Television: Not your grandparent’s box anymore
The Avatar 3D Phenomenon

- Highest Grossing Picture, estimated 2 billion
- Net profit: > 1.4 billion
- Summer 3D Releases:
  - Shrek (May)
  - Toy Story 3 (June)
  - Blue Man Group (June)
  - The Last Airbender (July)
  - Despicable Me (July)
  - Cats and Dogs (July)
  - Step Up 3D (August)
  - Piranha (August)
### BACK to the 50s? Not really

#### Worldwide
- 7100 Digital Cinemas
- 1800+ 3D Screens in Service
- 5500+ Additional 3D Screens Announced (includes US)

#### US
- 4886 Digital Cinemas
- 3300 3D Announced Screens for US
- 150 theaters announced for LIVE 3D Broadcast (SENSIO)

### The 3D HDTV Explosion
The 3D HDTV Explosion

It’s all about the price and value

3D Glasses

- Passive + cheap
- Expensive and dropping $$ to the bottom line
First 3D College Football Game

Sports: 3D TV’s Killer App
Sports: 3D TV’s Killer App

What happens when CE manufacturers stop subsidizing production?

3D Glasses

- Headaches & Nausea
- Don’t use while drinking
Widgets, IP
Connected TVs

The Internet Connected TV
The Internet Connected TV

Widgets Unleashed
Widgets Unleashed

Internet connected sets are preloaded with Yahoo! widgets for Amazon and Blockbuster online services.

- links to YouTube, Flickr, Netflix, and eBay
- Brings the Internet and cloud services to TVs
Barriers to Adoption

Netflix Users: How do you watch your digital downloads?

<table>
<thead>
<tr>
<th>Device</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roku STB</td>
<td>3.6%</td>
</tr>
<tr>
<td>Internet equipped DVD</td>
<td>5.7%</td>
</tr>
<tr>
<td>Video Game console</td>
<td>11.1%</td>
</tr>
<tr>
<td>Computer connected to TV</td>
<td>13.4%</td>
</tr>
<tr>
<td>Computer unconnected to TV</td>
<td>60.9%</td>
</tr>
</tbody>
</table>
Complexity I

Home Networks and consumer electronics are anything but simple

Complexity II

Is this anyone’s idea of a great consumer experience?

What kind of person would have the patience for this cable conundrum?
I am overwhelmed by the number of new technology products available.
Importance of Online Communities

Online Video: Growth and Value
The Current Revolution

Three Screen Strategy

Place Shifting: Anywhere, Anytime

Content
US Advertising: Online Video YoY Growth

- 2013: $4.1 Billion
- 2012: $4.1 Billion
- 2011: $4.1 Billion
- 2010: $4.1 Billion
- 2009: $1.1 Billion
- 2008: $1.1 Billion
- 2007: $1.1 Billion

% Growth (%)
- 2013: 30.6%
- 2012: 148.6%
- 2011: 40.5%
- 2010: 42.5%
- 2009: 43.5%

Place Shifting: Anywhere, Anytime

Where’s the $$$
Economics 101
Comparative Spending

$58-60 B

60 times

$1 B

Economics 202

Commercial/Promo Inventory

16 mins

2-4 mins
Advertisement Length by Device

Maximum Length of Ad Willing to View (seconds)

- Television: :42
- Computer/Laptop: :18
- Mobile Devices: :13
- Video Phone: :09

The Simpson’s: TV vs Online

<table>
<thead>
<tr>
<th></th>
<th>Fox TV</th>
<th>Hulu</th>
<th>Fox/Hulu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ad Time/Episode</td>
<td>540</td>
<td>37</td>
<td>14.6</td>
</tr>
<tr>
<td>#Ad Units</td>
<td>18</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Adult 18-49 CPM</td>
<td>$30</td>
<td>$60</td>
<td>.5x</td>
</tr>
<tr>
<td>Ad Revenue/Viewer/Episode</td>
<td>.54</td>
<td>.18</td>
<td>3x</td>
</tr>
</tbody>
</table>
TV Viewership is up: Even among 8-18 year olds

Total Media Mins

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Media Mins</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>381</td>
</tr>
<tr>
<td>2009</td>
<td>458</td>
</tr>
</tbody>
</table>

Multitasking Proportion:
2004: 26%, 2009: 29%

Traditional Media Never Died

“Television is the worst form of advertising, except for all the others that have been tried.”

Brian Wieser, SVP Magna
- with apologies to Sir Winston Churchill and his reflections on democracy
What drives innovation?

Consumers:
- Choice
- Control
- Content
- Community
- Commerce
- Convenience

Business:
- Make me $
- Save me $
- More competitive

3 Screen Innovation

Watch what the Mouse does!
Online video advertising spending will remain a fraction of Broadcast

<table>
<thead>
<tr>
<th>Year</th>
<th>% Total Online</th>
<th>% Compared to TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>11%</td>
<td>5.50%</td>
</tr>
<tr>
<td>2012</td>
<td>9.30%</td>
<td>4.40%</td>
</tr>
<tr>
<td>2010</td>
<td>7.10%</td>
<td>3.10%</td>
</tr>
<tr>
<td>2010</td>
<td>5.60%</td>
<td>2.20%</td>
</tr>
</tbody>
</table>
Cable Economics

• Your are RGUs (revenue generating units) or CR (customer relationships)

• TWC ARPU: $101/month

Cut the cable?

“...In the next 12 months, 1 in 8 consumers will cut or reduce their pay TV service and get their video elsewhere...”

Consumers are beginning to consider over-the-top solutions, gaming consoles and other connected devices not only as supplements, but as viable alternatives to pay TV subscriptions. Yankee Group predicts that in the next 12 months, 1 in 8 consumers will cut or reduce their pay TV service and get their video elsewhere...

Vince Vittore, Principal Analyst, Yankee Group