MEDIACOM

BLOG

2013 Consumer Electronics Show in review

DIGITAL

BY STEPHANIE FIERMAN, CMO MEDIACOM NORTH AMERICA 28 JAN 2013 13 min read

Normally heavy on gadgets and wizardy, CES this year was less about cutting-edge technology and more about the lives of consumers. Here's our recap.

MACRO TRENDS

Samsung is on a roll

It led the pack at CES. Its flagship was front and centre. Its smart home appliances boast built-in WiFi and tablet displays. Its Galaxy S III smartphone is giving the iPhone 5 a run for its money as the world's most popular. Its chips are in just about everything (including Apple gear). And it just announced a record quarter. Yes, it must still deal with Apple litigation - and its tablets haven't exactly set the world on fire - but 2013 looks like it will be a very good year for Samsung.

Sony is showing signs of recovery

Its TVs at CES were impressive, and the new Xperia Z smartphone is a looker. Use of near field communication (NFC) in home-theatre components is brilliant. Sony isn't out of the woods yet, but the company seems to be turning back to the type of innovation and quality that originally built the brand.

Apple has a tough road ahead in smartphones and tablets

The competition isn't sitting still. From faster processors to bigger displays and an ever-improving Android operating system (plus the new Windows 8 devices), incremental upgrades to the iPad and iPhone may not be enough in 2013.

We're getting closer to the connected home

The "Internet of things" was on full display at CES, where even the plants communicated with iPhones via Bluetooth. The ability to use a mobile device to check or interact with your Internet-connected appliances, thermostats, game consoles, lights and cars is great. What's missing is a master control. Having to run a dozen different apps that work independently and don't share data is a pain, and results in missed opportunities for further energy efficiency. Whomever produces a way to coordinate all these connected devices, with "one app that rules them all," is really going to have something.

MEDIA TRENDS

A La Carte is unlikely, while TV Everywhere is still being figured out

Most speakers agreed that an a la carte offering is not likely to appear in the current environment. Even some of the bigger multichannel video programming distributors (MVPDs) are struggling for negotiating power against the top networks, due to their respective parent ownership holdings within media conglomerate portfolios. Panellists from online media companies also recognised that a la carte packages could, in fact, be disadvantageous to consumers. Meanwhile, TV Everywhere still has two main hold-ups: 1) measurement issues around ratings on alternative platforms (i.e., tablets and mobile devices) and 2) a clear business model and a way for programmers to get paid for sharing additional rights with traditional video providers.

Digital original content is getting traction with consumers

While not a near- or medium term threat to the TV ecosystem, the consensus among CES presenters is that new digital original content networks will continue to grow in viewership and importance. Channels like Machinima and Awesomeness TV are using the global scale that YouTube provides to create niche content. While more successful channels are also beginning to leverage alternative (non-advertising) revenue models via subscription and transaction-based sales.

Netflix, Hulu, Amazon, YouTube and others will keep investing in original programming, albeit on a much smaller scale than broadcast and cable networks. Each of these companies is taking a different approach and faces different risks in its attempt to create hit content that builds audiences and new "channels." The winners will be those with the fortitude to stick with their investments, even after some of their programming fails to generate an expected rate of return.

Discovery of content is a top focus for programmers and manufacturers

With more and more ways to watch content, there was a noticeable focus on improving discovery of programming. Samsung and other TV manufacturers at CES demonstrated voice-controlled TVs and remotes that assist in the search for a specific genre, actor, director, movie or TV show. Other examples of the effort to discover content via TV include connected TVs (like LG's On Now recommendation system and Sony's Google TV) and Roku, which is expanding its content and manufacturer partnerships.

Discovery remains one of the biggest issues for programmers today. The rising penetration of DVR households is leading viewers away from the historic pre-programmed slate of shows on each channel and toward personalized programming line-ups. This makes lead-in programming less critical. Viewers are shifting to single hit TV shows, which could begin to dampen the value of cable networks and channels that rely on a programmed slate of content. Some cable networks are focused on keeping viewers via branded apps meant to push viewers from one show to the next. Networks are also trying to figure out how to best utilize social media to encourage discovery, as viewers are already using their social graphs on Facebook and Twitter to find new and interesting shows.

The Industry is still watching Dish's Hopper

Dish Network was one of the stars of this year's show. Dish's Hopper with Sling integrates Slingbox, allowing its subscribers to connect remotely and stream both live and recorded TV with the Dish Anywhere app on a tablet or laptop. In addition, the Hopper Transfers app allows users to download one copy of any recorded program onto a mobile device for viewing offline. Expect this to only add to the pile-up of lawsuits filed by the broadcast networks, which started last year after Dish unveiled its Hopper and

PrimeTime Anytime products. In a much-publicised move CBS Corp. forced CNet to remove the Dish Hopper as a finalist for its Best of CES awards. "The Dish Hopper with Sling was removed from consideration due to active litigation involving our parent company CBS Corp," CNet's note reads. "We will no longer be reviewing products manufactured by companies with which we are in litigation with respect to such product."

To be continued.

4K TV looks great, but broadband networks aren't ready

While Ultra High Definition (4K) TVs have been around for some time, they were prominently featured at CES as a technology ready for high-end consumers.

While these 84"-110" sets and the picture quality are certainly amazing, 4K raises a concern about network capacity. Where the content industry and consumers see better picture quality, there is a risk of continued network congestion. A 4K TV signal carries 4x the data of an HD signal, and current networks cannot carry them in significant numbers. If HD is transmitted at an estimated 6-8Mbps, a 4K TV 25-30Mbps signal would consume half the average network capacity of an existing AT&T U-Verse household. For a cable company, a single 6MHz channel can carry 8-10 SH channels, or 2-4 HD channels, while the same 6MHz allows for just one 4K TV channel.

Anything and everything goes wireless at CES

From washing machines to automobiles to digital cameras, an unbelievable number of consumer electronic products are integrating wireless connectivity.

This creates a wide range of new business opportunities for wireless carriers by adding new revenue streams and potentially strengthening the attractiveness of shared data plans.

One interesting area of development is home security and automation. AT&T announced the imminent roll-out of its Digital Life home security and automation product, to be sold through the Wireless business using 3G/4G as a backup to Wireline service. Customers can control door locks, water flow, lights and thermostats while watching security cameras on their smartphones.

Other companies have different implementation methods, but the core theme is the same: control a wirelessly connected device using an app on your smartphone.

"Share of Time Spent" rears its head in mobile

Mobile remains the topic du jour in the advertising community. There is no question that mobile use is accelerating for publishers and advertisers, but mobile monetisation is bringing new challenges. And while the "share of time spent = share of advertising dollars" argument commonly used in the desktop display advertising is now being applied to mobile, this may not be the best way to think about budget shifts.

In addition, the mobile advertising market brings new measurement issues: 1) cross-device and cross-platform use (Android, iOS, etc.) limits the scalability of ad buys, 2) retargeting is not yet possible on mobile, and 3) the continued emergence of devices in new sizes and shapes (such as the 7-inch "phablet") only makes it harder to develop ad units that work across multiple (and changing) form factors. So while mobile will continue to grow within the online advertising ecosystem, the pace at which advertising dollars will move to this new media remains uncertain.

Google, Facebook and Pandora are called out as early mobile leaders
Google and Facebook were consistently recognized as companies that have developed early and relatively effective mobile ad unit buys. Search advertising's ROI edge over display advertising is even higher on mobile than it is in desktop, though admittedly in part because mobile display ROI performance and measurement is so poor. Google's budding mobile local and location-based search was also called out as a reason to spend more on mobile search than mobile display. Mobile use patterns are admittedly nascent and still evolving, but the commentary encourages Google to continue to drive the mobile ad market and invest in shifting its search business to mobile.

Advertisers were also positive about Facebook, as its mobile Sponsored Story ad units are directly transferrable and scalable from desktop to mobile and aren't showing any signs of interrupting the user experience or engagement.

Pandora was also mentioned favourably, as the company's action-based mobile ad units ("click to register"-"click to call"-"click to add to calendar") are showing promising click-through rates and user engagement. Pandora is building a strong mobile business and advertising expectations for the company (specifically in the second half of 2013) remain too lofty.

MARKETING TRENDS

Tablets

It is easy to see why NPD predicts that tablets will outsell laptops in 2013, with over 240 million units sold worldwide. And the category is no longer the exclusive domain of Apple, with innovative tablets coming from Lenovo, Samsung, Toshiba and many other leading brands.

Competition is spurring innovation on many fronts. Tablets are getting bigger AND smaller: 7-inch is the fastest-growing category, while 40-inch table models provide interesting functionality for retail applications and multi-player gaming. They are coming with detachable keyboards so they can be used either as laptops or tablets and there are options that allow the use of a stylus in addition to a finger for writing, drawing and navigating.

Implications for marketers

First, it means that websites optimised for interaction from a PC or laptop could frustrate hundreds of millions of users accessing sites from their tablets. Responsive design should be the norm for current websites, and this will require major overhauls for most brands. Second, since tablets are often used while watching television, tighter integration between the TV commercial and the tablet-based Web experience is also a necessity. This will require stronger connections between the broadcast and digital agencies, which must be facilitated by savvy client-side marketers. Finally, as more magazines are adding digital versions to be read on tablets, print advertising must be re-imagined for digital. Key takeaway: optimising marketing communications for the tablet should be on top of every marketer's list this year.

Music

Music subscription service Rhapsody is launching in 16 additional European countries in the second quarter of 2013. This marks the first proper international launch for the long-standing music subscription service. Rhapsody already has a presence in the U.K. and Germany through its Napster brand, and hasn't launched a Rhapsody offering in any other markets beyond the U.S. The news comes on the heels of an announcement by headphone maker Beats Electronics that it has recruited online music pioneer Ian Rogers to run its yet-to-be launched music subscription service, code-named Daisy. Beats acquired the struggling music subscription service MOG last July, and now plans to launch a new offering with the help of MOG's technology and licenses.

TVs

A number of announcements were made by Samsung, Sharp, LG, Panasonic and others. The TVs are getting bigger (85-110 inches), the pictures are getting better (8x clearer in the case of Ultra HD) and, most importantly, they're getting smarter. With social media and Web-based content apps native to the TV, marketers must now begin thinking about a fourth screen in addition to PCs, tablets and smartphones. The living room television has long been the centre of household content viewing and, with more capable smart TVs, content will shift from broadcast programming to viewing that is more interactive.

DIGITAL