

## ***Chapter 9***

### ***Connected TVs***

#### ***Blending Online Content with Television Content***

Ezra Englehardt lives with his girlfriend Wendy in the West End of Boston, Massachusetts. Although he works as an Account Planner at a cutting edge digital marketing agency, Ezra—at age 31—considers himself to be an early adopter of technology gadgets.

While reading *Wired* magazine about seven years ago, Ezra was struck by an article that featured a device from a company named Roku that could be connected to one's television to display photos and play MPEG videos. He had already been hard-wiring his laptop computer directly to his television set to watch online videos since 2003, and used this same setup in 2005 when he started buying TV shows from iTunes.

Thinking about upgrading his jury-rigged Internet-to-TV set-up, Ezra tried out the original Apple TV device in 2007 but was underwhelmed with its performance. Then, in the fall of 2010, a handful of Internet-connected TV devices started gaining a lot more attention—perhaps due in part to Apple's complete redesign and relaunch of its Apple TV product.

One of the connected TV devices (as they became known) garnering its share of the spotlight was a familiar name to Ezra. Roku had just announced a new lineup of devices with its high-end model; at \$99, it boasted full 1080p HD video streaming. A hint to his girlfriend's parents led to him unwrapping the top-of-the-line Roku XDIS beneath the Christmas tree in December of 2010.

Ezra and Wendy's Roku device is connected to their living room television, augmenting their existing premium cable package from Comcast. Sixty percent of their connected TV device's usage comes from watching movies and TV shows that the two of them enjoy together from Roku's Netflix app. Streaming television shows from monthly subscription service Hulu Plus makes up the next 30 percent. The final 10 percent of their Roku usage includes videos from Amazon Prime and a hodgepodge of other random content accessed through

the player.

Their Roku device and Comcast cable box currently complement one another. Ezra and Wendy recently watched the first six seasons of hit Showtime program *Weeds* using Roku, and then caught up with the seventh season via their cable on demand library. Having easy access to shows like *Late Night with Jimmy Fallon* and *Modern Family* via Roku whenever they want to watch them alleviates Ezra's concern about remembering to set his DVR or have it reach its capacity of recordings.

The couple never asks each other, "Do you want to use Roku tonight?" It just sort of happens. Most of their television watching occurs on weeknights and weekends. Ezra and Wendy usually start by browsing the shows they have previously recorded on their DVR, which Ezra admits is constantly full. Roku is generally the second stop in their quest for television content and is always just one click away by using their remote control.

With the addition of Roku into their living room, "'There's nothing to watch' doesn't exist in our vocabulary anymore," says a confident Ezra—who was recently cleaning out his bedroom only to find two very dusty Netflix DVDs long-forgotten atop his bureau.

## The Concept of Internet-Connected TVs Is Not a New One

On September 18, 1996—more than a decade and a half ago—WebTV launched to the public.<sup>1</sup> The brainchild of engineer Steve Perlman, who had worked at companies like Atari and Apple, WebTV's mission was to make the Internet accessible to regular households through their television sets. At that time, less than 15 percent of Americans had Internet access and the Web's capabilities were very limited in comparison to today.

WebTV's maiden product focused on basic online tasks such as Web surfing and getting e-mail. The device itself was a set-top box that was hooked up similarly to a VCR (remember those?) and additionally plugged into a phone line to connect to the unit's built-in dial-up modem. The box was heralded as the first stand-alone Internet-enabled device outside of a personal computer, thereby giving rise to the short-lived category name "Internet Appliances."

Sony and Philips Magnavox were the first two partners to manufacture and distribute WebTV, which initially cost about \$400 if one were to also purchase its optional infrared keyboard. Retail sales over the 1996 holiday season were disappointing, and by April of 1997, WebTV had only about 56,000 subscribers. However, despite its slow start, Microsoft shared the company's vision and very much wanted to buy them.<sup>2</sup>

Steve Perlman and his WebTV cofounders struck a deal shortly after an

Easter Sunday phone call from Bill Gates in 1997. At a conference in Las Vegas on April 6, Microsoft announced its acquisition of WebTV Networks for \$425,000,000. With Steve Perlman serving as the president of Microsoft's WebTV division, the company focused its efforts on demonstrating the benefits of the Internet and positioning WebTV as a complement to television.

There were a few notable milestones for the product that would give a taste of what was to come many years later. Of the website referral traffic to E! Online, WebTV was its fourth largest source.<sup>3</sup> Microsoft also struck deals with a number of hospitality brands to make WebTV available in hotel rooms across the United States. In May of 1997, a partnership with Showtime enabled WebTV subscribers the ability to interactively vote on the outcome of the now-infamous "ear biting" Tyson versus Holyfield boxing match.<sup>4</sup>

## **WebTV Debuted Well before Its Time**

In addition to the fact that 85 percent of Americans had never even been on the Web in 1996, the painfully slow download speeds of dial-up Internet connections made for a cumbersome experience when juxtaposed against the mature medium of television. WebTV tried to account for this by optimizing its Web page rendering speeds.

However, not only did WebTV have to teach people about the World Wide Web's behaviors; but because the device took over their television screens, it forced consumers to choose between watching TV *or* surfing the Web. WebTV was in no position to change a half-century's worth of television rituals. Add to that the extremely limited multimedia capabilities of the Web back then, which were absolutely no comparison to the crisp streams of broadcast television.

In 2001, WebTV was renamed to MSN TV, and the hardware has been discontinued, although Microsoft still supports its existing user base.<sup>5</sup> All is not lost, however. The concepts and technology behind WebTV went on to influence Microsoft's hugely successful Xbox product, which is the most penetrated "connected TV device" in America today.

## **A Lot Has Changed in 15 Years**

Nearly 80 percent of Americans are online today.<sup>6</sup> Close to 180 million of them are watching about 70 hours of online video per month.<sup>7</sup> Over 70 million Americans now have high-speed broadband Internet access in their homes,<sup>8</sup> removing previous barriers to deliver rich multimedia-heavy online experiences to the masses.

Not only is streaming video usage on the rise, more and more people are

tuning in to it during prime-time television hours. Historically, online video usage sharply dipped between the hours of 6 to 9 o'clock.<sup>9</sup>

With advances in technology and current human behavior finally in alignment, the fall of 2010 saw its share of connected TV-related announcements. On September 1, Apple revealed a completely revamped AppleTV device. On September 22 Roku launched its redesigned lineup of connected TV devices. Google TV-enabled devices hit Sony stores on October 6, and on November 10, the long awaited and highly anticipated connected TV, the Boxee Box, made its connected TV debut. Additionally, Forrester Research predicts that a third of US homes will have a connected TV device by 2015,<sup>10</sup> while eMarketer reports that 30 percent of US homes already have an Internet-ready television.<sup>11</sup>

## Connected TVs Come in Many Shapes, Sizes, and Flavors

At their most basic level, connected TVs—sometimes called smart TVs or Internet TVs—all have at least one thing in common: they deliver online content that is directly displayed on the television screen. This, essentially, turns one's TV into a giant computer screen.

The appeal of connected TVs is that they provide the ability to watch online videos. A process traditionally relegated to a small computer screen is now available on a much larger display where people most enjoy a lean-back experience: the living room television.

Before connected TVs gained in popularity, there were some less elegant workarounds that involved wiring one's laptop into the television in order to display online video through the TV. This is what Ezra Englehardt did before he got his Roku connected TV device. However, one of the challenges in assembling it this way is that one may actually want to use their computer *while* they are watching their television—a preference that this setup rendered impossible. Therefore, the appeal of a connected TV is that it is persistently *connected* online; users do not have to constantly disconnect and reconnect the device.

Connected TVs also provide the added benefit of having a user-friendly graphical interface that makes it easy to browse and navigate to content sources. Since connected TVs are in effect computers, they each run an operating system and a wide variety of applications. Depending on the flavor of its OS, its applications may be referred to as widgets, channels, or simply "apps."

In fact, connected TVs are often evaluated competitively on the applications they offer. Most have weather and travel apps, and many even

have social networking apps like Facebook and Twitter. Pandora and Spotify are popular Internet radio apps that have made their way on a number of connected TVs. But what most people *really* want is access to streaming video content. The make or break purchase decision often depends on whether a connected TV does or does not offer the Netflix and Hulu Plus apps.

Consumers want a simple way to easily access and stream premium movie and television content to their TVs, period. All of the other bells and whistles are simply value added features. Since connected TVs deliver content via the Internet versus cable or satellite, this kind of content is technically referred to as over-the-top (OTT).

The physical hardware that runs a given connected TV operating system can either be a separate set-top box device or an actual television set itself. While the user experience is virtually the same with either option, each comes with its own set of pros and cons.

## Separate Device or Built-In?

Those who place their bets on a separate set-top box make the case that connected TV device hardware and technology is changing at speeds a lot faster than the six-year average replacement schedule of one's television.<sup>12</sup> Many of the set-top box device manufacturers refresh their product lineups yearly, and even more frequently in some cases. It is much more convenient and exponentially cheaper to buy a device to plug into one's TV than it is to replace the television altogether.

For those who opt instead to buy an actual Internet-ready connected TV set, Yahoo! has found that an average of close to 70 percent of its connected TV owners actually connect them to the Internet. However, that percentage varies by television manufacturer based on the ease of its initial setup. For instance, TVs that have built-in Wi-Fi tend to be connected at a much faster rate. And of the 70 percent who do end up connecting, 90 percent of them remain active monthly users of the TV's connected features. The key, then, is to find ways to entice and motivate people to connect their TVs when they first purchase them.

A "Connected TVs" study from Knowledge Networks published in June of 2011 revealed 22 percent of homes that have connected TVs but have not actually connected them to the Internet. Of that group, only one-fifth plans to connect their device within the year.<sup>13</sup> Their reasons for not connecting include their perception that they do not need the feature, or they prefer to stream content on the second screen (i.e., a computer or tablet device) versus the television set. Knowledge Networks estimates that connected TVs (that are actually connected) will be in 45 percent of US homes by the spring of 2012.

Since the promise and outlook of connected TVs is a very optimistic one, there are a number of key players in the space each trying to add their own competitive spin to the technology in order to differentiate themselves and gain market share.

## **The Second Generation Apple TV Boasts Way More to Watch**

The original Apple TV began shipping on March 21, 2007.<sup>14</sup> However, it was not until the big reveal of its second generation model on September 1, 2010 that the masses began to take notice. At one-fourth of its predecessor's size, the new Apple TV raised the bar on design and setup simplicity.

Apple learned that its existing user base simply wanted access to HD movies and television shows, at lower prices, through a small device that did not produce heat or make noise.<sup>15</sup> A big part of the Apple TV experience is driven through iTunes, which continues to broaden itself from its music roots. As part of Apple TV's relaunch, the company announced the introduction of \$.99 TV episode rentals—thereby increasing the ways in which Apple TV users could access television content to watch on the big screen. While the original device did not provide very much beyond its iTunes user experience, the new Apple TV launched with several other apps, including Netflix (which is a must-have core app on any connected TV device for many people).

Within seven months of its relaunch, Apple TV sold over two million units.<sup>16</sup> Then, in August of 2011, Apple TV released a software update that added a Vimeo video streaming app, as well as the ability to stream all iTunes purchased television content via Apple's iCloud product.<sup>17</sup> In late August of 2011, Apple eliminated the ability to rent TV episodes as it found its user base preferred to buy them instead and thus, interoperate with iCloud.

## **Roku Promises a Ton of Entertainment in Its Little Box**

*We're fighting against 60 years of embedded TV viewing behavior and it's really hard to change that. The only reason it's beginning to change now, in a meaningful way, is because it's a great experience that didn't oversell itself—but was available at a disruptive value proposition, which provides lots of stuff to watch for very little money.*

—Chuck Seiber, Vice President of Marketing at Roku

Roku started out with a very simple mission: to get Netflix streaming on television. In fact, in 2008, Roku was formally part of the fast-growing movie rental company that later spun off into a separate entity. Netflix recognized that in order to be successful, they could not limit themselves to a single connected device; similarly, Roku recognized that its success as a streaming device could not be tied to a single source of content.

On September 22, 2010, Roku released an updated lineup of devices across three price point tiers. With its top two models supporting full 1080p high-definition streaming video, Roku was providing its growing user base with a reliable platform that delivered high-quality video at an affordable price.

Roku 2's July 2011 launch represented the company's first complete overhaul of the device's hardware infrastructure. Its newer, faster, smaller chip not only helped create a more compact physical design, but also enabled new features like casual gaming. Coupled with a Bluetooth motion-sensitive remote, Roku 2 became the first connected TV device to offer its users the insanely popular Angry Birds game.

The company began 2011 with one million customers and forecasted three million by the end of the year. Roku's user base is pretty evenly split between males and females. Although the purchasers of the device are 60 percent male, actual household usage is closer to parity.

With over 300 channels, Roku's biggest competitive advantage is its growing content partnerships and low price. The device is enjoying great success by focusing on doing one thing really well, versus trying to be the Swiss Army Knife of the connected TV space. As Chuck Seiber, the company's vice president of marketing, explains, "In this space, execution matters a lot and we think we've got a window where we can be established as a viable, alternative, reliable, and respected brand. We're always going to do something that's different and a little bit unexpected."

## Google TV Will Get a Second Chance

*The big force in the connected TV space, which is going to surprise many people, is Google—because they are basically replicating what they did in the handset space. They came out with a really bad first version of Android but then worked with all these different manufacturers who adopted the solution because the OS was free, open and offered a lot of different functionality to consumers. And I think the same thing is going to happen with their connected TV solution.*

—Janko Roettgers, writer at GigaOM/NewTeeVee

After a lot of pre-release speculation and buzz, Google TV appeared in stores on October 6, 2010 in three different hardware formats. As a separate connected

TV device, the Logitech Revue was designed specifically for Google TV. Sony's version, named "Sony Internet TV," doubled as a Blu-Ray DVD player and initially cost about a \$100 more than the Revue. Sony additionally embedded Google TV directly into a line of television sets available in four sizes.

At its most basic level, Google TV acts as an interface layer that combines one's cable or satellite box content with Web content. A prominent search feature lets Google TV users simply type in a TV show name, genre, or other keyword; then the unified search results set appears onscreen and lists all options to watch, regardless of where the content originates. Some of the results may be TV episodes from online sources, while others may come from upcoming TV broadcasts.

Things got dicey for Google TV when, soon after its launch, television networks began blocking full episode video streams from their public websites to those watching them via Google TV.<sup>18</sup> While the TV shows would appear in Google TV search results, any attempt to play them was met with a rather cold message of device playback unavailability. This was by no means a technology issue, though; it was about money.

The irony, however, is that the full episode content in question was already publicly available on TV networks' websites. While it was okay for someone to connect their laptop directly to the TV in order to watch full episodes online through a regular Web browser, the ability to watch them through Google TV's Chrome Web browser created a bit of a firestorm. One after the other, television networks blocked video streaming access to Google TV users.<sup>19</sup>

Despite the ability to get content from lots of other sources on the Google TV platform, Sony and Logitech both reduced retail prices. Logitech launched a major advertising campaign that included TV spots featuring Kevin Bacon.<sup>20</sup> Still, Google TV went under the radar for awhile as they reviewed lessons learned and prepared for a relaunch of the product.<sup>21</sup>

Met with much optimism, Google TV gave a sneak peek of its redesigned interface at the Google I/O conference in May of 2011.<sup>22</sup> A much more simplified user experience atop the latest Android operating system may just be the second chance that Google fans have been hoping for. The next version of Google TV will feature the Android Market, with new apps being added every day.

## **Boxee Says It Is the One Box Your TV Needs**

*There are a growing number of families looking to save money on their cable bill every month who understand Netflix and are willing to buy a device to get that on their living room TV. From this, they're discovering a whole other world of content that they can get on demand.*



—Andrew Kippen, Vice President of Marketing at Boxee

Boxee first released a public beta version of its social media center software on January 9, 2010. The downloadable desktop application was based on its founders' vision that regardless of its format, video should be readily accessible and easily played on the big screen at the center of the living room.

On November 10, 2010, many Boxee users—who had been connecting their laptops directly to their televisions to watch video—rejoiced. The Boxee Box, a set-top device manufactured by D-Link, launched on Amazon amidst a great deal of anticipation. The box's sleek and tilted cube-like industrial design, illuminating a rescue green iconic logo, helps to bring Boxee's personality to life. A regular-sized remote with a full QWERTY keyboard on its backside makes for easy onscreen navigation and engagement.

Boxee's expansion from downloadable software to the connected TV device space was an important one for the company. Once the box is connected to the TV, it tends to stay connected and provides a much better user experience—for which Boxee is known. The somewhat hipster company is also known for nurturing a very vibrant, engaged, and loyal user community who, unlike Roku, are close to 90 percent male. (You can take a guess as to which one of this book's coauthors attended Boxee's RV backyard keg party at the 2011 SXSW interactive festival.)

After a major firmware upgrade in May of 2011 fixed a batch of initial launch bugs and gave Boxee's users access to Vudu and Netflix content, the Boxee Box was met with a stream of positive reviews.<sup>23</sup> As Boxee's own Andrew Kippen told us, "There are five apps that I think people look for when they shop for a connected device: Netflix, YouTube, Hulu, Pandora, and some sort of video on demand provider like Amazon or Vudu."

Boxee's embedded social media features provide its users with a constant flow of video recommendations from their friends, and enables them to share the content they watch and like on Boxee directly to Facebook and Twitter. The company launched its iPad app on August 8, 2011; it took many of Boxee's best features and optimized them into a truly social video experience designed for tablet interaction.<sup>24</sup> Boxee Box owners have the added benefit of sending video they are watching from the iPad to their TV screens.

As of August 2011, Boxee has close to two million registered users and has sold over 100,000 D-Link Boxee Boxes, which now have retail store distribution at Best Buy, Fry's, and Tiger Direct stores. In the fall of 2011, Boxee launched on its second device through a partnership with portable hard drive manufacturer Iomega. The company's growth strategy aims to get its software on many connected platforms.

# Yahoo! Connected TV Was One of the First

*Yahoo creates a personalized content experience that moves with the consumer to any device they are using including the TV, phone, tablet or PC.*

*—Russ Schafer, Senior Director of Product Marketing at Yahoo!*

By the time you read this book, Yahoo! Connected TV should have made its way into an estimated 14 million households—at least, that is what the company forecasts.<sup>25</sup> Though the product first launched all the way back in 2009, many people did not know that Yahoo! was behind it, since their white label strategy significantly minimized any Yahoo! branding. The positive trade-off, however, is that Yahoo! Connected TV embedded its platform directly into 160 different TV set models across popular brands including Samsung, Sony, Toshiba, and VIZIO.

Like many new products, the first generation focuses on working out the kinks and laying a solid footing. A big part of that journey for Yahoo! was to emphasize the user experience, compelling content, and openness. Through Yahoo! Connected TV's free software development kit, developers brought many apps to life for the TV. Because they had high penetration yet low brand awareness, the product would take center stage in the fall of 2011, with major features set to launch incorporating the very latest in Web plus TV convergence. Yahoo!'s "broadcast interactivity" technology engages the consumer with Internet content related to what they are watching.

For example, if one happens to be watching a popular TV show through their Yahoo! Connected TV, the device audibly detects predetermined trigger points and prompts the consumer to engage in content related to that TV show. A subtle and thin black overlay with white letters appears toward the bottom of the TV screen, displaying a call to action to get related content or answer a poll question. Users simply click OK on their remote to open up a "sidebar" display that allows them to engage further.

As part of this launch, Yahoo! further released a set of second screen experiences enabled through a technology called "Device Communication." Yahoo! Connected TV viewers are able to use a smartphone or tablet device to receive and engage with companion content on the second screen instead of taking up precious TV screen space. (We detailed these kinds of "second screen" experiences in Chapter 4.)

A strategically notable addition to Yahoo!'s lineup of connected TV options—which traditionally had been televisions themselves—is a separate connected TV device manufactured by D-Link (who also makes the Boxee Box). The separate set-top box offers all of the features and functionality of Yahoo! Connected TV without having to buy a new television to run the platform.

## **Xbox Is a Lot More Than a Gaming Console**

Chances are that the first word that comes to people's minds when referencing Xbox is "videogames." Yet the popular gaming console continues to evolve into a full-bodied connected media center that is now in over 53 million homes, where 40 percent of its usage is attributed to nongaming activities.<sup>26</sup>

The original Xbox was launched in November of 2001; its successor, the Xbox 360, made its debut four years later.<sup>27</sup> What gives the device its Internet connected soul is Xbox Live. First made available in the winter of 2002, Xbox Live now has over 30 million members who access apps like Facebook and Twitter as well as streaming video from content providers such as YouTube, ESPN, Hulu Plus, and Netflix.

Microsoft has recently seen its Xbox community stream over 30 hours of video per month per device; and time spent watching television content continues to make substantial gains. The addition of Xbox's popular Kinect product in November of 2010 made the process of interacting with TV content on the Xbox optionally controller-free. Using gestures and/or voice, Xbox Kinect users can easily browse Netflix and Hulu Plus libraries, and play and pause TV shows without even needing to pick up the remote.

## **Connected TVs Are Not Just About On Demand Content**

*There are four things we talk about missing out on through over-the-top platforms. The first is news, the second is sports, the third is what we call reality TV but includes things like American Idol, and then the fourth is premium content like Entourage. For the first three, you'll start to see connected TV devices really make a push for some kind of integration with live TV.*

*—Andrew Kippen, Vice President of Marketing at Boxee*

The next device on which Boxee runs will include an over-the-air antenna that allows its users to pick up HD programming broadcasting live via local TV stations. Roku has also been very clear on the fact that bringing live TV to connected devices is just a matter of time. The Roku device already offers a number of apps offering live feeds including Fox News, NHL, UFC, and Al Jazeera.<sup>28</sup> In September of 2011, Boxee announced a partnership with *Wall Street Journal* to bring its original live news programming to Boxee Box owners.<sup>29</sup>

In June of 2011, Microsoft announced that it would be bringing live television to the Xbox 360,<sup>30</sup> a move that would continue to shape the scope

and landscape of connected TVs, how people use them, and their appeal to the masses. On October 5, 2011, Microsoft publicized a partnership with Verizon to bring a selection of live high-definition popular FiOS TV channels delivered via the Xbox and integrated with Kinect motion gestures.<sup>31</sup>

Verizon was just one of about 40 new Xbox media partners revealed by Microsoft. Others included Comcast's Xfinity TV on demand library, NBC Universal (which includes on demand programming from Bravo and SyFy), and HBO GO.<sup>32</sup>

## **Are Connected TVs a Threat to Traditional Pay TV Services?**

Ilan Benatar is a documentary film editor living in Manhattan. After becoming frustrated with an \$80 per month cable bill coupled with his existing disdain for advertising, Ilan began watching "TV" exclusively on his 27 inch iMac. He wanted an easy way to view videos on the TV screen without having to keep awkwardly connecting and disconnecting his computer. After reading an article on CNET a couple of years ago, Ilan became enamored with Boxee when it was just a desktop application, and was quick to order the Boxee Box connected TV device upon its launch. Ilan keeps his Boxee Box in sleep mode instead of fully powering the device off when he is not using it so that he gets near instant access to his content at a click of a button.

As a heavy user of Boxee's Netflix app, Ilan feels he has all of the content he needs when he sits down to watch television during the week. He is not an avid sports fan and he keeps up with current events using the ABC News app. He thinks it is "weird" that people still pay cable companies to watch TV, and claims that Boxee is saving him a couple of thousand dollars a year.

Ilan is a "Cord Cutter"—one of a hard-to-pin-down percent of TV viewers who have entirely given up their traditional cable or satellite services and found alternative methods to satisfy their television viewing needs. In many ways, the notion of "cutting the cord" is a bit of a statement that consumers are making: that they have had it with the high costs of pay TV.

## **The Amount of Cord Cutters Is .11, or 20 Percent, Depending on Whom You Ask**

*It doesn't matter that there isn't an exact percentage of cord cutters. What matters is why people are doing it and how this opens a window that allows us to see how people are going to use television in the future.*

—*Janko Roettgers, Writer at GigaOM/NewTeeVee*

It seems that a new statistic emerges every couple of weeks that attempts to quantify the severity of cord cutting. However, each source comes up with a very different number based on its relative point of view. In December of 2010, ESPN released a study that said only .11 percent of Americans have gotten rid of their paid TV subscription.<sup>33</sup>

Research firm SNL Kagan predicts that by 2015, 10 percent of US households will have cut the cord.<sup>34</sup> Roku reported that 20 percent of its customers are cord cutters<sup>35</sup> and a whopping 50 percent of Boxee users do not have cable.

To further confuse matters, a study by the Diffusion Group from July of 2011 cited the fact that 32 percent of Netflix subscribers are considering downgrading their cable subscription.<sup>36</sup> This, however, is not technically cord cutting, but instead referred to as “cord shaving.”

In an attempt to thwart any material threat from cord cutters, television networks are beginning to pull in the reins to their online full episodes. As noted earlier, a number of networks have blocked access to their website’s full episodes when they come from certain connected TV devices where an upfront agreement was not discussed.

In July of 2011, Fox announced that its TV episodes would no longer be publicly available the day after their broadcast, but would instead wait eight days before offering them.<sup>37</sup> However, those who authenticate as pay TV subscribers will have next-day viewing access. We address this emerging “proof of subscription” trend in Chapter 8.

## **Your Cable Box May Soon Become a Connected TV Device**

There is irony present when we point to connected TV devices as a catalyst for cord cutting. The cable box itself is starting to look and behave just like one. As such, Comcast’s Chairman and CEO Brian Roberts gave a presentation of the next generation of Xfinity TV in June of 2011.<sup>38</sup>

Brian’s demo revealed a completely redesigned and interactive channel guide that includes recommendations based on what one is watching and/or DVRing. A suite of applications gives instant access to information such as weather and traffic, but also includes Pandora, Facebook, and Twitter. Xfinity’s integration with Facebook uses one’s friends’ “likes” to help them discover new TV content.

What is missing from the Xfinity TV pilot at this stage is a Web browser and access to YouTube, Hulu Plus, and Netflix streaming apps. Without these

services, there will continue to be a large gap between the cable box and the connected TV world.

## **The Opportunities to Advertise on Connected TVs Are Growing**

Today, advertising within the connected TV world is still very nascent and falls within two main buckets: advertising on the platform itself, or doing so through the content apps that customers can access via the device.

The opportunities on the connected TV devices themselves vary widely. At one extreme there is Boxee, which has no platform-specific advertising opportunities as of yet. The company feels they are respecting the fact that their device is in people's living rooms and does not want to bombard their users with a lot of advertising.

Apple TV and Google TV are both also advertising-free, although it is very likely that the Google TV product will integrate some sort of advertising program as the platform stabilizes and matures.

Roku does have one display ad unit on its start page that, most of the time, advertises content that exists on the platform. Roku is open to the prospect of brands using that space; however, ad sales are currently not a big focus for the company. Their perspective on advertising is that it is far more effective when it becomes less like an ad, less invasive, and more complementary to the user experience.

## **Yahoo! Connected TV Has Robust Advertising Capabilities**

A common theme that we heard from the connected TV players whom we interviewed was a prioritization of the product—both its user experience and content partnerships, first and foremost. Then, and only then, would there start to be a consideration for advertising opportunities. Yahoo!'s strategy took a similar approach by focusing on the user experience from its launch in 2009 until introducing advertising in 2011.

Yahoo! has leveraged its long history in online advertising to develop a well-thought-out platform for Connected TV, including support for display and video advertising. Launched with partner brands including Ford, Mattel, and Microsoft, Yahoo! Connected TV's advertising was designed to directly complement its user experience. By leveraging the platform's broadcast interactivity feature, advertisers can trigger a visual onscreen prompt that gives

the consumer the option to view content related to the TV spot he or she is watching. The related Internet content can include product videos, voting, coupons, local deals, and even the opportunity to buy the product.

Similar functionality could also be used for a brand's sponsorship with a particular television airing. We give an example in Chapter 10 of Ford's sponsorship of the *BET Award's* social media lounge. If a viewer had been watching the event using their Yahoo! Connected TV, then a broadcast interactivity prompt could have *hypothetically* displayed and given those TV viewers the chance to engage more with the Ford Focus each time the BET awards cut to the Ford Focus Social Media Lounge on-air.

## **Xbox Kinect Brings Advertising Interactivity to a Whole New Level**

In the spring of 2012, Microsoft will roll out “natural user interface ads” on its Xbox platform; dubbed NUads, these will incorporate Kinect's voice and gesture features.<sup>39</sup> TV spots being viewed on the Xbox can prompt viewers to take various engagement actions.

One scenario would include a prompt that instructs the viewer to audibly say “Xbox tweet.” This would initiate an action within Xbox to share that particular ad experience with the viewer's Twitter followers. Another scenario will instruct the viewer to say “Xbox more” to get additional information about the product featured in the ad.

A third way to engage with an ad is to say “Xbox schedule,” which would send the viewer a reminder about a scheduled event featured in the TV spot. Saying “Xbox near me” would pull up the nearest store locations for the brand featured in the commercial. And finally, a fifth scenario is a prompt to “wave,” using gesture motion, if the viewer of the TV spot wants to participate in a poll relevant to its content.

While this is clearly some very cool technology, there are still questions yet to be answered as to the degree television viewers actually *want* this kind of lean-forward engagement with ads on their connected TVs.<sup>40</sup> However, the elegance with these kinds of advertisements is in their seamless integration with the unique features of the platform on which they are running. Both Yahoo! Connected TV and Xbox have designed advertising that caters to the behaviors and ways in which their users are already engaging with content.

## **Another Way to Advertise on Connected TVs**

## Is through Apps

Many of the content apps that run on—and often across—connected TV platforms accept in-video advertising. For example, Crackle is a popular app on a number of connected TV platforms including Boxee, Roku, and Google TV. The app streams free, uncut movies and TV shows but is ad-supported with in-stream video. Since viewers are not yet able to skip these ads, there is a higher propensity for tune-in.

As connected TVs become increasingly mainstream, we will see new ad networks arise or existing ones, like YuMe, Rovi, and adRise, expand their scope to include bulk media buys within this space. Their appeal to advertisers may remain in their ability to buy more efficiently across devices and have access to a single dashboard for measurement and optimization.

## Where Should You Start?

Connected TVs may seem a bit complicated and daunting for marketers at first. While still a relatively burgeoning and niche market, your target audience is already engaging within it—albeit on a relatively small scale. Those platforms that are already offering advertising opportunities are pricing out their programs at pilot rates as this space continues to bud and eventually blossom. Given this, it is a fertile time to dip your toe into the connected TV waters.

### TAKE ACTION: CONNECTED TVs

While we have already laid out a number of ways for your brand to take advantage of the connected TV space, the following are a few points we especially want to underscore:

1. *Match the message to the audience.* The user base of connected TV devices can vary widely. You must be careful, for example, not to run creative targeted at women on a primarily male-dominated platform. Approach this space with the mind-set that each connected TV solution is a unique opportunity and assess it accordingly.
2. *Emphasize the “connected” part.* Although the word “TV” appears in “connected TV,” you are doing yourself and your audience a disservice if you simply run traditional TV commercials. Design your creative with engagement and interactivity in mind. This is the real power that comes from the convergence of television and the Web.
3. *Make it your own.* An app on a connected TV is a bit like a channel on traditional TV. If your brand has compelling content to share in a consistent serial format, consider creating your own channel that can appear (through partnership integrations) across a variety of connected TV devices.



# The Connected TV Space Is Only Going to Grow

The Internet, indeed, has become television's best friend. Connected TVs represent a media channel mashup of epic proportions—one that brings audiences a whole new level of television content interactivity and creates compelling ways for your brand to engage viewers. And this is just the beginning of a long and exciting period in the evolution of television.

## Scan for More

Scan this QR code using your mobile device for videos and visuals of the examples and cases referenced throughout this chapter.



Don't have a smartphone with a QR reader app? No problem. You can access companion content directly by going to <http://www.socialtvbook.net/tagged/chapter9>.

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