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Can Intel Build the Cable Company of the Future?

The tech press has invested a lot of hope (and hype) in Apple and the potential for an "iTV" to revolutionize the distribution of video content much the way iTunes and the iPod revolutionized digital music. But there's another player at work on a potentially game-changing TV offering: Intel.

At first blush, it may seem odd that Intel would try to put itself forward as the MSO of the future. Intel has always burnished itself as an enabler of technology, not a consumer media brand. But stepping back, it does start to make more sense. Intel was late to the mobile game, ceding ground to other chip suppliers which it is still struggling to gain back. Intel doesn't want to make the same mistake in the living room. The company has already had some notable successes on this score: Comcast will be rolling out an Intel-based set-top box made by Arris that enables viewers to watch Comcast content on mobile devices and laptops running Intel chips.

But Intel has a bigger appetite than supplying the country's largest cable operator. In fact, it wants to be its own operator. Unlike Apple, Intel's TV efforts are shrouded in much less secrecy, and some concrete details have emerged to give us a fair degree of confidence as to what the service will look like. And it's ambitious. Intel is banking on computational horsepower and a better set-top box to give it a leg up in the battle for the living room. According to the Wall Street Journal, Intel's TV operation will "include a server farm to record every piece of programming aired—local, national and international—and store it for at least three days in the "cloud." With an Intel-designed set-top box, people won't have to own DVRs or even plan to record programs. Switch on the TV in the middle of any show, and a viewer can simply go back to the beginning."

Intel was also said to be planning a set-top box with a built-in camera for better ad targeting. While a public outcry has forced the company to scuttle those plans (at least, for now), Reuters has noted that Intel's big pitch to the content community hinges on its ability, through "proprietary technology," to generate more revenue from interactive ads to offset declines in content licensing fees. Either way, Intel is said to want the service to be live before the end of the year. Speaking at the recent TV of Tomorrow conference, Intel's VP and General Manager Eric Free said the goal was to grow the nascent business to the size of U.S. satellite TV services—which would put the company in the 15-20 million subscriber range.

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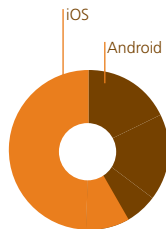
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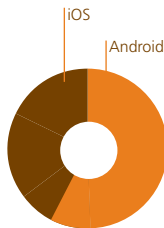
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Estimated 2012 Tablet iOS & Android OS Market Share



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Estimated 2018 Tablet iOS & Android OS Market Share



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But (there's always a but) there's a catch, a potentially fatal yet utterly predictable one: Intel has yet to convince content owners to climb onboard, despite the fact that the company is said to be offering huge premiums for programming (up to 75% more than cable companies pay for the same rights, according to Reuters). One reason networks are holding out is because Intel's traditional TV competition is offering "incentives" to content owners to keep them away. Networks are also not convinced that Intel can really deliver the kind of ad revenue they're promising.

So we are left with a now familiar dynamic in the TV market: the technology is in place to enable a new kind of viewing experience but the content owners are not yet comfortable with the business models. Meanwhile, cable TV continues to lose subscribers and in the most recent quarter, both DirecTV and DISH shed subs. Though IPTV subscriptions continued to grow, they are not growing fast enough to offset the other losses in the traditional pay TV market as a whole. It may be premature to herald the long-awaited arrival of cord cutting, but if trends continue, content owners may start to rethink the attractiveness of Intel's approach.

Tablets: A Two OS Race?

In the early days of the tablet market, there was reasonable speculation that no supplier and/or brand could knock Apple off the throne of the product category it basically invented.

But since Android and its most successful partner, Samsung, began finding success against the smartphone beachhead that is Apple, the tablet version of Android is serving to credibly challenge the overwhelming dominance of Apple in the tablet market. Even with Apple's frequent product updates and overwhelming market share dominance for several years, it is now feeling the hot breath of competition coming from behind. The Android tablet market, finding its stride with lower-cost offerings, is growing so swiftly that DTC projects it will split the market with Apple by 2014 and be a majority by 2015. DTC expects Apple's share to steadily decrease over the next five years, dropping by almost 10% over the time frame from 52% in 2013 to 43% in 2018.

Samsung's Galaxy series in particular is garnering a following that is poised to rival Apple user's infamous cult-like allegiance. With continuous brand building efforts – think the Samsung Galaxy stores inside of consumer electronics giant Best Buy – DTC expects Samsung to continue to be the overwhelming leader of Android tablets and the biggest competition to Apple over the next five years with an expected tablet market share of at least 30% in 2018. Samsung's ability to marry its custom apps with the Android OS has helped the brand to create an ecosystem recognizable across many devices and the Galaxy tablet is vying to be at the helm of those devices.

Right now the market is a showdown between Apple and Android devices, but Microsoft is not to be discounted. Several suppliers are carrying Windows tablets and of course Microsoft itself is making the Surface. To date, while sales of these devices have been low they are still in a position to alter the tablet market share terrain, especially if adoption of Windows tablets picks up in the enterprise market.

In a market that has far exceeded initial expectations, growth opportunities are seemingly infinite both for existing suppliers and ones who are still looking to get a piece of the pie. And with shipments expected to grow from roughly 191 million in 2013 to almost 470 million in 2018, there is definitely enough pie to go around.

Technology Patents Meet High Finance

Technology patents have always been more than just inventions. They've also been the defensive muscle for counter-suing and cross-licensing when faced with infringement litigation from competitors. But more and more, these assets are moving out of the legal department and into the world of high finance.

The recent high-profile campaigns against "patent trolls", or Non Practicing Entities (NPEs) bring this point to light. That's because there are many companies/entities that fall into the NPE camp that are intellectual property owners through large-scale mergers and IP acquisitions (think Microsoft, Technicolor), university tech-transfer offices, and brokers making deals with inventors and investors. Instead of using the IP as cudgels to frivolously demand money from budding inventors, they are using them as assets to be traded, sold and monetized.

And it's not surprising that with the billions of dollars swirling around high-tech patent litigation (think the epic and ongoing smartphone battle between Samsung and Apple) and the acquisition of patent portfolios from companies like Nortel, Motorola and Kodak, high-finance methods are being adopted for monetizing these assets. Among them: Patent stock exchanges; private equity investments; and hedge funds that allow fund investors to realize ROI by taking a piece of royalty revenue collected from out-licensing programs. So, what does this all have to do with patent trolls?

Not much, really. But lumping together those who are aggressive opportunists most indicative of the "troll" label with other entities that enforce IP rights, even if they don't make a product associated with that IP, paints a myopic picture of today's technology IP landscape.

The days of high-tech IP being only used for defensive purposes is a bit quaint. For better or for worse, IP assets are now being sliced, diced, repackaged and "securitized" in creative financial packages. And large corporations that have amassed large and valuable patent portfolios through years of mergers and acquisitions are likely to also treat their IP as revenue-generating assets and not just as defensive hedges against potential infringement suits from competitors.

Do turning high-tech patents into sophisticated financial products benefit the business of innovation? It's not clear, but what is clear is that those who are involved in technology innovation will benefit from understanding the ways patents are valued by their owners – whether they be the inventors, large corporations with equally large patent portfolios, or an investor in a hedge fund.

DIGITAL TV RECEIVERS: WORLDWIDE SHIPMENT FORECASTS

(2011-2017 | 7th EDITION)

DTH satellite STBs, digital cable STBs, IPTV STBs, and DTT STBs and IDTVs are all forecasted in this report that provides a thorough and concise snapshot of the future of digital TV devices.

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HOW DO YOU PLAN FOR AN ANALOG-TO-DIGITAL TV TRANSITION?

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Every member of our team has been directly involved in analog-to-digital terrestrial TV transitions round the world by evaluating technical standards and specifications, overseeing transmission infrastructure installations, helping government agencies and retailers with consumer receiver procurement,

managing government programs for receiver distribution, and developing consumer education programs.

Because no two transitions are alike, the DTV Transition Group responds to the unique culture, economics, and goals to tailor a DTV Transition to specific country conditions. We take a holistic approach to a transition, having assembled a team with expertise in government relations, retailer and consumer education, technology, market conditions and equipment suppliers. A transition is not about moving from one technology to another. It is about transforming an entire communications system to improve communications for citizens and governments. For more information, please contact Myra Moore at 214.915.0930