The dynamics of the media and contents sector

Setting the scene
Enabling the new media world

Source: Chaval

Jean Paul Simon
An overview of the global TMT ecosystem

The total sector (network operations, hardware, IT services and software, content and intermediation) still growing from 2006 on at a 8.4% rate, up to 1.207 US $ billion in 2010 (Booz, 2011)

- Despite a 2% decline in 2009.

To be noted the growing role of emerging markets: growing at a 12.6% with a overall share up from 20 to 24%
- Growing three times faster in telecom markets,
- But mature markets still accounts for 76% of the total revenues in 2010.

Network operators still account for 41% of the total revenues
- The impact of diversification remains limited.
- Boosting non-core revenues is an issue.

The intermediation sector grew over 17%

New devices and emerging markets are fueling the growth of manufacturers
- With a low portion of revenues coming from intermediation.

The content sector « only » grew 4.9%
- A growth mostly due to new digital business models.
The role of new entrants on the road toward a multiscreen, multichannel world

**Phase 1:** Telcos entering looking for new streams of revenues to mitigate the loss of their more traditional revenues from the fixed networks (voice telephony).

**Phase 2:** IT companies (search engines, e-dealers like Amazon and e-bay), then social networks and manufacturers like Apple took over to lead the process.

**Phase 3:** Legacy media players are becoming more proactive players of the « app » age,

- Establishing new relationships, signing commercial agreements with new entrants
- The Internet not seen as a threat any more but as an opportunity.
Funding the new networks in an OTT era

Smartphones are the biggest contributors to the mobile internet explosion
Looking at the composition the traffic growth, the growth is mainly driven by media,
- Video being the driver, generating imbalance in revenues.
The current data explosion calling for a deployment of new networks
- taking place at a difficult economic time.
According to industry voices:
- on one side we have a declining EU telecom industry (with voice traffic declining 7% per year)
- and on the other a rising Over-the-Top (OTT) and software sectors dominated by US players (and Asian players to a lesser extent)
✓ With different views on regulation: net neutrality principles v. reasonable traffic management
Pending issues

Is there a misalignment between prices and costs in the telecom industry?

- Jeopardizing the development of new networks,
- Making the existing business models unsustainable.

Lack of demand for massive additional bandwidth in the EU?

- No significant signals of consumers' demand: a major difference with Asian markets (on line gaming),
- Hence the perceived reluctance of the telecom industry to deploy ultra fast broadband.

Growth (traffic) is to be expected nevertheless

- How to monetize this growth?

Room for innovation in multisided markets with creative business models?
Thanks

jpsmultimedia@hotmail.com

Source: Desclozeaux