services mainly coming from reduced spending on physical video.

Meanwhile, although the uptake of OTT services is causing total TV viewing time to increase (when all consumption devices are taken into account), the total viewing time for the Pay-TV provider's video packages is falling.

We are beginning to see the effect of reduced viewing time as the advertising revenues of some leading Pay-TV operators (e.g. Comcast in the U.S. and Sky in the U.K.) have shown signs of falling over the last few years.

However, further ahead, as the content and features offered by OTT providers become more compelling and as overall consumer awareness of OTT increases, then we are sure that we will see a much more tangible adverse impact on the video revenues of Pay-TV providers whose premium video content offers will increasingly have to compete with much lower-priced alternatives.

Remember that OTT internet TV will mainly only affect the video element of a Pay-TV providers' offering

Internet TV will exert increasing downwards pressure only on the video element of the traditional Pay-TV packages.

Most Pay-TV operators will be able to make up some of the revenue shortfall by launching their own OTT services. However, the revenues they will earn from these OTT services will be insufficient to compensate for what they will lose from their core video business.

There will be two reasons for this:

1. Internet-based distribution means a structural reduction in the cost of delivering television programming.
2. Because users pay for their own broadband service (which they need to access a range of internet content and services, in addition to video), they are in effect covering most of the cost of distribution themselves.

This is very different to how the costs of TV distribution have traditionally been recovered.

Because TV distribution networks could only used to distribute television programming, the cost of building and operating those networks had to be incurred by Pay-TV operators and then recovered indirectly from subscribers.

Now, with OTT, the network that is being used to distribute television programming (i.e. the internet) is being used for a broad range of other services as well, which means that the distribution costs are in effect being amortized over a number of bearer services (search, online retail, social media, email, cloud storage, music etc.).

This severely disadvantages any Pay-TV operator who – by virtue of using a proprietary distribution network – has to incur the operating costs of that network (because these costs sit in the P&L account) unless the network can also be used to provide broadband internet access, which is the case with cable-based and IPTV-based Pay-TV offers. Satellite-based DTH operators can offer internet as well, but only by paying an extra cost to use a local access network owned by a third party.

Eventually, when OTT's total viewing time reaches a critical threshold - which we estimate will be within the next 10 years - these 'extra' costs will need to be removed from the business models of all Pay-TV operators: basic economics mean that the internal human resources and tangible assets that Pay-TV operators have needed in order to operate their proprietary video distribution networks and network-specific OSS/BSS systems, will no longer be needed.

This will mean that a structural downsizing will need to take place because there is no way that any company can operate profitably in a competitive market environment, while carrying significant costs that rivals are avoiding by using a different strategy.

Indeed, part of the reason why the subscription fees of Pay-TV providers have been so high is that these companies have been spending a lot of money on operating proprietary distribution networks.

Clearly, when these costs are removed then service revenues will have to come down in proportion. The only exceptions would be in situations where the Pay-TV provider had secured a monopoly in the supply of certain types of 'must watch' content. However, the number of situations where this will be the case will fall as the market footprint of OTT players increases - because they will have achieved the market scale needed to place competitive bids for the same content.

When it comes to OTT, Pay-TV operators will be competing with global platforms, not local players

It is one thing for a cable-TV operator to slug it out with a satellite-based rival when the battlefield is restricted to one country. But it is quite another thing for a Pay-TV operator to launch an OTT service and then face the prospect of competing with rival services that are being offered by large, well-funded, global players - like Apple, Netflix, Amazon and Google.

Not only do these global OTT players have lower marginal costs - which are simply the result of their scale - they have the detailed knowledge needed to compete in the OTT market on a global basis, which most Pay-TV operators lack. The world's largest Pay-TV operator - Comcast - might like to think it is a big company but when it comes to the super-league, Comcast is a rather small player whose operations and market knowledge is limited to the U.S.

There is another reason why Pay-TV operators will find competing with large global OTT service brands very challenging: OTT services requires a platform approach which means developing:

- Apps for all types of connected devices (e.g. PCs, smartphones, tablets and connected TVs);
- Cloud-based delivery (e.g. the ability to manage multiple users accounts across multiple devices which could be located anywhere and when the device types are constantly changing);

- Advanced features such as voice search, content recommendations that use machine learning, plus some features that can only be offered by the large platforms, such as bundling with non-TV services.

Pay-TV operators used to be able to own and control all aspects of their service delivery infrastructure and all of the features offered to users.

But with OTT internet TV, Pay-TV operators will lose control of much of what they have previously done themselves. In effect this means that the proportion of the total value they will be delivering will fall because a significant part of the value proposition will be delivered by the large platform operators and device vendors.

Ultimately, because they will be delivering a lower percentage of the total value, this must mean that their addressable revenue will be less.

In summary, the impact of OTT on Pay-TV is a bit like a slow puncture: the nail first entered the tire hundreds of miles ago, but mile by mile, it slowly works its way through the rubber until it reaches the inside – at which point the process of deflation is irreversible and the outcome is certain.

Pay-TV have the option to deploy a range of defensive strategies, but running their video offers on a 'business as usual' basis isn't one of them.

For more detailed information of what Pay-TV providers can do to minimize the impact of OTT on their core businesses, see the detailed report we published last week:

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12 **What Does the Rise of OTT Video Mean for Broadcast TV? - By Li Zhao.**

It's no surprise that Parks Associates named 2015 as "the Year of OTT." The emergence of the OTT market has contributed $25 billion in global revenue to the video industry. A study by Boston Consulting Group (BCG) also found that, while OTT currently accounts for about 5% of the video business worldwide, it is growing at a rate of 20% – which is 10 times faster than the growth of traditional TV.

Hold on. What the heck is OTT, and why is it developing so fast?

OTT, short for Over The Top, represents Internet-based video streaming services like Netflix, Youtube, Hulu, Amazon Video, and Apple iTunes. Each OTT platform runs on at least one of three business models: SVOD, TVOD, and AVOD. You may notice that each model has three letters in common: VOD, or Video on Demand. With SVOD (Subscription VOD), viewers pay a subscription fee to gain access to all videos on the platform (like Netflix). TVOD (Transactional VOD) requires users to pay per the content they choose to watch (like Apple iTunes). It's not hard to guess what the A in AVOD stands for: Advertising. With AVOD services like YouTube, audiences watch the content for free but pay with their valuable eyeballs.

I like to think of each option as a different type of meal: watching broadcast TV is like having dinner at home (where you have no other choice but to eat what and when your mom cooks for you), while OTT is like dining out at a restaurant. SVOD provides you with an all-you-can-eat buffet, and TVOD is like ordering à la carte. Of course, content owners don't have to stick to one meal, er, service model. A hybrid model that includes SVOD, TVOD, and AVOD is becoming more common, because it can reach all types of customers' needs. The business model that a content owner chooses highly depends on content type, catalogue size, consumers' willingness to subscribe, and prefered payment method.

So does the rise of OTT mean the end of the Broadcast Era? No. On the contrary, OTT and Broadcast TV have a symbiotic relationship.

The Increasing Demand for a Seamless Experience

With the wide use of mobile devices, content viewing is becoming more fragmented than ever before. ZenithOptimedia forecasted that by 2018, brands are expected to spend more on mobile advertising ($114 billion) than on desktop, second only to TV ($215 billion), and mobile ad spend will grow at a CAGR of 32%. Research by Parks Associates found that 23% of millennial heads of household are OTT-only, but that 61% of millennial households subscribe to both pay-TV and OTT services (which is higher than the national average of 52%).

Content viewing has truly become a whatever, wherever, whenever experience. John Rose, a senior partner at BCG, said it best: "The biggest impact of the OTT market on the television and film industries is the removal of barriers – strategic, economic, and national – to the distribution of video content." But even though OTT viewing on tablets and smartphones satisfies consumers' pursuit of a sense of independence, the cord-cutting trend cannot be interpreted as the public discarding traditional linear networks. According to PwC, 79% of the U.S. population still pays for cable TV. Let's face it – there are still times that viewers just want to sit back and turn on the TV without being overwhelmed by all those choices!

A Case of 1+1 > 2

The relationship between legacy broadcast companies and digital streaming services may seem rocky, but these two competing mediums can actually benefit from one another while fighting for the same eyeballs. A Nielsen case study commissioned by Google found that "TV reach seems to drive Youtube engagement, and in return, YouTube engagement drives TV reach." Youtube audiences who watch a sneak peak or a clip of a TV program are more likely to stay connected to the actual TV show. And when TV audiences increase, so does Youtube viewership.

This symbiotic relationship also exists between SVOD platforms and TV networks. Viewers are willing to pay for OTT services like Netflix and Hulu to get access to the shows that no longer play on linear networks, while the TV network's new shows receive a larger audience base from viewers who got hooked on older seasons. The competition between the two frenemies increases the market value of content and encourages the adoption of a hybrid service model.

The Evolving Hybrid Model

Within the North American market, there are over 130 active OTT services so far, not to mention a considerable amount of linear networks and traditional aggregators. Content owners have no choice but to experiment with balancing content offerings and costs, and to adapt to consumers' cord-cutting trends with effective revenue generation methods. Just as Bob Bejan, Global Executive Creative Director of AOL said: "We're seeing the breakdown of the traditional media landscape. The control and power is shifting into the hands of the consumer."

There's an old saying: if you can't beat them, join them. Examples like AOL with AOL.On, The Weather Channel with LocalNow, Showtime with Hulu, HBO with HBO GO & HBO NOW, Vice with Viceland, and Youtube with Youtube Red are already proving why the adoption of a hybrid business model is beneficial to media companies and audiences alike. The symbiotic relationship between broadcast and OTT video is critical for providing audiences with a truly seamless viewing experience – and for content providers to remain competitive in an increasingly fragmented market.