

New Media, New Business Models & New Opportunities

Campbell Cowie

Director, Public Policy
Time Warner Europe
OECD London 2nd June 2005

DISCLAIMER: The views expressed in this presentation are solely those of the author.

Traditional case for intervention in content & conduit markets linked to market power

- Competition policy issues: cross-media ownership, integration
- Political issue: media plurality
- Market power: network, intermediary services and content
- Consumer preference is (as always) key

Market definition issues

- Technology evolves quickly in the media industry
- New markets are still in their infancy
- These are innovative markets where products are differentiated and success is still highly unpredictable
- Convergence and fast-changing technology make market definition, assessment of demand substitutability and of market power challenging

Market power at the network level

- Need to assess each market structure in its own specific context:
 - ◆ Distribution via traditional platforms and new media (mobile, ISPs, telecoms)
 - ◆ Emerging new services for consumers
- Market power requires a case specific assessment
 - ◆ Pay TV: competition vs monopoly
 - ◆ DSL: effective wholesale competition is rare
- Key question is to what extent (if at all) new media content deals impact on:
 - ◆ Inter-platform competition
 - ◆ Intra-platform competition
- Differentiated product problem: consumer choice and new technology hold the key

What do we expect of DRM technologies?

- Welfare enhancing pricing models & market expansion
- Provides a bright line between legitimate and illegitimate consumer actions



Your Technology D-Ticket

- Select one:
- Watch Once
 - Have for a Week
 - Add to Library
 - Load on Portable Player
 - Burn DVD
 - Buy extra material

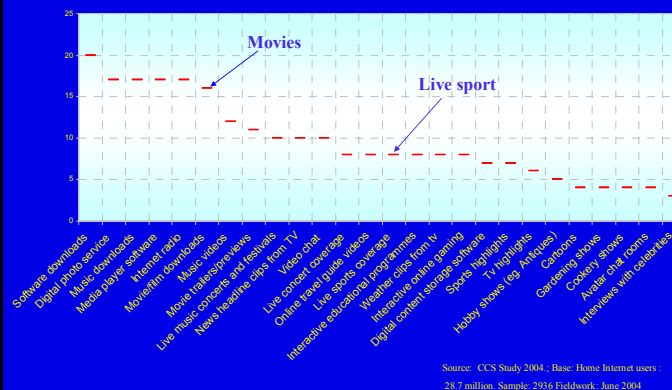
DRM transforms intermediary economics

- Intermediation central to content business model
 - ◆ Aggregation
 - ◆ Trust
 - ◆ Market making
 - ◆ Matching
- Platform operators fulfil intermediary functions – source of market power
- DRM (and broadband) may lower entry barriers in intermediary markets
 - ◆ Conditional Access, search and billing
- A charge towards disintermediation?

Considerable uncertainty exists around content business models

- Drivers behind transition from generalist free-to-air to thematic pay TV likely to be different from those driving the transition to the next generation
- Technology supports access to a wider range of attractive content for new media platforms
- A significant number of content providers, with lower entry barriers and lower switching costs
- The content markets are very competitive at every stage

Evidence suggests a more varied content diet in the new media environment



Warner Bros. New Content Deals in Europe

- VoD – Telecom Italia (Italy)
- VoD – SF Anytime (Denmark, Finland, Norway, Sweden)
- VoD – Lyse (Norway)
- SVoD – VNL/Home Choice (U.K.)
- Pay-per-view to PVR – BSkyB (U.K.)
- Pay-per-view – Premiere (Germany)

Some Conclusions

- Ultimate Goal: Greater consumer choice, more diversity and improved visual and audio quality.
- Market delineations are a moving target.
- New business models are emerging and are currently under review.
- It is important to recognise the need to protect valuable IPRs so as not to reduce incentives to invest and innovate.
- It really is simply a matter of time!
- Who will ultimately drive development of new media markets in a convergent world? Consumer demand!