



- a thinkpiece from pjb Associates

Beyond VOD – creating new business models through communities of interest

This year (2005) broadband TV or IPTV has finally started to take off. However, most business models are tending to focus around the delivery of video on demand (VOD) services based on movies. But, there is growing concern that just VOD offerings are unlikely to provide the returns on investment or create sustainable models, particularly as the studios are demanding a high percentage of revenue-per-view. As there is also a limited production of so-called “blockbuster” movies per year, the costs of acquiring distribution rights is unlikely to go down as they will go to the highest bidder – the dominant pay-TV satellite or cable company.

Also, do consumers really want the same offerings that they might already be getting from satellite or cable?

New TVoDSL service providers will really need to differentiate their offerings from their competitors. For video-on-demand they will need to look towards niche markets where people cannot easily access content on a TV. For example: -

I’m going to Bologna and I remember that James Burke featured the city in one of his “Connections” programmes a few years back on the BBC. I would love to see that programme again and I’m willing to pay a small fee to watch it!

Of course, this will require sophisticated video searching engines to find my needs. But, they are already emerging with Google, Yahoo and Altavista – at least on the web.

But what’s the business model? There is evidence emerging from Rhapsody-on-line and Amazon that the “Long Tail” economy – created by the less popular titles can generate significant revenues. But, this leads onto recommendations made by other people and thus the creation of communities of interest. Every person probably belongs to at least ten communities of interest related to their lifestyle. Understanding these communities of interest and “feeding” these interests creates new opportunities for value added services ranging from the latest video news of your favourite holiday location; advice on improving your basketball techniques to personalised advertising focused on baby products – because the system knows you are going to have a baby.

Focusing on communities also creates marketing opportunities to “block sell” the broadband TV offering to the whole of that community rather than sell a generic service. There are also new opportunities around professional communities of interest - teachers, doctors, healthcare workers or accountants – who are not just buying into training and professional updating – but also a community of like-minded people where they can tap into each others knowledge and experiences.

This then leads onto additional service offerings in the form of RSS feeds, user generated content, video-podcasting, blogging, one-to-one and one to a few, TV based, video-conferencing - in order to create a rich social experience around using the TV. However, all these services will need to be easy to use as well as complement, enhance and enrich the experience that some users already experience on their PCs. In addition, some of these services will need to be seamless and also be easily accessible, on a PC as well as a mobile device.

New broadband TV operators are going to need to move fast in order to differentiate their service offering from existing cable and satellite service providers on the one hand and what is already available through the web.

This paper - a thinkpiece - has been produced by Peter J. Bates, Senior Partner of pjb Associates. The aim of this thinkpiece is to stimulate discussion and thinking around these emerging issues.

If you think that pjb Associates can further help your company or organisation better understand these issues please contact us.

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