

Portals: A Treatise on Internet-Distributed Television

By Amanda Lotz

Notes by: Anton Zitz

Summary

1. Book theorizing and expanding on the new Streaming Wars.

Key Takeaways

Introduction:

1. Media cannot be destroyed as it will always persist; however, the distribution systems used to circulate media will evolve regularly and different systems can introduce wide ranging changes to the production and consumption of media.
2. New media has not replaced television but it will change how it operates.
 - a. A schedule remained necessary because of technological limitations imposed by the broadcast signals (and norms maintained by cable) that could only transmit one message at a time to a mass audience.
 - b. Internet distributed television does not have the limitation of content that needs to be delivered on a schedule.
3. Networks and channels serving as gatekeepers according to a linear schedule was not really something inherent to television but rather a function of the technology used to deliver video; this means the norms and industrial practices will change.
 - a. **The central difference is the migration of the linear schedule to personally selected content from an industrially curated library.**
4. Process to develop theories suited to internet-distributed television include identifying emerging protocols, investigating similarities / differences, and assessing consequences for creative practices, texts, and audiences.
5. Internet distribution requires an entity to **organize** and **deliver** programming. Author defines them as portals that **collect, curate, and distribute** the television programming.
 - a. Examples include Netflix, SeeSo, CBS All Access, and HBO Now and are considered the internet equivalent of channels.
 - b. Selecting content is a key task for both channels and portals, but a key difference is non-linear access frees them from the task of scheduling but makes **curation** more important than it ever was before.
6. Although the task of scheduling goes away, the portals primary task becomes one of curating a library of content based on identity, vision, and strategy that drive its business model.
 - a. Factors that drive this include the revenue model, target market, and IP owned by the portal.
 - b. Other features that portals must be focused on include its user interface and capabilities they offer users (these factors provide opportunities for differentiation).
 - c. Other items include strategies to organize content, whether the last view content plays automatically, and how sophisticated the search and recommendation functions can be.
 - d. A key note here is portals could be very unique depending on the user.
 - e. Two curation tactics include an audience strategy (for example, Noggin for preschoolers) and a content acquisition strategy (for example, WWE for wrestling fans).
7. **IDTV nonlinearity enabled two key transformations in television protocols:**
 - a. **1) it allowed for the adoption of a subscriber funded model and**

17. Subscribers only willing to pay for a service that offers a value proposition considerably better than an advertiser supported environment.
 - a. Perhaps explains the Peacock strategy as they feel their content may not be as good as others.
18. Thoughts on a subscriber funded model
 - a. Access to a package of goods as opposed to individual transactions as in the publishing model.
 - b. Different revenue stream and relies on bundling but historical bundling (i.e. newspapers, magazines, and music) was in response to the economics of manufacturing and distributing those physical goods. Economies of scope were needed to justify manufacturing costs in this era.
 - c. Portal strategy of collecting goods in a library in response to heterogenous tastes, risk averseness of audiences paying up to try new programs, and **marketing costs of transaction in single goods**.
 - d. Curate a collection of good and compile content and organize it in a convenient and accessible manner.
19. Smith & Telang on “bundling”.
 - a. Goods with very low marginal costs (i.e. internet distributed video) allows bundling to create economies of “aggregation”.
 - b. Value of bundling over transactional comes from bundling allowing greater efficiency in predicting consumer value for a collection of goods as opposed to single goods.
 - c. This predictability is then matched with collecting extensive data about viewers tastes that generates more predictive capabilities for large bundlers allowing them to extract more value than small bundlers.
 - d. The larger the bundle for consumers, the more convenient for consumers and this increases their willingness to pay.
 - e. Bundling benefits buyers and sellers and is beneficial in an environment in which marginal costs are functionally zero.
20. Vertical integration and increased value of a library rather than a schedule has caused portals to value ownership of rights maintain valued titles in perpetuity rather than license the content.
 - a. Perpetual access makes these libraries different as artificial scarcity, price discrimination, and windowing won’t be as effective to drive viewer behavior and maximize revenue.
21. Trade off in video content between: “savings from shared consumption of a common commodity and the loss of satisfaction when messages are not tailored to an individual or local taste”.
 - a. This means most watched isn’t more valuable; portals will develop metrics for this.
22. Portals could price according to usage level rather than all you can eat and license holders could seek a different remuneration model linked to consumption.
23. The “access to a package of goods” characteristic provides more predictability than the publishing model; although acquiring and retaining subs is challenging, providing a portfolio of products and collecting extensive data about use helps the company understand subscriber satisfaction and preferences that aids in managing content costs.
 - a. Can achieve pricing variation based on the amount of content streamed.
24. Changes in internet pricing structures could have significant implications for portals because of high speed internet monopolies in the US; this can be reduced from improvements in technology and if the pricing of mobile internet providers becomes a comparable alternative to home internet service.

Strategies of IDTV: Vertical Integration and the Studio Portal:

25. Ad supported TV creates content to draw audiences sought by advertisers and subscriber funded TV seek to provide content that justifies the monthly subscription fee.
26. Portals will likely further fragment audiences if they keep their own libraries and also through the aspect of time (nonlinear) viewing.
27. The subscription library model and conglomerated niche curation strategy respond well to heterogenous tastes.
28. Ownership of substantial IP seems to be table stakes to launch a portal so things in video may not change much from historical eras.
29. By 2015, retransmission revenues accounted for \$6.3B in broadcast revenue and this became a valuable revenue source for them.

Conclusion: Looking Outside Television

30. Book publishers have business models based on circulating content that balances revenue from new titles (new series), new content from known authors (new seasons of established series), and revenue from a backlist (library rights) that are consumed nonlinearly.
31. Television could learn something from analyzing the publishing industry although the revenue is more transactional; also similar to circulating libraries in the 18th century.

Table: Principal Logics underlying the Subscriber Model of Internet Portals (Good Summary)

1. General Characteristics
 - a. Curates a collection of cultural goods.
 - b. Individual / household purchases access to a collection of goods and enjoys unlimited consumption.
 - c. Distinctive strategies for both broad and narrow collections.
2. Central Function
 - a. The portal curates, purchasing rights, or creating content that can be accessed at will.
 - b. Portal maximizes value of limited content budget, sometime leveraging library of self-owned content / IP.
 - c. Maintains and improves viewer experience of portal technology.
3. Economic Organization
 - a. Large infrastructure of employees maintains curation, licensing, infrastructure, and customer acquisition / service.
 - b. Actual content creation following norms of publishing model with irregular employment.
 - c. Creator remuneration for initial creation less linked to metric of performance; limited residuals.
 - d. License fees paid for unlimited viewing for a period of time.
 - e. Portals aim to provide the least content that maintains maximum subscribers (trade-off).
4. Creative Professions
 - a. Data analysts make sense of subscriber behavior to inform develop / acquisition strategies.
 - b. Computer / data scientists improve recommendation algorithms, user experience interface, features, and functionality.
 - c. Development and acquisition teams oversee commissions and licenses.
 - d. Creative talent (externally contracted) makes content.
5. Income
 - a. Consistent and linked to subscribers rather than consumption of particular pieces of content or quantity of consumption.
 - b. Benefits from economies of scale and near zero marginal cost.

- c. More variation in pricing strategies.
- 6. Market Characteristics
 - a. Varied based on general or niche aim.
 - b. Varied based on self-owned IP.
- 7. Key Strategies
 - a. Goods bundled into a library.
 - b. Exclusivity.
 - c. Vertical Integration.

What I got out of it

1. Media cannot be destroyed, but distribution systems will evolve and change the production and consumption of media.
 - a. For example, skipping theatres, residuals, license model, consume not on a schedule.
2. The historical use of a schedule driven from technological limitations and not because it was the best way; skills will now shift from a schedule to curation.
 - a. New key competencies will to be collect, curate, and distribute content.
 - b. A key constraint is no longer time slots, but content budget.
3. IDTV changed the game in that it introduced the subscriber funded model and content that attracts subs as opposed to audiences for advertisers.
4. Bundling creates a lot of value for buyers and sellers in goods with zero marginal costs (i.e. streaming).
 - a. Conglomerated niche strategies pursued by Netflix also possible / attractive.
5. This makes vertical integration / exclusivity / and a bundled library important asset in the future.
6. Portals could shift pricing to consumption-based models and future of broadband will have impacts in streaming as well although it may not be discussed widely.
7. Studying the publishing industry which balances new works from new authors (new series), new works from existing authors, and old titles consumed in a non-linear manner an interesting thing for streamers to study.
 - a. Also circulating libraries from the 1700's has some interesting commonality as well.

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